The Weekly Market Brief

07/27/2026

Welcome back to this week's edition of The Weekly Market Brief, and as always, thank you for the continued feedback and support so far. This week once again brought a lot to cover across deal activity, markets and economic policy, with the Kuwait oil infrastructure deal, Nestle's portfolio reshaping, renewed strength in oil prices, big banks returning to commercial real-estate lending, improving global business activity and rising trade uncertainty all shaping the broader picture. As usual, I have tried to focus on the developments that felt most relevant and interesting, while picking out the key stories that may matter most for investors and the global economy in the weeks and months ahead.

M&A activity - Deal of the Week

M&A activity remained active this week, with several notable developments across consumer goods, facilities management and energy infrastructure. A key theme was again the reshaping of portfolios, the search for scale and the monetization of strategic assets in sectors where efficiency, capital allocation and long-term positioning matter. Nestle moved further with its restructuring by selling half of its Waters and Beverages business to Platinum Equity, Mitie agreed to be acquired by OCS in another deal affecting the London-listed market, and the $16 billion Kuwait oil infrastructure transaction stood out as the week's most important development because of its size, strategic relevance and geopolitical context.

Key M&A Developments

One of the most closely watched developments this week came from consumer goods, where Nestle agreed to sell a 50% stake in its Waters and Beverages business to private-equity group Platinum Equity in a €3 billion, or approximately $3.4 billion, cash transaction. The new joint venture, called Peranel, is valued at around €4.9 billion including cash and debt, and includes well-known brands such as Perrier and San Pellegrino. The deal is expected to close in the first half of next year. Strategically, the transaction fits into Nestle's broader effort to simplify its portfolio and focus more clearly on key categories such as coffee, pet care, nutrition and food. The company has already been moving away from lower-growth or less strategic businesses, including parts of its ice-cream and vitamins portfolios. For Nestle, the sale helps release capital, reduce complexity and create room to focus on businesses with stronger long-term growth potential. At the same time, the transaction comes during a period of restructuring pressure, with high costs weighing on profits and shares falling after weaker-than-expected earnings.

Another notable development came from the U.K. facilities-management sector, where Mitie Group agreed to be acquired by OCS in a deal worth up to £3.1 billion, or approximately $4.2 billion. Under the terms of the transaction, Mitie shareholders would receive up to 221.6 pence per share, including a cash payment of 218.5 pence and a final dividend of up to 3.1 pence. The cash payment represents a 45% premium to Mitie's closing price before the announcement, and Mitie shares rose sharply after the deal was announced. Strategically, the combination is designed to create a larger facilities-management platform with greater opportunities for international expansion and improved service capabilities. The deal is expected to complete in the first quarter of 2027, subject to shareholder approval. It also fits into a broader trend of companies leaving the London Stock Exchange through takeovers, following several recent bids for U.K.-listed businesses. For investors, the transaction again highlights how undervalued or strategically attractive U.K. assets continue to attract buyers.

This Weeks Deal of The Week: KKR, Blackstone Sign $16 Billion Kuwait Oil Deal

This week's Deal of the Week is the $16 billion lease agreement between Kuwait's oil sector and a consortium of investors led by Blackstone, Brookfield and KKR. The transaction involves Kuwait Petroleum Corp., the state-owned company overseeing the country's oil sector, and its subsidiary Kuwait Oil Co., which explores and produces oil on behalf of the state. The deal covers the usage rights to Kuwait Oil Co.'s domestic and export pipeline network and represents the largest foreign direct investment in Kuwait's history.

The reason this deal stands out is that it combines energy infrastructure, foreign direct investment and geopolitics at a time when oil markets and Middle Eastern supply routes remain central to global markets. The transaction is not a traditional corporate takeover, but it is still highly significant because it monetizes critical oil infrastructure while keeping operational control in Kuwaiti hands. Kuwait Oil Co. will retain a 51% majority stake in the new joint venture, while the investor consortium will collectively hold the remaining 49% on equal terms. This structure allows Kuwait to raise substantial capital without giving up control of strategically important national energy assets.

The joint venture will lease usage rights to all 13 of Kuwait Oil Co.'s pipelines, which span roughly 200 miles and include both domestic and export infrastructure. Kuwait Oil Co. will receive exclusive use and operational rights for 20.5 years in exchange for a volume-based tariff. This means that the assets remain central to Kuwait's oil operations, while the investor group receives long-term exposure to infrastructure-style cash flows linked to pipeline usage. The structure is attractive for financial investors because pipelines can offer relatively stable, long-duration returns if volumes remain strong.

Strategically, the deal helps Kuwait Petroleum Corp. and Kuwait Oil Co. fund their long-term capital-expenditure plans. The transaction is expected to generate proceeds of $7.85 billion for Kuwait Oil Co. upon closing. These proceeds will support Kuwait Petroleum Corp.'s target of reaching 4 million barrels per day of crude-oil production capacity by 2035. That goal is important because Kuwait wants to strengthen its position as a major oil producer while continuing to invest in the infrastructure needed to maintain and expand production capacity.

The timing of the transaction is also important. The deal comes shortly after President Trump said he had reversed his plan for a 20% fee on ships transiting the Strait of Hormuz following discussions with Middle Eastern countries about increasing investment in the U.S. Kuwait was named as one of the countries involved in those conversations. While the pipeline transaction itself is based in Kuwait, the broader context shows how energy investment, regional diplomacy and U.S.-Middle East relations are becoming increasingly connected. At a time of renewed instability around key shipping routes, energy infrastructure is not only an economic asset, but also a geopolitical tool.

For Blackstone, Brookfield and KKR, the transaction provides exposure to large-scale energy infrastructure in one of the world's most important oil-producing regions. These firms have long focused on infrastructure assets because they can offer predictable cash flows, inflation-linked characteristics and long investment horizons. A pipeline network used by a state-owned oil company fits well into that strategy. The investors are not taking direct operating control of Kuwait's oil production, but they gain participation in the economics of essential infrastructure that supports the country's export and domestic energy system.

The main opportunity lies in the combination of stable infrastructure returns and Kuwait's long-term production ambitions. If Kuwait succeeds in increasing production capacity toward its 2035 target, pipeline utilization could remain strong, supporting the volume-based tariff model. The long lease period also gives investors visibility over cash flows, which is valuable in an environment where many markets remain volatile. For Kuwait, the deal provides immediate capital while preserving state control over operations and ownership direction. This makes it a useful model for monetizing strategic assets without full privatization.

There is also a broader opportunity for Kuwait to attract more foreign capital. The transaction being described as the country's largest foreign direct investment is important because it may signal a more open approach to international infrastructure partnerships. If the deal works well, it could encourage additional foreign investment into Kuwait's energy, logistics or infrastructure sectors. For a country looking to finance large capital projects while maintaining control over strategic assets, joint ventures with global infrastructure investors can be an attractive route.

However, the risks are also significant. The first risk is geopolitical. The transaction is directly connected to energy infrastructure in a region where conflict, shipping disruptions and political tensions remain major concerns. If instability in the Strait of Hormuz or the wider Gulf region increases, investor perception of these assets could change. Even if the pipelines are domestic and export infrastructure within Kuwait, the value of the assets is still linked to the broader security of regional oil flows and export routes.

Another risk is commodity exposure. Although the investors are not buying oil production directly, pipeline usage ultimately depends on production volumes, export demand and Kuwait's ability to execute its capacity-expansion plans. If oil demand weakens structurally, if prices fall sharply or if production targets are delayed, the economics of the transaction could become less attractive. The volume-based tariff model provides some protection, but it does not completely remove exposure to the underlying energy cycle.

There are also political and regulatory risks. Energy infrastructure is strategically sensitive, especially when foreign investors are involved. Even though Kuwait Oil Co. retains majority ownership and operational control, the presence of foreign investors in critical pipeline infrastructure could attract public or political scrutiny over time. Future governments may also take a different view of foreign participation in national energy assets, which could create uncertainty during the long 20.5-year lease period.

