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# Market Snapshot

Published 27 June 2025

US equity markets rose this week and were approaching record highs, as oil prices eased despite the continuing tensions with Iran. The FTSE 100, however, put in a more subdued performance.

Federal Reserve Chair Jerome Powell testified before the Senate Banking Committee and tangled with Republican senators amid pressure from Donald Trump to cut interest rates. Mr Powell said that rate cuts could come "sooner rather than later" but noted there will be some inflation from tariffs coming over the course of the coming months and these needed to be assessed.

The FTSE 100 was +0.1% over the week by mid-session on Friday, with the more UK-focused FTSE 250 trading +2.2%.

## Economics

The pound briefly hit its highest level against the dollar for almost four years after markets were unnerved by a report that US President Donald Trump could bring forward the naming of the new head of the US central bank. The dollar weakened after the Wall Street Journal reported Mr Trump had considered naming Jerome Powell's replacement as head of the Federal Reserve by September or October. The US Federal Reserve is independent from the government and Mr Powell chairs a committee that decides on interest rates which have remained unchanged this year, prompting a series of angry outbursts from Mr Trump. On Wednesday, the president called Mr Powell "terrible" and said he was looking at "three or four people" who could replace him. Mr Powell's term is due to end in May 2026.

Earlier in the week, Mr Powell told US lawmakers the Federal Reserve would wait and see how the American economy reacts if Trump's so-called retaliatory tariffs against a range of countries come into force next month, after being paused until 9 July.

All eyes are on Friday's release of the US Personal Consumption Expenditures (PCE) Price Index, the Federal Reserve's preferred inflation gauge, with economists expecting a modest 0.2% month-over-month rise in core PCE. This would keep the annual

rate near 2.6%, slightly above the Fed's 2% target but well below the peaks of 2022. The data is pivotal because it will shape expectations for interest rate cuts later this year. Fed Chair Jerome Powell recently signalled that while inflation has eased significantly, it remains "somewhat elevated," and policymakers are wary of renewed price pressures from tariffs and geopolitical tensions. A softer-than-expected reading could bolster the case for rate cuts as early as September, while a surprise uptick might delay easing and rattle markets.

US initial jobless claims fell by 10,000 to a seasonally adjusted 236,000 for the week ending June 21, 2025, slightly below economists' expectations of 245,000. Despite the dip, the broader labour market showed signs of strain, with continuing claims – which is regarded as a proxy for hiring – rising by 37,000 to 1.974 million, the highest level since November 2021. The data suggests a potential rise in the June unemployment rate, with persistent job market softness which could weigh on consumer confidence and economic momentum.



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Flash Purchasing Managers' Index (PMI) readings for June, painted a mixed picture of global economic momentum, with the US continuing to outperform while Europe showed signs of stagnation. The US composite PMI rose modestly, driven by resilient service sector activity, suggesting steady – if unspectacular – growth. In contrast, the Eurozone's PMI remained flat, with Germany's manufacturing sector still in contraction and France's services sector showing weakness. The UK's PMI edged up slightly, buoyed by hopes tied to a new US-UK trade deal. These readings are closely watched as early indicators of economic health, offering real-time insights into business sentiment, hiring, and inflation pressures. With central banks weighing rate cuts and

geopolitical risks mounting, the PMI data serves as a crucial barometer for policymakers and investors alike.

UK retail sales volumes tumbled in June, according to the latest distributive trades survey from the Confederation of British Industry (CBI). It said the retail sales volumes balance slumped to -46 from -27 in May. The ninth consecutive month of decline, the figure also missed consensus expectations of -32. A balance is the weighted difference between the percentage of firms reporting an increase and those noting a decrease. Sales volumes for the time of year were judged to be poor, with a balance of -37, and few expect conditions to improve in the short term. A balance of -38 expect sales in July to also be below average for the time of year. Online retail sales volumes remained in positive territory, although the balance shrank to 6 from 37 in May. Martin Sartorius, principal economist at the CBI, said: "Many firms [are] reporting that consumer caution continues to hold back sales. These data suggest that underlying activity remains subdued in the distribution sector."

## Geopolitics

Rising tensions in the Middle East, particularly involving Iran and the Strait of Hormuz, initially pushed Brent crude oil prices toward \$80 per barrel, but prices have eased after a ceasefire agreement between Tel Aviv and Tehran. Analysts warned that prices could spike to \$100 if the situation escalates. The Israel-Iran conflict reached a dramatic turning point after a 12-day escalation culminated in US-led airstrikes on Iran's key nuclear facilities, including Fordow, Natanz, and Isfahan. President Donald Trump, aligning closely with Israel, ordered the strikes and declared the conflict "over" during a Nato summit, likening the operation's impact to the atomic bombings that ended World War II. Mr Trump claimed the attacks had "obliterated" Iran's nuclear capabilities, though leaked intelligence suggested the damage may have only set Iran's program back by months. Despite the aggressive posture, President Trump signalled a willingness to engage in talks with Iranian leaders, while his envoy expressed hope for a peace accord – provided Iran abandons its nuclear ambitions. The situation remains tense, with the international community urging restraint and verification of the true extent of the damage.

