

US-Russia Talks: Europe Divided Over Troop Deployment to Ukraine

European leaders remain deeply divided over deploying troops to Ukraine, as an emergency summit in Paris exposed sharp fractures in the bloc's response to U.S. President Donald Trump's unexpected peace talks with Russia.

Britain was first to break ranks, with Prime Minister Keir Starmer offering to send troops, calling Ukraine "the front line of Europe." But Germany, Spain, and Poland were quick to push back, arguing that troop deployments remain premature. Polish Prime Minister Donald Tusk signalled strong logistical and political support for allies but ruled out direct military involvement. Meanwhile, German Chancellor Olaf Scholz—days before a major election—warned against making decisions "over the heads of the Ukrainian people."

France, attempting to bridge the divide, proposed a "reassurance force" stationed away from any ceasefire line, though details remain murky. Beyond troop commitments, the summit also reignited debate over European defence spending, with calls for joint borrowing to reduce reliance on U.S. military aid.

For now, the path forward remains uncertain—what's clear is that Europe is scrambling to get on the same page before negotiations begin in Saudi Arabia.

Magnificent Seven Lose Steam as Investors Shift Focus

The once-unshakable dominance of the Magnificent Seven—Apple, Microsoft, Alphabet, Amazon, Tesla, Nvidia, and Meta—has started to crack as investors rotate out of Big Tech. While these stocks propelled Wall Street's bull run in 2023 and 2024, the trend has shifted in 2025. The S&P 500 has gained a modest 4% this year, with the Magnificent Seven index adding just 1%, weighed down by declines in Tesla, Microsoft, and Alphabet.

Hedge funds and institutional investors are pivoting to other sectors, pouring nearly \$2 billion into US banks—the second-largest weekly inflow since 2008—while also betting on healthcare, European equities, and smaller tech firms. Meanwhile, a new "Private Magnificent Seven" is emerging, led by AI-focused start-ups like Anthropic, OpenAI, and ScaleAI, whose valuations have surged 40% since July.

With AI adoption accelerating and fresh competitors emerging, Big Tech may find itself on the defensive for the first time in years.

Gold Prices Surge Amid Economic Uncertainty

Gold prices have hit new highs in early 2025, rising over 10% since January after a strong rally in 2024. The surge is driven by central bank demand, economic uncertainty, and geopolitical tensions.

China's central bank has increased its gold reserves for the third consecutive month, reflecting a broader move away from the U.S. dollar. European countries are also increasing their gold holdings amid concerns over trade policies and economic stability.

Market uncertainty has fuelled gold's appeal, with U.S. tariffs on China, Mexico, and Canada raising fears of a prolonged trade war. A weaker dollar and falling real interest rates have further supported gold's rise. Since mid-January, inflation-adjusted 10-year Treasury yields have dropped 25 basis points, making gold a more attractive investment.

Analysts expect the rally to continue, with forecasts suggesting gold could reach \$3,100 per ounce by the end of 2025. As markets remain volatile, gold's status as a safe-haven asset appears stronger than ever.

European Stocks Rally as Defence and Banking Sectors Surge

European stocks surged on Monday, driven by strong gains in defence and banking shares. Defence firms led the rally as investors bet on increased military spending, with Rheinmetall up 14%, BAE Systems rising 9%, and Thales climbing 7.8%. The Stoxx Europe aerospace and defence index hit a record high, reflecting expectations that European governments will boost defence budgets amid growing geopolitical tensions.

The surge comes as European leaders meet in Paris to discuss security strategy, following US-Russia peace talks that have side-lined Europe. Analysts suggest the region is under increasing pressure to strengthen its own military capabilities, with the UK committing to a defence spending target of 2.5% of GDP and Trump proposing NATO allies aim for 5%.

Beyond defence, European banks have also been performing well. The Stoxx 600 banks index, sometimes dubbed the "Magnificent 47," has returned around 100% since early 2022, benefiting from higher interest rates. While still trailing behind US tech giants in long-term gains, European financial stocks have been steadily recovering.

With defence budgets rising and financial markets strengthening, Europe's stock market momentum suggests investors are increasingly optimistic about the region's economic and security outlook.