Execution risk is another important factor. The transaction requires the creation of a new joint venture between a state-owned oil company and several major global investment firms. Aligning the interests of public-sector objectives with private-sector return expectations can be complex. Kuwait will want to maintain energy security, operational reliability and national control, while the investors will focus on returns, governance and cash-flow visibility. Managing that balance will be important for the long-term success of the venture.

Overall, the Kuwait pipeline deal stands out because it is a major infrastructure transaction at the intersection of energy security, foreign investment and geopolitics. For Kuwait, the transaction unlocks capital to support long-term production capacity goals while keeping control of strategic oil infrastructure. For Blackstone, Brookfield and KKR, it offers exposure to essential energy assets with potentially stable long-term cash flows. The strategic logic is clear: Kuwait monetizes infrastructure without selling control, while global investors gain access to a large-scale asset class in a key oil-producing country. If the partnership is executed well and regional risks remain manageable, the deal could become an important model for future energy-infrastructure investment in the Gulf. If geopolitical tensions, oil-market volatility or political concerns intensify, however, the transaction could also show how complex foreign investment in strategic energy assets can become.

Market Movements

Market movements this week were shaped by renewed strength in oil prices, continued Middle East supply concerns, selective optimism around AI infrastructure and mixed signals across financials, autos, transport and basic materials. Energy remained one of the most important macro drivers, with investors closely watching whether tensions around the Strait of Hormuz and the Red Sea could turn from a crude-routing issue into a broader supply-chain crisis. At the same time, AI continued to influence several parts of the market, from semiconductors and networking equipment to data-center infrastructure and commercial real-estate lending.

Key Market Movements This Week

Energy markets remained a central focus this week. Oil prices stayed elevated as investors continued to assess the impact of Middle East tensions on global supply routes. Analysts warned that the recent re-escalation could shift the issue from a crude-routing problem to a broader supply-chain crisis, especially if disruptions in the Red Sea and Bab el-Mandeb Strait limit one of the market's key workarounds. Brent crude traded around the $100 level during the week, while WTI also remained sharply higher, showing that the market is still pricing in a meaningful geopolitical risk premium.

The key question for oil is no longer only whether the Strait of Hormuz reopens, but whether physical crude flows can remain resilient. Rystad Energy argued that the direction of prices will depend on whether crude flows into Asia can be maintained, whether refiners can adjust to a changing mix of crude grades and how geopolitical developments unfold. This matters because supply disruptions since March have so far been absorbed through inventory drawdowns, alternative export routes and spare production capacity. However, those buffers are now becoming thinner, leaving the market more exposed to prolonged outages.

Some analysts still expect the latest price spike to be temporary. Julius Baer argued that the jump in oil prices may be short-lived because none of the main parties involved has an interest in allowing the conflict to fully spiral out of control. The firm also noted that government oil releases have only been partially completed and that global oil inventories are not as depleted as initially feared. However, other analysts warned that if regional disruptions intensify, Brent could move toward $120 a barrel. This wide range of views shows how dependent the market remains on political and military developments.

Higher oil prices also continued to support energy-related assets and create M&A speculation. SLB was highlighted as one of the best-positioned oil-services companies for a potential improvement in exploration and production spending, supported by its international breadth, technology, digital offerings and offshore exposure. Woodside Energy and Santos also benefited from stronger energy prices and takeover speculation in the Australian market. The broader point is that energy security is again becoming a key investment theme, especially for companies with exposure to LNG, offshore production, oilfield services and strategically important supply routes.

Basic materials were also influenced by the energy backdrop. Palm oil prices moved higher, supported by Indonesia's new B50 biodiesel program, lower monthly production in Malaysia and elevated crude oil prices linked to Middle East tensions. Since palm oil is used in biodiesel, higher energy prices can indirectly support demand and pricing. Gold, by contrast, declined as the U.S. dollar strengthened and the possibility of a Federal Reserve rate hike in September returned to focus. A stronger dollar and higher interest rates usually weigh on gold because the metal does not generate income and becomes more expensive for holders of other currencies.

