

EURUSD Analysis Report

Fundamental Analysis

The current macroeconomic landscape is characterized by significant tensions between the Trump administration and elite educational institutions, particularly Harvard University, over compliance with federal funding requirements and the management of intellectual property rights. The administration's recent actions, including a comprehensive review of Harvard's federally funded research programs and the initiation of the "march-in" process under the Bayh-Dole Act, reflect a broader strategy to exert control over federal funding allocations and institutional compliance (VJ1SRO3W8). This conflict is not merely administrative; it has profound implications for the operational frameworks of research institutions, which are critical to innovation and economic growth. The underlying first principles driving this situation include the relationship between federal funding and institutional compliance with national policy objectives, particularly regarding diversity, equity, and inclusion (DEI) initiatives. The administration's approach suggests a shift towards a more interventionist stance, where adherence to federal expectations could dictate funding availability, thereby altering the operational landscape for universities (VJ1SRO3W8). This is compounded by the broader economic context, where universities are increasingly reliant on federal grants, which can constitute a significant portion of their budgets. For instance, Columbia University recently negotiated a \$200 million settlement to restore funding, which included financial penalties and compliance measures, setting a precedent that could influence negotiations with Harvard and other institutions (VJ1SRO3W8).

The causal chain here is clear: as the Trump administration intensifies its scrutiny of Harvard, it not only threatens the university's funding but also sets a precedent for other institutions, potentially leading to a broader restructuring of how universities engage with federal funding (VJ1SRO3W8). The administration's successful negotiations with Columbia and Brown universities could serve as templates for resolving disputes with Harvard, indicating a potential shift in the balance of power between federal authorities and educational institutions (VJ1SRO3W8). This dynamic could lead to a re-evaluation of institutional priorities, particularly in how they align with federal expectations regarding DEI and other policy initiatives. In terms of market implications, the base case suggests that if Harvard and similar institutions comply with federal demands, we could see a stabilization of funding flows, which would support ongoing research and development efforts critical to economic growth. Conversely, failure to reach an agreement could lead to significant funding losses, impacting not only the universities involved but also the broader innovation ecosystem reliant on their research outputs (VJ1SRO3W8). Key risks include the potential for prolonged legal battles that could delay funding restoration, shifts in public sentiment regarding federal oversight of educational institutions, and the broader implications of these conflicts on international student enrollment and research collaboration. Moving forward, stakeholders should watch for signals such as the outcomes of ongoing negotiations between Harvard and the administration, any changes in federal funding policies, and the responses of other universities facing similar pressures. The confidence in this analysis is moderate, given the unpredictable nature of political negotiations and the potential for external shocks that could alter the current trajectory. However, the structural dynamics suggest that

the administration's approach could lead to significant changes in how universities operate within the federal funding framework, with long-term implications for innovation and economic growth.

Medium Analysis

The current macroeconomic landscape in the U.S. is marked by rising unemployment rates, particularly among Black Americans, which have reached 7.2% in July, the highest since the pandemic (1443EJVX4). This increase signals potential economic strain, as historically, Black workers are often the first to experience job losses during downturns (1443EJVX4). The overall job market is also showing signs of weakness, with only 73,000 jobs added in July, significantly below the expected 105,000, and substantial downward revisions of previous months' job gains totaling 258,000 (1443EJVX4). The sluggish job growth is attributed to a combination of factors, including the Trump administration's aggressive tariff policies, which have created uncertainty for businesses and led to hiring freezes (1443EJVX4). Economists warn that the rising unemployment among Black workers could signal broader issues in the labor market, exacerbated by federal job cuts and economic uncertainty, potentially leading to declines in consumer spending and social stability (1443EJVX4).

In the political arena, President Trump is actively pursuing a maximalist agenda, expanding federal power over various sectors, including education, banking, and voting (9JYRMPXB0). His administration's recent directive to delete COVID-19 vaccination records from federal employee files reflects a broader effort to reverse pandemic-era policies and protect federal workers from repercussions related to their vaccination choices (N9A7MEOD2). This move, alongside the push for redistricting efforts in Texas aimed at consolidating Republican power, indicates a strategic maneuver to bolster Trump's political standing ahead of the 2026 midterms (1443EJVX4). The intersection of these economic and political dynamics creates a complex scenario for the markets. The rising unemployment rate among Black Americans could lead to increased social unrest and political backlash, particularly as federal job cuts disproportionately affect this demographic (1443EJVX4). Additionally, the ongoing tensions between the U.S. and Mexico regarding military intervention against drug cartels could further complicate trade relations and economic stability in the region (4693XL4AP).

