

EURUSD Analysis Report

Executive Summary

The current macroeconomic landscape in the U.S. reflects a complex interplay of structural and cyclical factors, with GDP growth stabilizing around 2% annually, driven by resilient consumer spending and a gradual recovery in business investment (J8D0E7VC2). However, inflation remains a critical concern, currently at 4.2%, prompting the Federal Reserve to adopt a cautious approach to interest rate adjustments as it seeks to balance growth with price stability (VJ1SRO3W8). The transition from a low-interest-rate environment to a more normalized rate landscape, influenced by persistent inflation and supply chain disruptions, complicates the Fed's tightening cycle, which is expected to continue but at a slower pace (J8D0E7VC2). The widening current account deficit, now at 4.5% of GDP, reflects increased imports and a competitive global landscape, posing risks to domestic producers who may face challenges in maintaining market share (HWGNUP2XG). Labor market conditions are deteriorating, particularly among Black Americans, whose unemployment rate has surged to 7.2%, a significant increase from 6.3% a year ago and 6.8% the previous month (1443EJVX4). This trend is exacerbated by federal job cuts and aggressive policies from the Trump administration, including import tariffs that create uncertainty for businesses and lead to hiring freezes, particularly in sectors where Black workers are overrepresented (1443EJVX4). The sluggish job growth, with only 73,000 jobs added in July against an expectation of 105,000—a shortfall of approximately 30%—signals broader labor market weaknesses (1443EJVX4). Looking ahead, continued federal job cuts and economic uncertainty are likely to exacerbate these labor market strains over the next 3-6 months, with key triggers including changes in unemployment rates and job growth figures (1443EJVX4). Geopolitical tensions, particularly surrounding U.S.-Russia relations, add another layer of complexity. A potential meeting between President Trump and President Putin could lead to significant market volatility, especially if concessions are made that undermine Ukraine's position in the ongoing conflict (K8PPBLI93). The market's reaction will hinge on the outcome of this meeting, with energy prices and equity markets likely to respond negatively to any perceived weakness in U.S. foreign policy (K8PPBLI93). Overall, confidence in this outlook is moderate, contingent upon the Fed's ability to navigate these challenges without triggering a recession.

Movers Scenarios

The current macroeconomic landscape in the U.S. is characterized by a complex interplay of structural and cyclical factors, with GDP growth projected to stabilize around 2% annually, driven by resilient consumer spending and a gradual recovery in business investment (J8D0E7VC2). However, inflation remains a critical concern, currently at 4.2%, prompting the Federal Reserve to adopt a cautious approach to interest rate adjustments, as it aims to balance growth with price stability (VJ1SRO3W8). The transition from a low-interest-rate environment to a more normalized rate landscape is influenced by persistent inflationary pressures and supply chain disruptions, with the Fed's tightening cycle expected to continue, albeit at a slower pace, as it assesses the impact of its policies on economic activity and inflation (J8D0E7VC2). The U.S. balance of payments is deteriorating, with a current account deficit widening to 4.5% of GDP, reflecting increased imports

and a competitive global landscape that challenges domestic producers (HWGNUP2XG). In this context, the equity market is particularly sensitive to shifts in monetary policy, with sectors such as technology and consumer discretionary facing headwinds as borrowing costs rise (XPGIRT4RH). The labor market is also showing significant strain, particularly among Black Americans, whose unemployment rate surged to 7.2% in July, the highest since the pandemic (1443EJVX4). This increase, coupled with sluggish job growth of only 73,000 jobs added in July—well below the anticipated 105,000—and downward revisions of previous months' job gains by 258,000, suggests a broader deterioration in labor market conditions (1443EJVX4). The aggressive policy shifts of the Trump administration, including import tariffs and immigration crackdowns, are contributing to this instability, leading to hiring freezes and layoffs, especially in sectors where Black workers are overrepresented (1443EJVX4).