Mining stocks also saw selective strength. Anglo American shares rose after Teck Resources beat consensus expectations and showed operational progress at the historically difficult Quebrada Blanca mine. The two companies are combining to create one of the world's largest miners, and Teck's stronger results supported confidence in the deal. Encouraging comments around Chinese regulatory approval also helped sentiment, with the merger expected to complete between September 2026 and March 2027. This suggests that investors are increasingly looking at execution quality and regulatory progress as key drivers in large mining combinations.

Technology remained heavily shaped by the AI theme. Meta looked positioned for another strong quarter, with analysts pointing to positive advertising checks, better conversion trends, stronger advertiser returns and benefits from AI-driven ranking, retrieval and campaign automation. This shows that AI is not only affecting semiconductor demand, but also improving the economics of digital advertising platforms. If AI continues to improve ad targeting and campaign performance, companies like Meta may be able to sustain revenue growth even in a more uncertain macro environment.

AI infrastructure also continued to benefit networking and semiconductor-related companies. Nokia's AI and cloud revenue more than doubled year over year, while AI-related order intake reached €2.8 billion, roughly equal to the prior three quarters combined. Bank of America argued that Nokia's AI-related revenue could double in 2027 and account for more than 20% of total revenue, while UBS cautioned that much of the upside may already be priced in. This reflects a broader market debate: AI demand is clearly strong, but investors are becoming more careful about how much future growth is already reflected in valuations.

Intel also reported stronger second-quarter results and raised its capital-spending outlook for the year. The company now expects capital expenditure of more than $20 billion, with spending likely to rise further next year. Analysts viewed the increase as a sign that Intel is gaining confidence in long-term demand and that its efforts to work with external chip designers are gaining traction. Intel may benefit from demand for domestic semiconductor manufacturing in the U.S., but investors will still need to see whether the higher spending translates into stronger margins and sustainable earnings growth.

Crypto markets showed some signs of stabilization, but sentiment remained fragile. Bitcoin stayed around $64,000 after recovering from multi-year lows, helped by renewed ETF inflows. Ethereum also saw ETF inflows return, with several consecutive days of positive net flows. However, both tokens remained under pressure from the broader macro environment. If investors continue to prefer cash, the U.S. dollar and defensive assets because of rate uncertainty and geopolitical risk, cryptocurrencies may struggle to build a stronger rally despite improving ETF demand.

Financials were mixed but active. American Express showed strong consumer spending trends among wealthier customers, with card member spending up 9%, restaurant spending rising 10% and travel bookings jumping 22%. Younger customers also remained an important growth driver, with millennials and Gen Z accounting for a large share of new consumer accounts. This suggests that higher-income consumers continue to spend strongly, even as lower-income households face more pressure. At the same time, American Express plans to reinvest some of its stronger earnings into marketing, technology and customer acquisition, showing that financial-services companies are still competing heavily for premium customers.

Insurance and reinsurance also saw notable developments. Munich Re indicated that second-quarter net profit would beat consensus estimates, helped by low large losses in property-and-casualty reinsurance and a strong investment result. If large losses remain benign through the hurricane season, analysts believe the company could raise 2026 guidance later this year. Allianz's $2.1 billion acquisition of HSBC's Singapore insurance business highlighted global insurers' continued interest in Asia's long-term growth in wealth, retirement and protection products, even though the deal may create some near-term dilution.

Credit markets reflected a more cautious tone. The cost of default protection for European financial credit remained elevated as geopolitical concerns and AI spending worries weighed on sentiment. The iTraxx Europe Senior Financials index traded near a two-month high, showing that investors are still demanding protection against financial-sector risk. This fits the broader market environment, where strong corporate results in some areas are being balanced against uncertainty around energy prices, interest rates, AI capital spending and geopolitical developments.

Autos and transport showed a split picture. Volkswagen reported a solid quarter, but its group margin came in below expectations and the company reduced its revenue guidance because of weakness in China. Still, its operating profit guidance remained unchanged, and stronger cash flow helped support the investment case. The company remains in a difficult position, trying to reassure investors while also preparing for restructuring measures that may involve painful capacity cuts. In transport, CN Rail delivered a strong second quarter and raised its 2026 outlook, helped by stronger volumes, better yields and cost control. The company also aligned itself more closely with the proposed Union Pacific-Norfolk Southern merger through new agreements that improve its access to Kansas City and Mexico.

