

Trade Tensions Ease Strengthens US Dollar and Weighs on Other Major Currencies



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| | 01/08/2025 | 25/07/2025 | % Change | YTD |
|---------------|------------|------------|----------|--------|
| Euro / LP | 102,217.95 | 105,073 | -2.72% | 10.32% |
| Euro / Dollar | 1.1421 | 1.174 | -2.72% | 10.32% |
| NEER Index | 241.19 | 240.52 | 0.28% | 2.98% |

The **Nominal Effective Exchange Rate (NEER)** of the **Lebanese pound** surged this week by 2.98% against a basket of 21 influential currencies, including the Euro and British pound, and recorded 241.19 points on August 1st, 2025. The rise of the NEER is attributed to the strengthening of the USD to which LBP is pegged.

| | 01/08/2025 | 25/07/2025 | % Change |
|---------------------|------------|------------|----------|
| Dollars index = DXY | 100.146 | 97.645 | 2.56% |
| EUR/USD | 1.1421 | 1.174 | -2.72% |
| GBP/USD | 1.3199 | 1.3434 | -1.75% |
| USD/CHF | 0.8171 | 0.795 | 2.79% |
| USD/CNY | 7.2126 | 7.1679 | 0.62% |
| USD/JPY | 150.62 | 147.68 | 1.99% |
| AUD/USD | 0.6422 | 0.6565 | -2.18% |
| USD/CAD | 1.3875 | 1.3699 | 1.28% |

Prices are as of the time writing this report

In international currency markets this week, the **US Dollar index**, a measure of the US currency, strengthened against a basket of six rivals, increased by 2.56% to 100.146 points. The trade tensions

between United States and its major trading partners eased this week. The United States and European Union reached a trade deal earlier this week. The deal decreased tariffs on European exports to US to half from 30% a 15%. Some European leaders, specifically French leaders and German Chancellor Merz, criticized this agreement as they believe that this deal benefits the US more than European countries. Also, President Trump introduced higher tariffs up to 41% on goods redirected through a third country to bypass levies.

Additionally, the Federal Reserve Open Market Committee kept interest rates unchanged on 4.25%-4.5% on Wednesday as expected despite the President Trump's pressure on the Fed to lower rates. This decision was supported by good economic data as US economy growth in Q2 recorded 3%, higher than the 2.4% anticipated rate. It is to be noted that it is the first time since 1993 that two members opposed committee's major decision as the vote was 9-2. Moreover, ADP report revealed stronger-than-expected gain of 104,000 jobs in July.

The strengthening of USD leads to weakening of other currencies against it. As such, Euro dropped by 2.72% to 1.1421.

Investors' concerns are growing as the trade deal with the US is unbalanced as it benefits US more than European countries. Moreover, Eurozone economic growth recorded 0.1% in Q2 as per new Eurostat figures, below the 0.6% in Q1, but higher than expected.

Similarly, the British Pound fell by 1.75% to record 1.3199. In the UK, latest PMI data were disappointing, thus fueled expectation of interest rate cut by Bank of England (BoE) in August accompanied with another cut by year-end.

Canadian Dollar also depreciated this week against the US Dollar and reached 1.3875. This depreciation followed President Trump's signature of an executive order to raise tariffs, on all Canadian goods not included in the US-Mexico-Canada Agreement, from 25% to 35%.

Japanese Yen depreciated by 1.99% this week and surpassed the 150 level and recorded 150.62 per US Dollar. Yen weakened as the US Dollar strengthened this week due to the ease in trade tensions and FOMC's decision regarding interest rates and despite Bank of Japan's decision pause interest rates hike.

As for the Chinese Yuan, it mimicked Japanese Yen and depreciated by 0.62% against the US Dollar reaching 7.2126.

Commodities

| | 01/08/2025 | 25/07/2025 | % Change |
|------------------------|------------|------------|----------|
| Gold | 3,294.04 | 3,337.30 | -1.30% |
| Brent Crude Oil | 71.3 | 68.44 | 4.18% |
| WTI Crude Oil | 68.84 | 65.16 | 5.65% |

Prices are as of the time writing this report

In commodities market, gold is heading for weekly losses as demand for safe-haven assets faded after trade tension relief. In addition, Federal Reserve's latest decision to keep interest rates steady at 4.25%-4.5% weighed on gold.

As for oil prices, both Brent and West Texas Intermediate (WTI) are setting toward a weekly gain of 4.18% and 5.65% respectively following several events. First, trade deal between US with European Union and other countries which will relieve the concern of global recession. Second, geopolitical renewed concerns as president Trump gave Russia deadline to reach a solution for the war with Ukraine; otherwise, a 100% secondary tariff will be impose that will definitely affect oil supply.

Fiscal Doubts and Trade Ambiguity Weakens US Dollar



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