Looking ahead, the geopolitical landscape surrounding U.S.-Russia relations is poised for volatility, particularly with the potential for a meeting between President Trump and President Putin, which could lead to concessions that undermine Ukraine's position in the ongoing conflict (K8PPBLI93). The immediate catalyst is the August 8 timeframe for a potential ceasefire, which analysts deem unlikely, raising concerns about U.S. foreign policy and its implications for energy prices and equity markets (K8PPBLI93). The base case anticipates a gradual stabilization of inflation and growth, with the Fed likely pausing rate hikes in response to signs of economic cooling, contingent upon the Fed's ability to navigate challenges without triggering a recession. Key risks include a resurgence of inflation driven by supply chain issues, geopolitical shocks disrupting trade, and a more aggressive Fed response if inflation expectations become unanchored. What to watch next includes inflation data, Fed communications, job growth figures, and developments in U.S.-China trade relations, as well as the outcome of the Trump-Putin meeting. Confidence in this outlook is moderate, given the complex interplay of economic and political factors that could alter the trajectory of the U.S. economy in the coming months.

Swing Trade Or Outlook

The current macroeconomic landscape in the U.S. is characterized by a delicate balance between moderate growth and persistent inflation, with GDP growth projected to stabilize around 2% annually, driven by resilient consumer spending and a gradual recovery in business investment (J8D0E7VC2). However, inflation remains a critical concern, currently at 4.2%, prompting the Federal Reserve to adopt a cautious approach to interest rate adjustments as it seeks to balance growth with price stability (VJ1SRO3W8). The Fed's tightening cycle, which has seen rates rise from near-zero levels, is expected to continue, albeit at a slower pace, as the central bank assesses the impact of its policies on economic activity and inflation (J8D0E7VC2). This transition is further complicated by geopolitical tensions and trade dynamics, which have implications for terms of trade and external balances, as evidenced by the widening current account deficit of 4.5% of GDP (HWGNUP2XG).

In the labor market, the rising unemployment rate among Black Americans, which surged to 7.2% in July, signals significant strain, particularly as only 73,000 jobs were added in July—well below the anticipated 105,000 (1443EJVX4). This sluggish growth, compounded by downward revisions of previous months' job gains by 258,000, suggests a broader deterioration in labor market conditions

(1443EJVX4). The Trump administration's aggressive policy shifts, including import tariffs and immigration crackdowns, are contributing to labor market instability, particularly in sectors where Black workers are overrepresented (1443EJVX4). The interplay between rising unemployment and consumer spending is critical; as job losses mount, consumer confidence and spending are likely to decline, further impacting GDP growth and influencing the Fed's policy decisions (1443EJVX4). Looking ahead, continued federal job cuts and economic uncertainty are likely to exacerbate labor market weaknesses over the next 3-6 months, with key triggers including changes in unemployment rates and job growth figures (1443EJVX4).

Geopolitical factors also play a crucial role in shaping market dynamics. The potential meeting between President Trump and President Putin raises concerns about possible U.S. concessions to Russia that could undermine Ukraine's position in the ongoing conflict (K8PPBLI93). If this meeting occurs without Ukrainian representation, it could signal a shift in U.S. policy that prioritizes bilateral relations over the resolution of the conflict, leading to increased volatility in equity and commodity markets (K8PPBLI93). Market reactions will likely hinge on the outcome of this potential meeting, with energy prices, particularly crude oil, expected to fluctuate by 3-5% based on market sentiment surrounding the meeting (K8PPBLI93).

The base case anticipates a gradual stabilization of inflation and growth, with the Fed likely continuing its tightening cycle, albeit at a moderated pace, in response to persistent inflationary pressures (J8D0E7VC2). However, key risks include a potential resurgence of inflation driven by supply chain issues, geopolitical shocks that could disrupt trade, and the possibility of a more aggressive Fed response if inflation expectations become unanchored (J8D0E7VC2)(HWGNUP2XG). Investors should closely monitor inflation data, Fed communications, and developments in U.S.-China trade relations as signals of potential regime shifts. Overall, confidence in this outlook is moderate, contingent upon the Fed's ability to navigate these challenges without triggering a recession.

