



Markets Edge Lower Amid Trade Fallout, Labor Market Jitters; GDP Now Falls -17.39%, and Tesla Loses \$149.2 Billion In Market Cap.

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The U.S. and European stock markets closed with mixed results as investors digested a wave of economic data pointing to the lingering impact of President Trump's aggressive trade policies. Also, Wall Street was impacted by the dramatic unraveling across social media and news outlets, and the once-close rapport between Elon Musk and President Donald Trump collapsed spectacularly. What began as a policy disagreement quickly escalated into a high-profile war of words, signaling the end of a relationship that Musk once described as a strategic alliance.

On Thursday, the Tesla CEO took to X to unleash a series of scathing posts criticizing Trump's proposed tax legislation. Musk, who had previously referred to himself as "**The First Buddy**", accused the bill of being financially reckless and a direct threat to the future of electric vehicles due to its planned rollback of EV tax credits, a move that could hit Tesla's bottom line.

By mid-afternoon, the feud had gone public at the highest level. Speaking from the Oval Office, Trump reflected on their deteriorating dynamic. "Elon and I had a strong relationship", he said. "I'm not sure that's still the case", Trump claimed Musk was familiar with the draft legislation, implying his reaction was disingenuous.

Musk quickly fired back, denouncing what he mockingly called the "Big Beautiful Bill" for being bloated with wasteful spending. What followed was a rare, unfiltered political breakup unfolding in full view of the American public—part policy clash, part personal vendetta, all intensely political. By the time markets closed, Tesla stock had taken a hit, closing down \$46.92, or 14.13%, to \$285.13. **By the time the markets closed, Tesla had lost approximately \$149.2 billion in market capitalization.** European equities closed up as the European Central Bank lowered its benchmark interest rate by 25 basis points to 2%, a move aimed at cushioning the Eurozone economy against growing global trade tensions, particularly those stemming from President Donald Trump's renewed tariff policies. The decision, though widely anticipated by markets, was accompanied by a clear signal from ECB President Christine Lagarde that the institution is approaching the end of its current cycle of monetary easing.

Lagarde noted that the ECB has "largely completed" its rate adjustment process, which has seen borrowing costs slashed from a 4% peak since June 2024. The move sparked a broad selloff in sovereign debt across the eurozone.

Asian markets closed up buoyed by reports in Chinese state media of a direct phone conversation between President Trump and President Xi Jinping—the first such exchange since Trump's return to office. Markets are interpreting the outreach as a potential thaw in U.S.–China relations, injecting a dose of optimism into what had been an otherwise cautious global trading environment.

Trade Policy Reverberations Begin to Surface in U.S. Data

The effects of the trade war are becoming increasingly visible in U.S. economic indicators. Following a surge in imports earlier this year, as businesses rushed to beat tariff deadlines, April saw a sharp reversal. Imports fell significantly, narrowing the U.S. trade deficit and likely providing a temporary boost to Q2 GDP. However, this short-term improvement masks deeper structural headwinds caused by abrupt shifts in trade dynamics.

Labor market data has also turned more concerning. Initial jobless claims rose again last week, and the number of continuing claims remains stubbornly high—both signs of possible weakness in the employment picture. The Challenger report showed layoffs remain elevated across a growing number of industries, suggesting that companies are preparing for slower growth ahead. These developments have heightened uncertainty ahead of Friday's crucial jobs report.

Labor Market in the Spotlight

All eyes now turn to the upcoming nonfarm payrolls report, which could either confirm or challenge the notion that the labor market remains resilient. Consensus forecasts call for a net gain of 125,000 jobs in May, with the unemployment rate holding steady at 4.2%. However, after this week's underwhelming ADP private payroll data and rising claims, any downside surprise would raise red flags about the broader economic outlook.

Such a development could also complicate the Federal Reserve's policy path. While the Fed has so far been reassured by the economy's durability in 2025, signs of a cooling labor market—particularly if coupled with an uptick in inflation—could force a recalibration. We continue to believe that the Fed will stay on the sidelines until September before potentially initiating a rate cut, a view that remains aligned with current market expectations.

GDPNow:

- The **GDPNow** for the second quarter of 2025 was updated on June 5 to 3.80%, down from 4.60%, representing a -17.39% decrease.

Economic Update:

- **U.S. Initial Claims for Unemployment Insurance:** rose to 247,000, up from 239,000 last week, increasing 3.35%.
- **U.S. Productivity:** fell -1.50%, compared to 1.70% last quarter.
- **U.S. Trade Balance on Goods:** rose to -\$87.41 billion, up from -\$162.57 billion last month.
- **30-Year Mortgage Rate:** rose to 6.89%, compared to 6.86% last week.
- **Canada Ivey PMI:** rose to 53.80, up from 48.90 last month, increasing 10.02%.

Eurozone Summary:

- **Stoxx 600:** Closed at 551.88, up 0.86 points or 0.16%.
- **FTSE 100:** Closed at 8,811.04, up 9.75 or 0.11%.
- **DAX Index:** Closed at 24,323.58, up 47.10 or 0.19%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,319.74, down 108.00 points or 0.25%.
- **S&P 500:** closed at 5,939.30, down 31.51 points or 0.53%.
- **Nasdaq Composite:** closed at 19,298.45, down 162.04 points or 0.83%.

- **Birling Capital Puerto Rico Stock Index:** closed at 3,864.73, down 31.89 points or 0.82%.
- **Birling Capital U.S. Bank Index:** closed at 6,730.85, down 35.10 points or 0.52%.
- **U.S. Treasury 10-year note:** closed at 4.40%.
- **U.S. Treasury 2-year note:** closed at 3.92%.



GDPNow

Second Quarter 2025

Date	GDPNow 2Q25	Change
4/30/2025	2.40%	Initial Forecast
5/1/2025	1.10%	-54.17%
5/6/2025	2.20%	100.00%
5/8/2025	2.30%	4.55%
5/15/2025	2.50%	8.70%
5/16/2025	2.40%	-4.00%
5/27/2025	2.20%	-8.33%
5/30/2025	3.80%	72.73%
6/2/2025	4.60%	21.05%
6/5/2025	3.80%	-17.39%

US Initial Claims for Unemployment, US Productivity, US Trade Balance, 30-Year Mortgage Rate & Canada Ivey PMI





Wall Street Recap

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