



## Letter from America

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**“I didn’t have time to write a short letter, so I wrote a long one” – Mark Twain**

There was a time, long ago, when international travel was a luxury affordable to just a lucky few. For the generations brought up after the Second World War the world was a mysterious and wonderful place, a place one could only dream about from black and white television pictures, books and the radio. Families would gather around the kitchen table, making the time to listen, spellbound, as broadcaster Alistair Cooke delivered on the Reithian mission to educate, entertain and inform. We rode with Paul Revere, sat with the founding fathers, stood shoulder to shoulder with soldiers at Gettysburg, endured the misery of the Oklahoma dustbowl and much, much more. “Letter from America” was required listening, and life changing.

Letter-writing, once a dying art in this modern hyper-connected world, is very much back in vogue it seems. The Trump administration has raided the White House stationery cupboard for its stock of Conqueror writing paper and the President has refilled his pen with ink. Admittedly, world leaders and their trade negotiating teams no longer need wait, nervously, for the steamer to dock; the internet is the modern-day Pony Express and Truth Social the platform from which market moving news is purveyed in real time to a global audience.

US trade policy has dominated the headlines all year but has come to a crescendo in the weeks before the 1 August deadline ahead of which deals must be done or the consequences faced. Quite whether President Trump has over-stepped his authority, invoking International Emergency Economic Powers to undertake nothing short of the redrawing of the global trade map, remains to be seen. The US judiciary has been triggered, plaintiffs likely taking their case beyond the Court of Appeal to

the Supreme Court and a final judgement, in the autumn, on the legality of what to many feels like executive over-reach.

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No country, though, is prepared to take the risk of not reaching negotiated settlement. The UK is out of the firing line, a memorandum of understanding having already been reached, but EU Commission President Ms Ursula von der Leyen found herself, hotfoot from Beijing, on the South Ayrshire coast to shake hands with President Trump on an arrangement, not yet signed off and far from ratified either by Congress or Brussels. This, like so many others thrashed out on the hoof, is big on numbers and short on detail. A bad deal is better than no deal at all, or so it seems.

Why is all this happening? The short answer lies in the physical manifestation of the Trump presidency’s vision to Make America Great Again. Perhaps in the future economic historians will look back at the successful passage of the Trump administration’s flagship One Big, Beautiful Bill Act as the defining moment of the second term of office. The bottom line is that the administration needs the revenues derived from tariff implementation to make good on the legislation’s fiscal policy promises.

Quite how much revenue may, or may not, be generated by higher effective tariffs remains in doubt and continues to play a key part in the ongoing uncertainty plaguing economic policymakers and financial markets. To formulate effective economic policy, one needs a forecast and to generate a

forecast one needs a framework. Everything from European defence spending to the US Federal Reserve's monetary policy decision-making needs a process but reaching informed decisions when even those with the most partisan perspective admit that the US trade policy roll-out has been chaotic is well nigh impossible.

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Yet through all this turbulence stock markets around the world have held their nerve. The index of Britain's leading companies, many of which do the majority of their business outside the UK, has hit an all-time high this month as have numerous European benchmarks. But it is in the US where the rebound has been most spectacular. Both the S&P 500 and tech-laden Nasdaq have delivered a turbo-powered surge off April's lows to post a series of new high-water marks. Doom-laden predictions regarding the health of the US economy and a surge in tariff-driven inflation have, so far, proved wide of the mark. The dollar too is staging a cautious comeback on the foreign exchanges, an indication that US exceptionalism associated in no small measure with its dominant technology sector, is alive and well.

The dollar's revival is the counterpoint of sterling's weakness. The Labour government has passed its first anniversary in office, but the problems just keep stacking up for the embattled Chancellor. The UK's public finances are under pressure and Ms Rachel Reeves finds herself in another uncomfortable predicament. High profile policy “U”-turns have made cutting government spending difficult and the gilt-edged market will hardly take kindly to any significant increase in borrowing. In the absence of alternatives tax hikes are threatened and just as at this time last year, households and businesses nervously await the forthcoming autumn Budget. Simultaneously, rising inflationary pressure may yet prevent the timely arrival of the “Seventh Cavalry” in the form of a Bank of England rate cut, at least not yet.

Prevailing financial market conditions and the blizzard of ongoing uncertainty serving to drive pricing argue strongly in favour of a broadly diversified portfolio of financial assets carefully curated with the assistance of Raymond James' highly capable wealth managers. Unflappable and cool in a crisis the team have lived and worked through numerous ups and downs in the past. We are all living in interesting, not to say unprecedented, times but we can draw on past experiences whilst accumulating knowledge about the present that will surely serve us all well in the future.

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