Focus Topic: Big Banks Are Wading Back Into Commercial Real-Estate Lending

This week's focus topic is the return of big banks to commercial real-estate lending. Just a few years ago, commercial real estate was one of the most feared areas of bank balance sheets. Office vacancy rates remained elevated after the pandemic, higher interest rates pressured property valuations and investors were preparing for a wave of defaults. Banks responded by tightening standards, increasing reserves and reducing exposure to the most troubled parts of the market.

Now, large banks are beginning to lend again, but in a more selective way. The focus is not on weaker office properties, but on growth areas such as multifamily housing, industrial real estate and projects linked to the data-center boom. Bank of America and U.S. Bancorp both reported commercial real-estate loan balances up more than 8% in the second quarter from a year earlier. Truist Financial's balances rose by around 25%, while PNC Financial Services

Group's increased by 15%. This suggests that banks are becoming more comfortable with parts of the sector again.

The broader market data points in the same direction. Commercial real-estate mortgage loan originations in the first quarter were up more than 50% from a year earlier, according to the Mortgage Bankers Association. Loans from deposit-taking institutions rose around 80%, showing that banks are once again playing a more active role in financing the sector. This does not mean the entire commercial real-estate market has recovered, but it does show that lenders are finding attractive opportunities after a period of caution.

The reason this matters is that commercial real estate has been a major concern for banks and investors. After office demand failed to recover fully after the pandemic, many feared that falling valuations, refinancing pressure and higher borrowing costs would create significant losses. Banks built reserves and worked through problematic loans, leaving less room on their balance sheets for new lending. Now, many lenders believe they have ringfenced much of the worst risk. Troubled loans have often been extended, modified or written down, and delinquencies have improved in some portfolios.

At the same time, banks need earning assets. Profit growth from core lending has been under pressure because competition for consumer deposits remains intense and funding costs are still elevated. Commercial real-estate lending can therefore become attractive again if banks believe the risk is manageable and yields are appealing. In other words, the return to commercial real estate is not only about confidence in the property market, but also about banks searching for profitable growth opportunities.

The data-center boom is one of the most important drivers of this renewed interest. Artificial intelligence requires large amounts of computing power, and that is driving massive investment in data centers across the U.S. Developers of these projects need mortgages, construction loans and other forms of financing. This creates a new link between the AI infrastructure cycle and commercial real estate. Banks that previously benefited from AI through corporate lending and dealmaking are now also seeing opportunities through real-estate financing connected to data-center construction.

Industrial real estate is another attractive area. Warehouses, logistics facilities and industrial properties continue to benefit from e-commerce, supply-chain resilience and reshoring trends. Unlike office buildings, where demand remains uncertain, industrial properties have clearer structural support. Multifamily housing also remains attractive because demand for rental housing remains strong in many markets. These segments give banks a way to increase exposure to commercial real estate while avoiding some of the weakest office assets.

However, the recovery is still selective. Office real estate remains under pressure, and overall delinquencies across the sector are still relatively high. Many banks are still cautious and continue to apply tighter lending standards. Commercial real estate also remains a small share of loan balances at larger banks, which means lenders are not making an aggressive all-in bet on the sector. Even Bank OZK, a lender historically heavily exposed to commercial real estate, has been working to diversify its loan book and reported subdued origination volumes because competition for real-estate debt deals has increased.

The return of banks to commercial real-estate lending is therefore best understood as a cautious reopening rather than a full recovery. Banks are no longer avoiding the sector entirely, but they are being much more selective about where they deploy capital. The strongest demand appears to be in areas tied to long-term structural growth, especially data centers, industrial real estate and multifamily housing. Weak office properties, by contrast, remain a risk that banks are still managing rather than actively expanding into.

For investors, this trend is important because it suggests that parts of the commercial real-estate market may have passed the worst phase of stress. If banks are willing to lend again, refinancing conditions could improve for stronger borrowers and higher-quality properties. That could support valuations in selected areas and reduce the risk of a broader credit shock. However, the recovery remains uneven, and the sector is still vulnerable to higher rates, weaker rental demand and refinancing pressure. The key point is that commercial real estate is no longer only a source of risk for banks. In selected areas, it is becoming a source of growth again.

Overall, the renewed bank interest in commercial real-estate lending shows how the market is adapting after several difficult years. The office-market problems have not disappeared, but banks are increasingly separating weaker assets from stronger growth segments. Data centers, industrial properties and multifamily housing are attracting capital because they are linked to structural demand rather than purely cyclical recovery. If this selective approach continues, commercial real estate could gradually shift from a major source of concern to a more balanced investment theme. However, if interest rates stay high or office distress spreads further, the sector could quickly return to the center of market worries.

Risks and Opportunities for Investors

For investors, the main opportunity this week lies in the combination of AI-driven infrastructure demand, selective strength in financials and the continued importance of energy security. The renewed interest in commercial real-estate lending shows that banks are finding new growth areas in data centers, industrial real estate and multifamily housing, while avoiding weaker office assets. This creates opportunities for lenders, real-estate developers and infrastructure companies that are positioned around long-term demand rather than distressed property segments. AI also continues to support areas such as networking equipment, semiconductor manufacturing, data-center construction and digital advertising, as seen in the strong order intake at Nokia, Intel’s higher capital-spending plans and Meta’s positive ad trends.

Energy also remains an opportunity, especially for producers, oil-services companies and logistics assets linked to secure supply routes. Elevated oil prices and supply concerns could support companies with exposure to LNG, offshore production and exploration spending. SLB, Woodside and other energy names benefited from this backdrop, and the broader market is again placing more value on energy security. In financials, strong spending trends at American Express and positive earnings signals from Munich Re show that companies with resilient customer bases or benign loss environments can still perform well despite macro uncertainty.

The risks, however, remain significant. The clearest risk is that energy prices remain elevated for longer or rise further if the Middle East conflict disrupts the Strait of Hormuz, the Red Sea or other key shipping routes. Higher oil prices could feed into inflation, pressure consumer spending and hurt margins in energy-intensive sectors such as airlines, chemicals and transport. They could also complicate central-bank policy by making it harder for inflation to fall, which would be negative for rate-sensitive assets and growth stocks.

AI valuation risk is another important issue. Strong order intake, higher capital expenditure and optimism around AI-linked growth show that the theme remains powerful, but they also raise questions about whether expectations have become too high. Intel's spending plans, Nokia's AI revenue potential and broader data-center demand all depend on continued investment by customers. If investors begin to question the returns on AI infrastructure spending, companies tied to the theme could face valuation pressure. Commercial real estate also remains a risk despite improving lending activity. Banks may be returning to the sector, but office stress, refinancing challenges and high interest rates have not disappeared. The opportunity is real, but it remains selective rather than broad-based.

Looking Ahead

Looking ahead, markets will likely remain focused on three main themes: energy prices, AI infrastructure spending and the health of credit-sensitive sectors such as commercial real estate. Oil markets remain highly dependent on geopolitical developments, especially around the Strait of Hormuz, the Red Sea and broader Middle East supply routes. If physical crude flows remain resilient and tensions ease, some of the geopolitical risk premium could fade. If disruptions intensify, however, Brent could remain elevated or even move significantly higher, increasing pressure on inflation, central banks and corporate margins.

The AI investment cycle will also remain central. Investors will watch whether strong order intake and higher capital spending translate into sustainable earnings growth for companies such as Intel, Nokia, Meta and semiconductor suppliers. The key question is whether AI demand continues to broaden across infrastructure, software, advertising and real estate, or whether markets start to become more skeptical about the returns on massive investment plans. The link between AI and data-center construction is especially important because it is now affecting not only technology companies, but also utilities, industrials, banks and commercial real estate.

