

# MARKET UPDATE

07/05/2025

## Dollar languishes before Fed meeting.

The dollar was largely flat on Wednesday before a Federal Reserve meeting to determine policy for an uncertain economy and as major investors in Asia continued cashing out of U.S. assets.

News that the United States and China are due to talk on Saturday eased concerns about a trade war that has shaken investor confidence in the dollar and U.S. markets. Fed Chair Jerome Powell was expected to say more data is needed before deciding the U.S. central bank's next move.

There appeared to be some letup in the selling of dollars since last week, which has been driven by investors globally, particularly in lower-yielding emerging markets, swapping out of the currency or bringing money home.

The greenback got a "micro bounce" on the impending trade talks, but broad pessimism about the U.S. economy and the dollar remain intact, according to IG analyst Tony Sycamore.

"I don't think the theme of U.S. dollar weakness is going to change," Sycamore said. "There's also a lot of uncertainty from offshore investors as to whether they want to be overexposed or overweight U.S. equities."

## European stocks mixed.

European equity indices traded in a mixed fashion Wednesday, helped by indications of U.S.-China trade talks as investors digested more corporate earnings ahead of a monetary policy announcement from the Federal Reserve.

At 03:05 ET (07:05 GMT), the DAX index in Germany climbed 0.1%, while the CAC 40 in France dropped 0.3% and the FTSE 100 in the U.K. fell 0.2%.

### U.S.-China trade talks

The tone in Europe has been boosted to a degree by the news that trade talks between the U.S. and China are set to shortly start, raising hopes for a deescalation in an ongoing trade war that has roiled markets and threatened to plunge the global economy into recession.

U.S. Treasury Secretary Scott Bessent and Trade Representative Jamieson Greer will meet with their Chinese counterparts for trade negotiations in Switzerland this week, their offices said on Tuesday.

## US-China trade talks to formally begin this week.

U.S. Treasury Secretary Scott Bessent and Trade Representative Jamieson Greer will meet with their Chinese counterparts for trade negotiations in Switzerland this week, their offices said on Tuesday.

Both Bessent and Greer will meet with Swiss President Karin Keller-Sutter, and will also meet with their counterparts from the People's Republic of China "to discuss trade matters," their respective offices said in a statement. The two will travel to Switzerland on May 8.

"I look forward to productive talks as we work towards rebalancing the international economic system towards better serving the interests of the United States," Bessent said in a statement.

China's Foreign Minister said that Vice Premier He Lifeng, Beijing's lead official in U.S.-China trade matters, will meet Bessent in Switzerland, according to NBC.

The talks mark a potential thaw in Sino-U.S. relations, after the two countries became embroiled in a bitter trade war through April. U.S. President Donald Trump had imposed 145% tariffs on Chinese goods, drawing retaliatory measures of 125% from Beijing.

The tariff exchange had rattled global markets with the prospect of widespread economic disruptions, with recent data points from China and the U.S. already showing some deterioration.

U.S. stock index futures- which had initially fallen on Tuesday evening- rose after the trade talks were announced. S&P 500 Futures were up 0.7% by 19:15 ET (23:15 GMT).

The announcement of the talks in Switzerland comes following some encouraging comments from both Chinese and U.S. officials, that they were open to trade talks. Bessent has also repeatedly warned that the steep trade tariffs were unsustainable, and that he expects deescalation soon.

**Important Note:** The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement