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Market Snapshot

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Donald Trump's unprecedented attempt to fire Federal Reserve (Fed) Governor Lisa Cook has sparked alarm over the future of central bank independence and its implications for monetary policy and markets. Citing unproven mortgage fraud allegations, President Trump moved to oust Cook – who has vowed to fight the dismissal in court – potentially giving him a majority on the Fed's seven-member board. Such political interference could erode the Fed's credibility and lead to inflationary risks if Trump-appointed governors push for artificially low interest rates to stimulate short-term growth. While markets initially shrugged off the news, over the longer term, sustained meddling could destabilise investor confidence, weaken the dollar and complicate the Fed's dual mandate of controlling inflation and supporting employment.

Markets are keenly waiting for the release of the US core personal-consumption expenditures (PCE) index, the Fed's preferred inflation barometer, on Friday afternoon. It is forecast to rise 0.3% in July, a move that would bring the annual inflation rate up to 2.9%, the highest rate since February. It would be the third straight increase in the yearly rate. Higher inflation from tariffs is starting to flow through the economy while growth is losing some momentum. Fed Chair Jerome Powell signalled in his Jackson Hole speech that rates could be reduced at the Fed's September meeting and the release could have a major impact on their decision if inflation is much worse than expected.

We also got second-quarter results from artificial intelligence chip group **Nvidia**, which were more or less as expected, but the market did not get a substantial earnings beat as in previous quarters. Nevertheless, the results provided some support for the AI growth story.

The FTSE 100 was down 1.2% over the week by mid-session on Friday, with the more UK-focused FTSE 250 trading 0.8% lower.

Donald Trump

Concerns are mounting that US President Donald Trump is politicising the Fed, a move that could destabilise monetary policy, erode investor confidence, and set a dangerous precedent for future administrations. In a dramatic escalation of his long-running feud with the Fed, Mr Trump attempted to fire Governor Lisa Cook, citing unproven allegations of mortgage fraud – a move widely seen as a direct challenge to the central bank's independence. Ms Cook, the first Black woman to serve on the Fed's Board of Governors, has vowed to fight the dismissal in court, setting up a constitutional showdown that could reach the Supreme Court. If successful, Mr Trump would secure a majority of loyalists on the Fed board, potentially enabling him to push for aggressive interest rate cuts ahead of the 2026 election. The market reaction was mixed. Global equities dipped sharply as the news broke, particularly in Asia and Europe – while Wall Street remained relatively calm, buoyed by optimism around tech earnings and rate cut expectations. However, the crypto sector was hit hard, with Bitcoin plunging below \$110,000 and more than \$100bn wiped from the market, reflecting fears that Trump's interference could undermine the credibility of the Strategic Bitcoin Reserve he established earlier this year. The bond market reacted sharply. Treasury yields spiked as concerns mounted over the Fed's independence. The dollar weakened slightly, while gold surged near its 52-week high as investors sought safe havens amid the turmoil. The timing was particularly sensitive, as Chair Jerome Powell recently signalled a potential rate cut to support slowing employment in his Jackson Hole speech, but the political chaos may now force the Fed to delay action to preserve its autonomy.



Despite the threat of higher tariffs, India continued to buy Russian crude, albeit at lower levels.

In a sweeping shift in trade policy, the US imposed tariffs of up to 50% on Indian goods in 2025, citing both economic and geopolitical concerns. Initially triggered by a \$45.6bn trade deficit and India's comparatively high tariff rates, the measures escalated sharply after India continued importing Russian oil amid global tensions. In President Trump's second term, the US introduced a universal 10% tariff on all imports in April, followed by a 25% India-specific tariff in August, and an additional 25% penalty targeting India's ties with Russia. Despite the threat of higher tariffs, India continued to buy Russian crude, albeit at lower levels. These higher punitive tariffs came into effect on 27 August.

President Trump has also officially ended the long-standing "de minimis" exemption that allowed low-value packages – those under \$800 – to enter the US duty-free, a move aimed at curbing trade abuses and illicit imports. Effective from 29 August, all such shipments, including those from major e-commerce hubs such as China and Hong Kong, will now face tariffs based on their country of origin or a temporary flat fee ranging from \$80 to \$200 per item. The White House framed the policy shift as a national security measure, citing the surge in fentanyl and counterfeit goods smuggled through small parcels. With more than 309 million de minimis shipments recorded this financial year so far, officials argue the loophole has become a "big scam" exploited by foreign sellers and undermining US businesses. While major carriers such as FedEx and UPS say they're prepared, global mail services have begun suspending some deliveries to the US, raising concerns about disruptions to online shopping and cross-border logistics.

Economics

Since last autumn's Budget, things have taken a turn for the worse for Chancellor Rachel Reeves. While economic growth has slightly outperformed expectations in 2025 – with GDP rising 0.7% in the first quarter and 0.3% in the second – the broader picture is far from reassuring. The jobs market is softening, with rising unemployment and falling vacancies, and inflation remains stubbornly high, which is limiting the Bank of England's ability to cut interest rates and support the economy. What might the Budget hold?

The US economy grew faster than initially reported in the second quarter of 2025, with the Bureau of Economic Analysis revising gross domestic product (GDP) upward to an annualised rate of 3.3% from the previous 3.0% estimate. The revision was driven by stronger consumer spending and investment, particularly in intellectual property and equipment, offsetting weaker government spending and higher imports. The rebound follows a 0.5% contraction in the first quarter, bringing the first-half growth rate to a modest 1.4%. The rise may reflect a sharp drop

in imports after tariff-driven stockpiling earlier in the year.