Commercial real estate will be another important area to monitor. The return of big banks to selected lending segments suggests that confidence is improving, but the recovery remains uneven. Multifamily, industrial and data-center-related assets may continue to attract capital, while weaker office properties remain under pressure. For markets, the key takeaway from this week is that investors are still willing to reward structural growth themes, but they are becoming more selective. Companies linked to AI, energy security, resilient consumer spending or high-quality credit growth may continue to benefit, while businesses exposed to energy inflation, weak real-estate segments or overstretched valuations could remain vulnerable in the coming weeks.

Economic Policy Shifts & Other Key Developments

Economic policy and macro developments this week were shaped by a rebound in global business activity, renewed energy-price pressure from the Middle East conflict, a new phase of U.S. tariff uncertainty and stronger moves in the dollar. A key theme was that the global economy entered July with more momentum than expected, but that momentum may now be tested again by higher oil prices, geopolitical risks and changing trade policy. While purchasing-manager surveys pointed to stronger activity in the U.S., Europe and parts of Asia, the renewed escalation between the U.S. and Iran raised doubts about whether this improvement can last.

One of the most important macro signals came from S&P Global's business surveys. The U.S. composite PMI rose to 53.6 in July from 51.9 in June, reaching its highest level in eight months. The eurozone PMI also improved to 51.9 from 50.0, its highest level in five months, while the U.K. composite PMI rose to a three-month high. Germany returned to growth, French activity moved close to stabilization after months of weakness, and new orders in the eurozone rose for the first time in five months. Overall, the data suggested that the global economy was growing at a moderate pace before the latest energy shock fully hit.

This is important because it shows that the earlier easing in energy prices after the June memorandum to reopen the Strait of Hormuz had supported confidence and activity. Lower energy costs helped reduce pressure on companies and consumers, allowing parts of the global economy to regain momentum. However, the renewed military escalation between the U.S. and Iran has pushed energy prices higher again, which could quickly reverse some of those gains. In other words, July's stronger PMI data may reflect a short window of relief rather than the start of a sustained recovery.

The risk is especially relevant for Europe. The European Central Bank warned that eurozone growth could be weaker and inflation higher than expected if the conflict continues. Higher energy prices reduce real incomes, pressure corporate margins and can delay investment decisions. For the eurozone, which remains heavily dependent on energy imports, a prolonged disruption would act like a negative terms-of-trade shock. Even if demand and new orders are improving, higher oil and gas prices could weaken the recovery before it becomes firmly established.

The global economy has so far handled the Middle East conflict better than many economists initially feared. Oil and natural-gas prices have risen less sharply than expected, partly because other producers increased supply, some countries drew on reserves and households and companies reduced energy use or switched to alternatives. However, those buffers are becoming more limited as the disruption lasts longer. The IMF has warned that the longer the Strait of Hormuz remains under pressure, the more depleted those cushions become. This means the same shock could have a larger impact over time if the conflict does not de-escalate.

Another major development came from U.S. trade policy. President Trump is preparing a new phase of tariffs as the temporary 10% tariff on nearly all U.S. imports approaches its legal expiration. The temporary measure had created a period of relative calm after the Supreme Court struck down much of Trump's earlier tariff regime. That calm now appears to be ending, with the administration preparing replacement tariffs under Section 301 of the Trade Act of 1974. These tariffs are expected to be more legally durable and could keep overall U.S. tariff levels close to where they were before the Supreme Court decision.

The new tariff phase matters because it increases uncertainty for businesses after several months of stability. The preliminary proposal includes 10% tariffs on more than a dozen trading partners, including Canada, Mexico and the European Union, and 12.5% tariffs on more than 40 countries, including China, India, Japan and South Korea. The tariffs could ultimately cover almost all U.S. trade. Even if the short-term tariff levels do not change dramatically, the shift to a more permanent legal structure means companies may need to plan for a longer period of higher trade costs.