In summary, the interplay of structural and cyclical factors, including inflation, labor market conditions, and geopolitical tensions, creates a complex landscape for investors. The Fed's cautious approach to interest rates, coupled with the ongoing labor market strains and potential geopolitical volatility, will be critical in shaping market dynamics in the near term.

****Movers & Scenarios:****

Up | 3-6 months | Stabilization of inflation and growth | Monitor Fed communications and inflation data | 60%

Up | 1-3 months | Potential easing of geopolitical tensions from Trump-Putin meeting | Watch energy prices and equity market reactions | 55%

Down | 3-6 months | Continued labor market instability impacting consumer spending | Track unemployment rates and job growth figures | 65%

Down | 1-3 months | Aggressive Fed response to unanchored inflation expectations | Observe inflation data and Fed policy shifts | 70%

****Trade/Outlook Plan:****

Direction | Horizon | Expected path/levels | Decision signals | Invalidation | Trigger | Probability % | Confidence 0-100

Outlook | 3-6 months | Moderate growth with inflation stabilization | Monitor Fed communications and labor market data | Significant inflation rise | Fed policy announcements | 65% | 70

Fundamental Analysis

The current macroeconomic landscape is characterized by a complex interplay of structural and cyclical factors that shape market dynamics over the multi-year horizon. Central to this analysis is the examination of real rate differentials, productivity trends, and the balance of payments (BoP) positions, which serve as invariant anchors for long-term behavior. The U.S. economy is navigating a phase of moderate growth, with GDP growth projected to stabilize around 2% annually, driven by resilient consumer spending and a gradual recovery in business investment (J8D0E7VC2). However, inflation remains a critical concern, with the latest inflation rate reported at 4.2%, prompting the Federal Reserve's policy reaction function to indicate a cautious approach to interest rate adjustments, aiming to balance growth with price stability (VJ1SRO3W8).

The structural regime is currently defined by a transition from a low-interest-rate environment to a more normalized rate landscape, influenced by persistent inflationary pressures and supply chain disruptions. The Fed's tightening cycle, which has seen rates rise from near-zero levels, is expected to continue, albeit at a slower pace, as the central bank assesses the impact of its policies on economic activity and inflation (J8D0E7VC2). This transition is further complicated by geopolitical tensions and trade dynamics, which have implications for terms of trade and external balances. The U.S. BoP has shown signs of deterioration, with a current account deficit widening to 4.5% of GDP, reflecting increased imports and a competitive global landscape that challenges domestic producers (HWGNUP2XG).

In terms of market pricing, the causal chain is evident: as the Fed signals its commitment to controlling inflation through rate hikes, bond yields are expected to rise, impacting equity valuations and risk premiums across asset classes. The equity market is particularly sensitive to these shifts, with sectors such as technology and consumer discretionary facing headwinds as borrowing costs increase (XPGIRT4RH). Moreover, the ongoing negotiations between the Trump administration and elite universities over federal funding and patent rights could introduce additional volatility, particularly in sectors reliant on research and development (VJ1SRO3W8).

The base case anticipates a gradual stabilization of inflation and growth, with the Fed likely to pause rate hikes in response to signs of economic cooling. Key risks include a potential resurgence of inflation driven by supply chain issues, geopolitical shocks that could disrupt trade, and the possibility of a more aggressive Fed response if inflation expectations become unanchored. Investors should closely monitor inflation data, Fed communications, and developments in U.S.-China trade relations as signals of potential regime shifts. Overall, confidence in this outlook is moderate, contingent upon the Fed's ability to navigate these challenges without triggering a recession.

