# Markets cheer Fed rate‑cut odds as oil slide and company downgrades temper rally



Stock markets in London and across the Atlantic nudged higher on Wednesday as investors grew more convinced that the US Federal Reserve will begin cutting interest rates later this year, a shift that has underpinned a decidedly risk‑on mood.

Joshua Mahoney, an analyst at Rostro, told The Independent that market pricing now implies a better‑than‑even chance of rate cuts at each of the remaining Fed meetings in 2025, “meaning that it is now the base‑case scenario that we see rates at least 75bp lower by year‑end. No wonder markets are in buoyant mood, with a Goldilocks scenario developing.” That optimism helped the FTSE 100 close modestly higher, continuing a short sequence of gains. Reuters also noted the same cautious rally as investors absorbed US inflation data that broadly met expectations.

By the close, the FTSE 100 was up around 0.2%, with the FTSE 250 also slightly firmer; across the Atlantic the S&P 500 hit another record high while the Dow and Nasdaq gained. The softer view on US policy pushed the dollar down and eased benchmark yields: the US 10‑year Treasury yield slipped from the mid‑4 per cent area and the pound rose back towards $1.36, with the euro near $1.17 late in the London session.

The picture on trade and inflation, however, is not uniformly benign. The Independent reported a Bank of America view that tariffs have so far not proved “the inflationary force we expected.” Yet a separate Bank of America research note, covered by Investing.com, warned that tariff‑related price pressures could linger longer than markets currently assume, particularly in sectors such as autos and consumer goods. The contrasting signals underline why traders remain sensitive to incoming data and guidance from central banks.

Energy markets were a drag on the rally. Brent crude fell to about $65.50 a barrel after the International Energy Agency trimmed its demand growth forecast for 2025 to 680,000 barrels per day from an earlier 700,000 bpd, citing softer global growth and market uncertainty. Reuters’ coverage of the IEA report added that world supply looks set to expand faster than previously anticipated following OPEC+ and other producers’ output increases, and that record refinery runs have left the market at risk of a sizeable implied surplus into 2026. Traders are also watching geopolitical developments closely: talk of talks between the US and Russia has fed speculation that any thaw could further pressure prices by easing supply‑side concerns.

That mix of weaker oil and shifting macro expectations showed up in sector moves: big energy names underperformed, with BP and Shell both down after the price slide. At the same time, the market punished Beazley after the Lloyd’s‑listed insurer cut its full‑year premium growth guidance to “low‑to‑mid single digits,” citing softer demand in cyber and property lines and a tougher claims environment. The group warned of “new risks and decreasing predictability” related to emerging technologies and climate impacts; Reuters reported that the downgrading followed first‑half results that showed lower profitability and a wider combined ratio, prompting a sharp share price fall.

Housebuilder Persimmon illustrated how company‑level nuances can temper otherwise positive headlines. The firm posted stronger first‑half underlying pre‑tax profit and said it expects deliveries to rise to around 12,000 units in 2026, but it cautioned that margin progress may be limited by embedded build‑cost inflation and affordability pressures. Reuters noted that those caveats weighed on the stock despite the operational beat, with analysts flagging the potential for margin‑related downgrades.

Looking ahead, investors will be monitoring a busy economic calendar — including UK and eurozone GDP releases, US weekly jobless claims and producer prices — as well as a stream of corporate results such as half‑year updates from Admiral and Aviva in the UK. For now, markets appear to be trading on a wary optimism that a “Goldilocks” combination of easing inflation and rate cuts is attainable; but economists and strategists warn that mixed signals on tariffs, slower oil‑demand growth and company‑specific margin pressures leave plenty of scope for volatility.

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## Reference Map:

* Paragraph 1 – [[1]](https://www.independent.co.uk/news/business/shell-international-energy-agency-persimmon-us-federal-reserve-goldilocks-b2807034.html), [[4]](https://www.reuters.com/world/uk/ftse-100-hits-1-week-high-us-rate-cut-optimism-2025-08-13/)
* Paragraph 2 – [[1]](https://www.independent.co.uk/news/business/shell-international-energy-agency-persimmon-us-federal-reserve-goldilocks-b2807034.html), [[4]](https://www.reuters.com/world/uk/ftse-100-hits-1-week-high-us-rate-cut-optimism-2025-08-13/)
* Paragraph 3 – [[1]](https://www.independent.co.uk/news/business/shell-international-energy-agency-persimmon-us-federal-reserve-goldilocks-b2807034.html), [[7]](https://www.investing.com/news/economy-news/tariff-inflation-may-linger-longer-than-expected-bofa-warns-4036200)
* Paragraph 4 – [[1]](https://www.independent.co.uk/news/business/shell-international-energy-agency-persimmon-us-federal-reserve-goldilocks-b2807034.html), [[3]](https://www.reuters.com/business/energy/iea-raises-2025-oil-supply-forecast-after-opec-output-hike-decision-2025-08-13/), [[4]](https://www.reuters.com/world/uk/ftse-100-hits-1-week-high-us-rate-cut-optimism-2025-08-13/)
* Paragraph 5 – [[1]](https://www.independent.co.uk/news/business/shell-international-energy-agency-persimmon-us-federal-reserve-goldilocks-b2807034.html), [[5]](https://www.reuters.com/world/uk/uk-insurer-beazley-lowers-annual-premium-growth-forecast-2025-08-13/), [[4]](https://www.reuters.com/world/uk/ftse-100-hits-1-week-high-us-rate-cut-optimism-2025-08-13/)
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* Paragraph 7 – [[1]](https://www.independent.co.uk/news/business/shell-international-energy-agency-persimmon-us-federal-reserve-goldilocks-b2807034.html), [[4]](https://www.reuters.com/world/uk/ftse-100-hits-1-week-high-us-rate-cut-optimism-2025-08-13/)