This week's NATO summit in The Hague was marked by a dramatic shift in tone and ambition, with leaders unveiling what Finland's president called "the birth of a new NATO." The alliance agreed to a sweeping overhaul of defence spending, targeting 3.5% of gross domestic product (GDP) by 2035 – up from the long-standing 2% benchmark – with a focus on infrastructure, cyber defence, and military readiness. Donald Trump dominated the summit,

receiving effusive praise from Nato Secretary-General Mark Rutte and claiming credit for the surge in European defence budgets. Mr Trump reaffirmed the US's commitment to Nato's collective defence clause, Article 5, but stirred unease by suggesting there are "numerous definitions" of what that commitment entails. Meanwhile, Ukraine's hopes for membership were quietly sidelined, with the alliance offering rhetorical support but no clear path forward, underscoring the geopolitical tightrope Nato continues to walk amid ongoing conflict with Russia.

## Companies

Oil giant **Shell** said that it has "no intention" of making an offer for rival **BP**. In a brief statement in response to media speculation on Wednesday, the company said it has not been actively considering making an offer for BP, it has not made an approach and no talks have taken place with regards to a possible offer.

Car dealership **Inchcape** reiterated its full-year guidance after what it called a "resilient operating performance" for the six months ending 30 June. Management reported "continued improvement" in trading and growth in the Americas, while its Australian business was said to be resilient and it saw ongoing headwinds in certain markets in Asia. Operations in Europe and Africa both delivered a continued underlying outperformance of the wider market.

**Halfords** delivered a resilient full-year performance, with underlying profit before tax rising 6.4% to £38.4m – beating market expectations – despite a challenging retail environment and rising labour costs. Gross margins improved by 2.5 percentage points to 50.7%, thanks to better buying, pricing strategies, and a shift toward higher-margin services. However, the company reported a statutory loss of £30m, largely due to a non-cash goodwill impairment linked to rising UK gilt yields. Chief executive Henry Birch emphasised strategic progress, including more than £35m in cost savings and a growing customer base for its Motoring Club, now exceeding five million members.

**FedEx**, often regarded as a proxy for global activity, wrapped up its financial year with a stronger-than-expected fourth-quarter performance, beating Wall Street estimates. The logistics giant credited its success to the completion of its \$2.2bn DRIVE cost-cutting initiative, which helped boost operating margins and offset ongoing macroeconomic headwinds. US daily package volume rose 6%, with home delivery surging 10% year-over-year, signalling resilient e-commerce demand. Despite the upbeat results, the shares dipped as the company's forward guidance came in slightly below expectations. Chief

executive Raj Subramaniam reaffirmed confidence in FedEx's transformation strategy, targeting an additional \$1bn in cost savings for the current year while navigating a complex global demand environment.

**Micron Technology** delivered a standout third-quarter earnings report, posting record revenue of \$9.3bn – up from \$8.05bn in the previous quarter – driven by surging demand for artificial intelligence (AI) related memory products. The results were ahead of Wall Street's expectations. The company saw nearly 50% sequential growth in high-bandwidth memory (HBM) sales and a doubling of data centre revenue year-over-year, while consumer markets also showed strong sequential gains. Chief executive Sanjay Mehrotra highlighted Micron's disciplined investments and manufacturing excellence as key to meeting growing AI-driven demand. It's guidance for the current quarter was also upbeat.

**Nike** beat earnings expectations with earnings per share (EPS) of \$0.14, topping forecasts of \$0.11. However, the fourth-quarter earnings report revealed a challenging end to its financial year, with revenues falling 12% annually to \$11.1bn, as the company grappled with weak digital sales and broad-based declines across all geographies. Direct-to-consumer revenue dropped 14%, driven by a steep 26% plunge in Nike Brand Digital, while wholesale revenue slipped 9%. Gross margins narrowed by 440 basis points to 40.3%, reflecting deeper discounts and a shift in sales channels. Chief Elliott Hill acknowledged the results were "not where we want them to be," but expressed confidence in the company's "Win Now" strategy and a new "sport offense" realignment aimed at reigniting growth through sharper focus on core sports categories and consumer engagement.

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