Medium Analysis

The current macroeconomic landscape in the U.S. is showing significant strain, particularly reflected in the rising unemployment rate among Black Americans, which has surged to 7.2% in July—the highest level since the pandemic (1443EJVX4). This increase, up from 6.3% a year ago and 6.8% the month prior, serves as a troubling indicator, as historically, Black workers are often the first to experience job losses during economic downturns (1443EJVX4). The overall job market is also faltering, with only 73,000 jobs added in July, a figure that falls well below the anticipated 105,000 (1443EJVX4). This sluggish growth is compounded by downward revisions of previous months' job gains by 258,000, suggesting a broader deterioration in labor market conditions (1443EJVX4).

The Trump administration's aggressive policy shifts, including sweeping import tariffs and a stringent immigration crackdown, are contributing to this labor market instability (1443EJVX4). These tariffs create uncertainty for businesses, leading to hiring freezes and layoffs, particularly in sectors where Black workers are overrepresented, such as manufacturing and federal employment (1443EJVX4). The federal workforce has already seen significant job cuts, with 84,000 positions eliminated since January, disproportionately affecting Black employees, who constitute 18% of this workforce (1443EJVX4).

Looking ahead, the scenario/catalyst map indicates that continued federal job cuts and economic uncertainty will likely exacerbate labor market weaknesses over the next 3-6 months. Key triggers to monitor include changes in unemployment rates, job growth figures, and developments in federal policy that could signal shifts in economic momentum (1443EJVX4). The risks associated with this outlook include a potential recession driven by labor market strains, further political polarization impacting economic policy, and the adverse effects of ongoing immigration policies on workforce availability (1443EJVX4). Confidence in this analysis is moderate, given the complex interplay of economic and political factors that could alter the trajectory of the U.S. economy in the coming months.

Current Analysis

In the coming weeks, the geopolitical landscape surrounding U.S.-Russia relations is poised for significant volatility, primarily driven by the potential for a meeting between President Donald Trump and President Vladimir Putin. This meeting, which may occur without the presence of Ukrainian President Volodymyr Zelensky, raises concerns about possible U.S. concessions to Russia that could undermine Ukraine's position in the ongoing conflict (K8PPBLI93). Analysts suggest that such a scenario aligns with Russia's strategic interests, allowing them to shape U.S. policy without the influence of Ukrainian or European stakeholders (K8PPBLI93). The immediate catalyst is the August 8 timeframe articulated by Trump for Putin to agree to a ceasefire, a condition that appears unlikely to be met, as there are no indications from the Kremlin that they are willing to announce a truce (K8PPBLI93).

Market reactions will likely hinge on the outcome of this potential meeting and the broader implications for U.S.-Russia relations. If Trump engages with Putin without Ukrainian representation, it could signal a shift in U.S. policy that prioritizes bilateral relations over the resolution of the conflict in Ukraine, which would be alarming for both Ukraine and European allies (K8PPBLI93). The risk of concessions, such as the dropping of secondary tariffs on Russian oil buyers, could further

exacerbate tensions and lead to a deterioration of trust among U.S. allies (K8PPBLI93). Key levels to monitor include the response of energy prices, particularly crude oil, which could see fluctuations of 3-5% based on market sentiment surrounding the meeting (K8PPBLI93). Additionally, equity markets may react negatively to any perceived weakness in U.S. foreign policy, leading to increased volatility.

The base case anticipates that if Trump and Putin meet and discussions lean towards concessions, it could lead to a temporary easing of tensions, potentially benefiting Russian assets and impacting energy prices positively. However, this scenario carries significant risks, including backlash from Ukraine and European nations, which could lead to renewed sanctions or military support for Ukraine, thereby heightening geopolitical tensions (K8PPBLI93). Furthermore, the market may react negatively to any perceived weakness in U.S. foreign policy, leading to increased volatility in equity and commodity markets. Key risks to watch include the Kremlin's response to the ceasefire timeframe, any public statements from Trump regarding U.S. commitments to Ukraine, and the reactions from European leaders (K8PPBLI93). Overall, confidence in this analysis is moderate, given the unpredictable nature of geopolitical events and their potential market implications.