

Carlsquare/Vontobel weekly trading note: European equities in favour despite Trump's tariffs

This week's case concerns the British Pound, which we believe has a good chance of strengthening against the USD. This is against the backdrop of a weaker American economy, with President Trump's policies giving the US more inflationary impetus than is the case in the UK. Technical sell signals have emerged on several major equity indices. We believe that the momentum in favour of European relative to US equities could continue for some time.

Since last September, the USD has enjoyed a monumental rally against most other currencies. When Trump was elected US President in November 2024, the US Dollar strengthened even further. Among the major currencies, the GBP has managed to hold a relatively large amount of ground against the USD compared to others. Looking ahead, we see several indicators in the form of macro statistics, but also a momentum to invest in European assets, which should favour the GBP against the USD.

European equity indices such as the DAX, OMX and FTSE have outperformed US equity indices so far in 2025. At the same time, the weak performance of the US Russell 2000 index suggests that the market no longer believes that Trump's tariffs will be beneficial for US companies.

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