US consumer confidence dipped slightly in August, with the Conference Board's index falling 1.3 points to 97.4, reflecting growing unease over the labour market and inflationary pressures. The expectations index, which gauges short-term outlooks for income, business conditions, and employment, dropped to 74.8 – well below the recession-warning threshold of 80.1. The decline marks the eighth consecutive month of deteriorating sentiment around job availability, compounded by disappointing employment data and rising concerns over the impact of President Trump's sweeping tariffs. While consumer-level prices remained stable, wholesale inflation surged, suggesting that higher costs may soon reach households. With consumer spending driving nearly 70% of US GDP, the easing is of concern.

German consumer confidence continued its downward spiral in August, with the GfK Consumer Climate index falling to -21.5 points, marking its lowest level since April and missing market expectations of -19.2. The decline was driven by a sharp drop in income expectations – down 11.1 points – as fears over rising unemployment and inflation intensified. Economic optimism also waned for the second consecutive month, while the willingness to buy remained near historic lows, reflecting deepening caution among households. Analysts attribute the slump to geopolitical tensions, including US tariff policies, and domestic uncertainty surrounding Germany's new federal government. With consumer spending accounting for a large share of GDP, the persistent pessimism threatens to stall economic recovery and complicate fiscal planning heading into the final quarter of the year.

Geopolitics

Denmark has summoned the top US diplomat in Copenhagen following reports that individuals linked to President Donald Trump's administration have been conducting covert influence operations in Greenland, a semi-autonomous Danish territory. The alleged activities – ranging from intelligence gathering to compiling lists of pro- and anti-US Greenlanders – have sparked outrage in Denmark, which views such interference as a breach of sovereignty and a threat to democratic norms. At the heart of the US interest in Greenland lies its vast reserves of rare earth minerals, estimated to be worth over \$4 trillion, and its strategic location in the rapidly militarising Arctic, where melting ice is opening new shipping lanes and intensifying global competition. Trump has openly stated his desire to bring Greenland under US control, even hinting at military options, framing the island as essential to national security and global dominance. Concerns

are that the escalating tensions could fracture Nato unity, provoke retaliatory measures from Denmark, and heighten geopolitical rivalry with Russia and China, both of which have growing interests in the Arctic.

Companies

Nvidia, the world's most valuable company and the chip group at the centre of the AI boom, posted its long-awaited second-quarter results. The company reported a solid quarter ahead of expectations, but the earnings beat was more modest than in recent quarters. This is unsurprising given the uncertainty around China revenues following a change in the regulatory environment. In late July, the US government began reviewing licenses for sales of H2O to China customers. While second quarter results did benefit by ~\$650m in H2O revenue to a non-China customer, the company did not ship any H2O GPUs to Chinese customers in the quarter. It also excluded H2O revenue in its third quarter outlook as the company continues to work through geopolitical issues. If geopolitical issues reside, it expects to ship \$2bn to \$5bn in H2O revenue in the third quarter, suggesting scope for upside if political conditions ease.

Rio Tinto unveiled a new corporate structure aimed at streamlining operations and sharpening its strategic focus across three core business units: Iron Ore, Aluminium & Lithium, and Copper. The restructuring consolidates global assets under unified leadership – most notably integrating its Western Australian iron ore operations with the Iron Ore Company of Canada and the Simandou project in Guinea, now led by Matthew Holcz. Lithium has been folded into the Aluminium group under Jérôme Pécresse to leverage shared processing capabilities and downstream exposure, while the Copper division, led by Katie Jackson, remains focused on energy transition-linked growth projects. The overhaul is designed to boost accountability, operational excellence, and capital discipline, with chief executive Simon Trott emphasising the need to unlock long-term shareholder value in an increasingly competitive and resource-constrained global market. There are execution risks, as the company navigates complex global supply chains and regulatory landscapes.

Prudential reported a strong set of interim results for the first half, beating consensus estimates and reinforcing its strategic pivot toward growth markets and enhanced shareholder returns. Adjusted operating profit before tax rose 6% to \$1.64bn, while new business profit surged 12% to \$1.26bn.

The results supported a 13% hike in its interim dividend and the continuation of a \$2bn share buyback programme. Chief executive Anil Wadhvani highlighted the company's "inflection point" in capital generation, with plans to return more than \$5bn to shareholders by 2027. The market responded positively.

Bunzl delivered a resilient interim performance, reporting a 4.2% rise in revenue at constant exchange rates to £5.76bn, despite a 14% drop in operating profit and a 10.5% decline in pre-tax profit. The company's operating margin slipped to 7.0%, reflecting ongoing challenges in its North American and Continental European businesses, though early signs of recovery in the US market were noted. Investors responded positively, buoyed by the resumption of Bunzl's £200m share buyback programme and five strategic acquisitions, including entries into Mexico and Spain. Chief executive Frank van Zanten reaffirmed full-year guidance and highlighted operational improvements and cost-saving measures aimed at stabilising margins in the second half.

JD Sports Fashion reported a mixed second-quarter update, with underlying like-for-like sales falling 3% amid continued weakness in the UK market. Revenues in established UK shops fell 6.6% as the athleisurewear company struggled to beat strong trading last year, when it received a boost from the men's Euro 2024 football tournament and women's growing taste for sports footwear such as Adidas's Samba and Gazelle. The company said it had invested in cutting prices online amid "tough comparatives", especially on footwear for women and children.

A 12% jump in **Lego's** revenues during the first half of the year was helped by home décor wall art sets and Formula One race cars. The company reported a record 34.6bn Danish kroner (£4.2bn) in revenue and operating profit rose 10% year over year. The brick toymaker launched 314 new sets during the first six months of the year, another record high. Lego has steadily added new product to its portfolio, branching out into home decor with wall art sets. It has also added new license partners. Up next is a multiyear partnership with Pokemon, due to hit shelves in 2026.

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