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## Bibliography

1. <https://www.independent.co.uk/news/business/shell-international-energy-agency-persimmon-us-federal-reserve-goldilocks-b2807034.html> - Please view link - unable to able to access data
2. <https://www.the-independent.com/news/business/shell-international-energy-agency-persimmon-us-federal-reserve-goldilocks-b2807034.html> - The Independent reports that the FTSE 100 made modest gains as markets priced in a higher probability of US Federal Reserve interest‑rate cuts later in the year. It cites Joshua Mahoney of Rostro describing market pricing that implies multiple cuts and a ‘Goldilocks’ scenario. The piece details closing levels for the FTSE 100, FTSE 250 and AIM All‑Share, and notes moves in European and US indices. It records sterling and euro exchange rates, US Treasury yields, falls in BP and Shell as oil weakened, the IEA’s trimmed demand forecast, Beazley’s guidance cut and Persimmon’s plan to target about 12,000 homes in 2026 and guidance.
3. <https://www.reuters.com/business/energy/iea-raises-2025-oil-supply-forecast-after-opec-output-hike-decision-2025-08-13/> - Reuters summarises the International Energy Agency’s monthly Oil Market Report, saying world oil supply is set to rise faster than previously expected as OPEC+ and non‑OPEC output expands. The IEA raised its 2025 supply growth estimate while trimming its demand growth projection to 680,000 barrels per day, down from 700,000 bpd, warning that weaker consumption across major economies could leave the market in surplus into 2026. The report highlights record‑high refinery runs and an implied surplus that could reach millions of barrels per day, notes the immediate oil price reaction and flagged downside risks globally.
4. <https://www.reuters.com/world/uk/ftse-100-hits-1-week-high-us-rate-cut-optimism-2025-08-13/> - Reuters covered the FTSE 100’s modest rise as investors grew more confident of US Federal Reserve rate cuts following inflation data that broadly matched expectations. The story notes the FTSE closed about 0.2% higher after a sequence of gains, while European bourses outperformed. It highlights sector divergences, with energy and financials lagging and Beazley plunging after lowering growth guidance. Reuters describes how shifting US rate expectations weakened the dollar and eased bond yields, and points to forthcoming UK GDP data plus planned diplomatic talks between the US and Russia that could influence energy markets.
5. <https://www.reuters.com/world/uk/uk-insurer-beazley-lowers-annual-premium-growth-forecast-2025-08-13/> - Reuters reports that Beazley, the Lloyd’s‑listed specialist insurer, cut its full‑year gross written premium growth guidance to ‘low‑to‑mid single digits’ from prior ‘mid‑single digits’, citing softer demand in cyber and property lines. The announcement followed first‑half results showing lower profits and a wider combined ratio. Reuters described the sharp market reaction as shares tumbled on the guidance revision and quoted management on disciplined underwriting. The piece placed the downgrade in context of sector pressures from increased climate‑related losses, technological change and elevated claims, and noted implications for investor sentiment and capital returns.
6. <https://www.reuters.com/world/uk/uks-persimmon-eyes-2026-sales-growth-margin-concerns-weigh-shares-2025-08-13/> - Reuters covered Persimmon’s half‑year update showing stronger‑than‑expected underlying pre‑tax profit and maintained guidance for 2025 completions, while forecasting delivery growth to around 12,000 homes in 2026. The company warned that margin progression may be constrained by embedded build‑cost inflation, affordability pressures and elevated industry costs, tempering investor enthusiasm. Reuters noted the share price weakness after the cautious margin commentary, summarised analysts’ reactions and referenced Persimmon’s marketing measures and land investment. The report concluded that, despite higher delivery targets, cost and market risks could prompt analysts to reassess profit forecasts.
7. <https://www.investing.com/news/economy-news/tariff-inflation-may-linger-longer-than-expected-bofa-warns-4036200> - Investing.com summarises a Bank of America research note warning that tariff‑related inflation may persist longer than initially expected. BofA suggested tariffs should begin to show up in official inflation readings and highlighted sectors such as autos and consumer goods as likely to feel price pressure. While the bank treated the impact as potentially temporary, it cautioned that its conviction was low and that tariffs could become a more persistent inflationary force, denting growth forecasts amid trade uncertainty. The note warned this dynamic could influence central‑bank policy expectations and market pricing of cuts.