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USA OUTLOOK

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Photo: Reuters

Rising government debt poses greatest risk to US market standing, says

BlackRock warns that the rising U.S. government debt—now over \$36 trillion—is the greatest risk to the country’s financial market dominance. If left unchecked, this debt could weaken demand for long-dated U.S. Treasuries and the dollar, potentially undermining the U.S.’s “special status” in global markets.

While fears of global de-dollarization remain distant, increasing debt—exacerbated by President Trump’s proposed tax and spending bill (estimated to add \$5 trillion over a decade)—could pressure markets. BlackRock notes that with foreign investors and the Federal Reserve scaling back purchases, the government’s growing issuance (over \$500 billion weekly) risks overwhelming private markets and raising borrowing costs.

As a result, BlackRock advises investors to diversify beyond U.S. government bonds and favor shorter-duration Treasuries, which may benefit more from potential interest rate cuts.

Source:

<https://www.reuters.com/world/us/rising-government-debt-poses-greatest-risk-us-market-standing-says-blackrock-2025-06-30/>

US Treasury chief says he thinks Fed could lower interest rates by September

U.S. Treasury Secretary Scott Bessent said he believes the Federal Reserve could lower interest rates by September, citing the Fed’s current view that recent tariffs have not been inflationary. His remarks came during an appearance on Fox News’ “The Ingraham Angle”, amid growing pressure from President Donald Trump, who has repeatedly urged the central bank to ease monetary policy to support economic growth.

Bessent noted that while he personally disagrees with the Fed’s criteria, if policymakers continue to assess tariffs as non-inflationary, a rate cut could come even sooner than September. The federal funds rate currently stands at 4.25%–4.50%, and speculation has been mounting over the timing of potential cuts, particularly as economic data shows signs of cooling without triggering alarm over rising prices.



Source:

<https://www.reuters.com/business/us-treasury-chief-says-he-thinks-fed-could-lower-interest-rates-by-september-2025-07-01/>



Photo: Reuters

What are the main elements of Trump's tax and spending megabill?

President Donald Trump's sweeping tax and spending bill, which Congress is close to approving, includes many of his top domestic priorities and introduces broad changes in tax policy, healthcare, energy, immigration, and social assistance.

On taxes, the bill makes permanent the lower individual and corporate tax rates from Trump's 2017 reforms and adds new deductions through 2029 for tipped income, overtime pay, seniors, and interest on auto loans. It also raises the cap on the state and local tax (SALT) deduction from \$10,000 to \$40,000 and expands business tax breaks. According to the Congressional Budget Office (CBO), the bill would reduce tax revenue by \$4.5 trillion over ten years.

In healthcare, it introduces work requirements for Medicaid recipients, excludes many non-citizens, bans funding for gender transition services and abortion providers, and limits state-level financing mechanisms. Nearly 12 million people could lose coverage, though \$50 billion is allocated for rural hospitals.

On energy, the bill removes incentives for electric vehicles, residential solar, and energy-efficient upgrades, while expanding oil and gas drilling on federal lands and cutting environmental enforcement funding.

Source:

<https://www.reuters.com/world/us/major-aspects-trumps-tax-spending-megabill-2025-07-02/>

Republicans muscle Trump's sweeping tax-cut and spending bill through Congress

On July 3, 2025, the U.S. House of Representatives narrowly passed President Donald Trump's sweeping tax-cut and spending bill in a 218-214 vote, marking a major legislative victory for the Republican administration. The bill, which had already cleared the Senate by a 51-50 margin—with Vice President JD Vance casting the tiebreaking vote—will now be signed into law by President Trump on July 4. The legislation makes Trump's 2017 tax cuts permanent, introduces new tax breaks including for parents, seniors, tipped workers, and auto loans, and funds key aspects of his domestic agenda, such as stricter immigration enforcement. However, it also imposes deep cuts to safety net programs, including Medicaid and food assistance, which the Congressional Budget Office estimates will leave nearly 12 million Americans uninsured.

Despite concerns from within the Republican Party over its \$3.4 trillion addition to the national debt and reductions to healthcare programs, only two GOP lawmakers voted against it. Democrats unanimously opposed the bill, with Minority Leader Hakeem Jeffries delivering a record-breaking 8-hour, 46-minute speech criticizing it as a giveaway to the wealthy at the expense of working families.

The CBO estimates that the bill will reduce tax revenue by \$4.5 trillion and cut spending by \$1.1 trillion over a decade. Although the bill raises the debt ceiling by \$5 trillion to avoid short-term default, analysts warn it may increase long-term borrowing costs and disproportionately benefit the wealthiest Americans while worsening economic inequality. Many of the cuts will not take effect until after the 2026 midterm elections, where the legislation is expected to be a central political issue.



Source:

<https://www.reuters.com/world/middle-east/oil-market-reflects-slim-chance-supply-disruption-goldman-analysts-say-2025-06-27/>

Photo: Reuters



Photo: Reuters

Wall St Week Ahead Investors eye tariff deadline as US stocks rally

U.S. stock markets have rebounded significantly, with the S&P 500 gaining approximately 26% since early April. This surge was primarily driven by retail investors and corporate share buybacks, rather than institutional investment, which remains cautious due to persistent economic uncertainty and high valuations. Analysts have characterized the rally as speculative and risk-prone, suggesting it may lack a solid foundation.

A major focus for investors in the coming week is the July 9 tariff deadline. Ongoing trade negotiations—particularly with Vietnam, India, and Japan—will be closely watched, as any escalation in tariffs could reverse recent market gains. The U.S. has already reached a limited deal with Vietnam to impose a lower-than-expected 20% tariff, but talks with other countries remain uncertain. Avoiding new trade tensions could ease immediate market anxiety.

Despite the market's upward momentum, institutional investors are still underweight on equities, according to Deutsche Bank estimates, indicating skepticism about the durability of the rally. Analysts see parallels with the post-pandemic period in 2020, when investor allocations to equities lagged the recovery in market indices.

Looking ahead, investors will monitor inflation data and second-quarter earnings reports to better assess the health of the U.S. economy and the potential trajectory of Federal Reserve policy. The Fed's next moves will be influenced by how these indicators evolve, especially in light of a job market that has remained relatively strong.

While some analysts believe the tariff deadline may not bring a definitive resolution to trade tensions, many agree that sidestepping a major escalation would at least offer short-term relief to investors and support the current rally.

Source:

<https://www.reuters.com/business/wall-st-week-ahead-investors-eye-tariff-deadline-us-stocks-rally-2025-07-04/>