The tariff issue is also closely connected to North American trade relations. The U.S. is renegotiating the USMCA, with talks with Mexico already underway and discussions with Canada becoming more tense. Trump also threatened additional 50% tariffs on certain Canadian goods, using a rarely used part of U.S. trade law. This is significant because the new Canada tariffs would override some of the protections normally offered by the USMCA, making them more impactful but also more vulnerable to legal challenges. Canada and the U.S. are now expected to accelerate talks before the August 19 deadline.

For companies, the main problem is not only the level of tariffs, but the constant change in rules. Businesses can often adjust to higher tariffs if they know what the framework will be. But frequent shifts in legal justification, tariff coverage and exemption rules make planning more difficult. Supply chains, pricing decisions, sourcing strategies and investment plans all become harder to manage when companies do not know which costs will apply in the coming months. The Federal Reserve has also estimated that tariffs have already lifted core goods prices and added to inflation pressure, showing that trade policy is not only a corporate issue but also a consumer-price issue.

Currencies also reflected the renewed energy and policy uncertainty. The U.S. dollar remained elevated as higher oil prices increased expectations that the Federal Reserve may need to keep policy tighter or even raise rates again. Markets priced a meaningful chance of a Fed rate hike in July and fully priced a move by September. A stronger dollar is often supported in this environment because investors seek safety while higher expected U.S. rates increase the currency's appeal. ING argued that the dollar could stay strong until another U.S.-Iran ceasefire is reached and energy prices move lower.

The euro remained caught between two opposing forces. On the one hand, higher energy prices are negative for the eurozone economy because they weigh on growth, real incomes and investment. On the other hand, higher energy prices can also raise inflation expectations and support expectations for further ECB tightening, which can help the currency. This makes the euro's reaction more complicated. A ceasefire and lower oil prices would be positive for eurozone growth, but could also reduce ECB rate-rise expectations, meaning the euro would not necessarily benefit strongly.

The yen remained under particularly heavy pressure. The dollar traded near a 40-year high against the Japanese currency, reflecting a combination of U.S. rate-rise expectations, higher oil prices and Japan's position as a major energy importer. Rising crude prices tend to hurt currencies of energy-importing countries, and Japan's slow pace of monetary tightening makes it harder to defend the yen. The U.S.-Iran conflict therefore constrains Japan's ability to stabilize its currency, especially if higher oil prices keep the Federal Reserve more hawkish than the Bank of Japan.

Sterling and U.K. government bonds reacted only modestly to stronger-than-expected U.K. data because investors remained focused on the Middle East conflict and the broader energy-price shock. U.K. retail sales unexpectedly rose in June, and the composite PMI beat expectations, but currency and bond markets showed limited reaction. This suggests that geopolitical risk and oil prices are currently dominating domestic economic data. Stronger business activity is encouraging, but investors still want to see whether it can survive a renewed energy shock.

Overall, this week's economic policy developments show a global economy that had started to regain momentum but remains highly exposed to energy, trade and currency risks. Business activity improved across the U.S., Europe and parts of Asia, suggesting that lower energy prices and better confidence had supported growth. However, the renewed U.S.-Iran escalation now threatens to push energy prices higher again, complicating the outlook for inflation and central banks. At the same time, Trump's new tariff phase increases uncertainty for companies and consumers, while the stronger dollar reflects both safe-haven demand and rising U.S. rate expectations. The key takeaway is that the underlying economy may be more resilient than expected, but the next few weeks will show whether that resilience can hold up against renewed geopolitical pressure, higher trade costs and tighter financial conditions.

A Few Words

This was another exciting week with a lot happening across markets, deal activity and economic policy. From the Kuwait oil infrastructure deal and Nestle's portfolio reshaping to renewed strength in oil prices, the return of big banks to commercial real-estate lending, improving global business activity and rising trade uncertainty, there is still plenty to watch in the coming weeks and months. That is also why it will be worth coming back next week for another edition of The Weekly Market Brief.

As always, thank you to everyone who took the time to read this week's brief. I really appreciate the continued support, comments and feedback so far. If you have any thoughts, criticism or suggestions, feel free to leave a comment or reach out directly. And if you have not subscribed to the newsletter yet, make sure to do so to get notified when next week's Market Brief is published.

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