



European Stock Futures Climb After EU Clinches US Trade Deal

(Bloomberg) -- European stock futures rallied after the US and European Union agreed to a trade deal.

The pact, which will see the bloc face 15% tariffs on most of its exports including autos, was announced Sunday by President Donald Trump after a meeting with European Commission President Ursula von der Leyen. The European leader said the rate would be all inclusive, though Trump said it did not include pharmaceuticals and metals.

Futures on the Euro Stoxx 50 rose 1% as of 5:30 a.m. Monday in Paris, while contracts on Germany's Dax also climbed about 1%. The euro gained 0.1% to \$1.1752, after advancing 1% last week.

John Plassard, head of investment strategy at Cité Gestion, said the deal is "good enough to unlock what equity markets needed most: visibility."

"Tariff escalation risk is now off the table, and with that, a major macro overhang disappears. For investors, that's not just a sigh of relief, it's a green light," he said.

Sectors most exposed to trade, including autos and consumer products, had outperformed Friday as investors were optimistic that an agreement would be reached before the Aug. 1 tariff deadline.

European stocks have been range-bound since May due to jitters around the outlook for global trade. The benchmark Stoxx 600 is now 2.3% below its March record high. A UBS basket of stocks sensitive to tariffs has underperformed this year, suggesting there's room for the group to catch up to the broader regional benchmark.

"I do think there will be a relief rally as soon as the details are finalized, and this is a much needed shot in the arm for European stocks as earnings season is in full swing," said Geoff Yu, a macro strategist for EMEA at BNY Mellon.

Focus will be on carmakers, such as Stellantis NV, Volkswagen AG, Mercedes-Benz Group AG and BMW AG, as well as auto parts suppliers like Valeo SE, Forvia SE and Pirelli & C SpA. A gauge for the sector is flat on the year, missing out on Europe's broader rally.

Investors will also be watching luxury goods makers including LVMH, Kering SA and Salvatore Ferragamo SpA, given North America is a significant market for the luxury sector.

Drinks makers including Diageo Plc, Remy Cointreau and Pernod Ricard will be in focus, as well as shipping stocks such as A.P. Moller-Maersk A/S and Hapag-Lloyd AG, given freight's sensitivity to tariffs.

Still, some investors warned that the rally could be short-lived until more details of the trade agreement are announced.

"There's a chance you see markets pick up in the morning and probably sell off again," said Neil Birrell, chief investment officer at Premier Miton Investors. "The devil will be in the detail, and it won't all be good for Europe and it won't all be good for the US."

Here's what other market participants are saying:





Kallum Pickering, chief economist at Peel Hunt

“People want to bet that the US will strike a series of deals. They’re not necessarily good deals, but uncertainty is worse. After we move up a little tomorrow in Europe, markets’ attention will turn to Canada and Mexico. Any positive sign that they can strike deals like today’s will be good enough for risk on.”

Joachim Klement, strategist at Panmure Liberum

“Stock markets will likely rally on this news, but this can only be a sugar high. The fact is that Americans will pay higher tariffs from US imports and face an inflation surge and lower growth in the second half. The EU also faces higher tariffs than the UK, which gives UK exporters an advantage over their European competitors.”

Michael Brown, senior research strategist at Pepperstone

“Stocks hardly need much of an excuse to rally right now, and the agreement not only removes a key left tail risk that the market had been concerned about, but also yet again reiterates that the direction of travel remains away from punchy rhetoric, and towards trade deals done. Rumours that the US-China trade truce will be extended for a further 90 days will also help on this front.”

“From a sectoral perspective, European automakers are one of the big winners here, with the 15% tariff also applying to auto imports into the States, a similar carve out to that achieved by Japan. Other obvious winners include US defense names given the EU’s purchase commitments on that front, as well as US energy stocks, bearing in mind the almost \$1 trillion of spend coming their way.”

Mahmood Pradhan, global head of macro at Amundi Asset Management

“We’ll probably get some sort of short-term relief rally in the morning, including more short covering. But given where we were pre-Liberation Day, this isn’t good news for Europe. Longer-term, it will keep growth subdued in Europe.”

--With assistance from Michael G. Wilson and Kurt Schussler.

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©2025 Bloomberg L.P. - Créé le 28 juil. 25 à 05:33 - Révisé le 28 juil. 25 à 06:18.

