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Market Snapshot

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Equities rose after Donald Trump unveiled a US-UK trade deal and made optimistic statements about trade talks with China, which kick off in Switzerland at the weekend. Mr Trump said the UK trade deal would result in billions of dollars of increased market access for American exports. President Trump said the deal was just the start, adding that the trade talks and a tax bill moving through Congress made it a great time to invest in the US stock market.

The Bank of England cut interest rates by a quarter of a point, as expected, but the vote was taken as more hawkish than expected by markets.

The FTSE 100 was up 0.9% over the week by mid-session on Friday, with the more UK-focused FTSE 250 trading up 1.8%.

Global trade

Donald Trump hinted that US tariffs on goods from China may be cut as top trade representatives from the world's two biggest economies prepare to hold talks. "You can't get any higher. It's at 145, so we know it's coming down," Mr Trump said. China's Vice Foreign Minister Hua Chunying said Beijing has "full confidence" in its ability to manage trade issues with the US. Talks are being held in Switzerland between 9 and 12 May. US Treasury Secretary Scott Bessent said: "My sense is that this will be about de-escalation, not about the big trade deal, but we've got to de-escalate before we can move forward."

Mr Trump made the comments about China during an event to unveil a tariff deal with the UK – the first such agreement since his early April tariff announcement. The UK government also said it had agreed a major trade deal with India. The landmark agreement will mean dramatic tariff reductions on scotch whisky and car exports to India – while levies on aerospace, electricals and other food products will also fall. There was some controversy over a decision to exempt Indian workers who have been temporarily seconded to the UK and their employers from national insurance contributions (NICs) for three years.

What are the terms of the US-UK trade deal – and is this the beginning of the end of Donald Trump's trade war?

The 1 May UK election results were a large – if not unexpected – shock to the two main parties. Some new policy initiatives are likely – and a cabinet reshuffle is possible. A change of gear in the UK?

Economics

The Federal Reserve kept interest rates unchanged, despite pressure from President Trump to lower borrowing costs. Chairman Jerome Powell said the economic fallout from the Trump administration's trade tariffs meant it was "not at all clear" what the central bank should do next. Mr Powell said if Trump's tariff policies remained in place they were likely "to generate a rise in inflation, a slowdown in economic growth, and an increase in unemployment".

After US gross domestic product fell in the first quarter of 2025, is a US recession likely?

Warmer weather and the late timing of Easter helped boost footfall at UK retailers.

As expected, the Bank of England cut UK interest rates by 0.25 basis points to 4.25%, although the vote was more hawkish than expected. The central bank's Monetary Policy Committee (MPC) voted 5-4 for the quarter-point cut, with the vote split more divided than expected. Two members, Swati Dhingra and Alan Taylor, pressed the case for a larger 50-basis-point cut, but two members, Catherine Mann and Huw Pill, preferred to keep rates unchanged. Most economists had expected all MPC members to support a reduction in rates.

Warmer weather and the late timing of Easter helped boost footfall at UK retailers, according to the British Retail Consortium. Its footfall monitor showed total UK footfall across both March and April edged up 0.2% year-on-year. Within that, the high street showed a modest 0.2% uptick, while footfall at shopping centres decreased by 0.7%. Retail saw a solid 2.7% rise in visitor numbers.

Ahead of the trade talks with Washington, Beijing announced on Wednesday a raft of stimulus measures, including interest rate cuts and a major liquidity injection, as Chinese authorities increased efforts to dampen the economic damage caused by the trade war.

Geopolitics

German shares fell sharply after Friedrich Merz failed to secure enough votes to become Chancellor after the first round of parliamentary voting. Mr Merz had been widely expected to win the vote and succeed Olaf Sholz six months to the day his government collapsed. His CDU/CSU/SPD coalition has a nominal 328 votes in the Bundestag – but he received only 310 and fell six short of the majority required to confirm him as the leader of Europe's biggest economy.

After a phone call with Ukrainian President Volodymyr Zelenskyy, Donald Trump called for a 30-day unconditional ceasefire. “If the ceasefire is not respected, the US and its partners will impose further sanctions,” Mr Trump posted on his Truth Social media site. Mr Zelenskyy said that he told President Trump that Ukraine was ready for talks on the war with Russia “in any format” but first “Russia must show that it is serious about ending the war, starting with a full and unconditional ceasefire”.