Looking ahead, the base case anticipates continued economic strain characterized by rising unemployment and sluggish job growth, driven by the effects of tariffs and federal job cuts. Key risks include potential social unrest stemming from rising unemployment, further political polarization due to aggressive redistricting efforts, and international tensions affecting trade and investment flows. Investors should watch for signals such as changes in unemployment rates, shifts in federal employment policies, and developments in U.S.-Mexico relations that could impact market sentiment and economic forecasts. A scenario map could outline potential catalysts, such as upcoming job reports and federal policy changes, alongside invalidations like unexpected economic recovery or political shifts, with specified timing windows to illustrate path dependency. Confidence in this analysis is moderate, given the interplay of economic indicators and political maneuvers that could shift rapidly.

Citations:

1443EJVX4 - Why rising Black unemployment should worry us all -
<https://www.usatoday.com/story/newsletter/2025/08/08/rising-black-unemployment-job-market/85572763007/>

9JYRMPXB0 - Trump Is Building a Maximalist Government -
<https://www.nytimes.com/2025/08/08/us/politics/trump-presidential-power.html>

N9A7MEOD2 - Federal agencies directed to delete employee COVID vaccination records and exemption requests -
<https://www.foxnews.com/politics/federal-agencies-directed-delete-employee-covid-vaccination-records-exemption-requests>

4693XL4AP - La presidenta de México dice que las fuerzas militares de EE. UU. no son bienvenidas en su país -
<https://www.nytimes.com/es/2025/08/08/espanol/america-latina/mexico-trump-ejercito-carteles.html>

Current Analysis

The current geopolitical landscape surrounding U.S.-Russia relations is poised for significant volatility, particularly following President Trump's recent expressions of disappointment with President Putin and the potential for a one-on-one meeting that excludes Ukrainian President Zelensky (K8PPBLI93). This scenario raises immediate concerns about U.S. concessions to Russia, which analysts suggest could lead to a shift in U.S. policy favoring Russian interests, especially if negotiations occur without Ukrainian or European oversight (K8PPBLI93). The uncertainty surrounding a ceasefire deadline, which Trump has linked to potential sanctions against Russia, adds complexity to the situation. As of now, there is no indication that the Kremlin is prepared to announce a truce, which could embolden Trump to engage with Putin on terms that may not align with Ukrainian or European expectations (K8PPBLI93).

In the near term, market reactions to these developments will likely hinge on the outcomes of any potential meetings between Trump and Putin. If Trump proceeds with a meeting without Zelensky, it could signal a pivot in U.S. foreign policy that prioritizes bilateral relations over the ongoing conflict in Ukraine, potentially leading to a reduction in sanctions or other concessions that would benefit Russia (K8PPBLI93). This could create a risk-off sentiment in markets, particularly among investors concerned about geopolitical stability in Eastern Europe. Key levels to monitor include the response from European allies and the Ukrainian government, as any perceived capitulation by the U.S. could lead to increased tensions and market volatility.

The immediate drivers of this situation include Trump's statements and the Kremlin's strategic interests in developing U.S.-Russia relations independently of the Ukraine conflict (K8PPBLI93). The expected reaction function from the market will likely be sensitive to any announcements regarding sanctions or diplomatic engagements. Should Trump fail to secure a truce or make concessions viewed as unfavorable by Ukraine and its allies, we could see a significant backlash that negatively impacts market sentiment.

In summary, the base case anticipates heightened volatility in U.S.-Russia relations, with potential concessions from the U.S. to Russia being a key driver. The primary risks include backlash from Ukraine and European allies, potential escalation of military actions in Ukraine, and domestic

political ramifications for Trump if perceived as weak on foreign policy. Investors should watch for signals from upcoming meetings, any announcements regarding sanctions, and the responses from Ukraine and European nations to gauge the evolving landscape. Confidence in this analysis is moderate, given the unpredictable nature of geopolitical negotiations.

Citations:

K8PPBLI93 - Trump Says He's 'Very Disappointed' With Putin -
<https://www.bloomberg.com/news/videos/2025-08-08/trump-says-he-s-very-disappointed-with-putin-video>