President Trump is expected to announce a US-supervised plan to end Israel’s war on Gaza over the weekend, including a ceasefire and a reconstruction programme, according to reports. The proposals include the establishment of humanitarian aid distribution centres managed by the US in coordination with the Israeli occupation military, along with a wide-scale infrastructure rebuilding process across the Gaza Strip, the reports said.

Companies

Amazon beat Wall Street’s first-quarter earnings estimates, but management issued lighter-than-expected guidance for its second-quarter operating income. Regarding tariffs, management observed minimal impact on retail demand during the quarter but saw some signs of pre-buying ahead of tariffs. It believes its broad selection and large seller base provides advantages during tariff uncertainty. While cloud business AWS annual sales growth of 17% slightly missed market expectations, as it continues to face supply constraints which are expected to ease throughout the year. The second quarter outlook points to continued growth, though the guidance excludes the unpredictable impact of potential significant tariff escalations.

Defence giant **BAE Systems** reported a “strong” start to 2025 and maintained guidance for the year. Management shrugged off concerns about US tariffs as BAE’s US production facilities meant that its US operations are produced with a “largely domestic” supply chain. The defence giant continues to win new contracts and to invest in the business to support future growth. Management said it plans to hire thousands more staff as the company prepares for an increase in global defence spending.

Apple shares fell after its second quarter earnings despite the results coming in ahead of market expectations. The company’s closely-watched Services division came up light versus estimates. Tariffs were a key focus, with management guiding a likely better-than-feared $900m third-quarter cost headwind, although it cautioned this figure will benefits from temporary factors such as inventory build ahead of the introduction of the levies. Significant uncertainty remains beyond the third quarter.

Denmark’s **Novo Nordisk** cut its annual revenue and profit forecasts after disappointing sales of its weight-loss drug Wegovy, as US prescriptions tailed off. A boom in sales of Wegovy and the diabetes medication Ozempic helped to turn the drugmaker into Europe’s most valuable listed company. However, prescriptions in the US, its biggest market, have not grown since February, even though Novo Nordisk increased production of Wegovy to meet demand for the slimming drug. A slowdown in forecast sales growth is likely to deepen investor concerns that Denmark’s biggest company is losing market share to its US rival Eli Lilly, which makes the diabetes and obesity drugs Mounjaro and Zepbound.

AstraZeneca reported positive results from a Phase III trial of its treatment for non-muscle-invasive bladder cancer (NMIBC). Over a one-year period, Imfinzi, otherwise known as durvalumab, demonstrated "statistically significant and clinically meaningful improvement" in the disease-free survival of patients suffering from high-risk NMIBC, the company said.

Starbucks posted a disappointing set of second-quarter figures, reporting another quarter of sales declines that missed market expectations. The improvement seen in the previous quarter did not continue. Weakness in the US was driven by a decline in transactions, which could not be offset by price growth. However, the International division fared better. To minimise the effect of tariffs, Starbucks is diversifying its coffee sources and redirecting shipments. It is also building up stockpiles of coffee to mitigate the impacts of volatile arabica beans prices. There is little visibility on the near-term trajectory of earnings and the challenges the brand faces are lingering.

Shares in **Centrica** fell after management at the British Gas owner warned of challenges in its energy trading business. British Gas Residential Energy has been impacted by warmer-than-usual weather in the second quarter but is expected to remain within its medium-term sustainable profit range for the year. The company also noted that its Centrica Energy division is likely to be at the lower end of its profit range due to challenging conditions in gas and power trading. Nevertheless, management reaffirmed its full-year profit and dividend guidance.

British Airways owner **IAG** reiterated its full-year guidance after a surge in first-quarter operating profits. The airline holding company, which also owns Iberia, Vueling, Aer Lingus, LEVEL, IAG Loyalty and IAG Cargo, said it was ordering 53 wide-bodied aircraft from **Boeing** and **Airbus** as it was confident about future demand for long-haul travel, despite the current economic uncertainty.

Embattled builders' merchant **Travis Perkins** said it has appointed Gavin Slark – the current chief executive of construction group **SIG** – as its new CEO with effect no later than 1 January 2026. The company issued its third profit warning in less than a year in early April 2025, citing "challenging" trading conditions and a slowing construction market recovery.

The Walt Disney Co beat market expectations in its second-quarter results and raised its full-year guidance. Revenues and profits were boosted as its US theme parks thrived and the company added well over a million subscribers to its streaming service. Management previously said that it expected a modest decline in Disney+ subscribers when compared with the first quarter.

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