



U.S. and European Markets Rally Following the U.S. and China Tariff Reduction Announcement and Trump's New Drug Price Policy.

May 12, 2025

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets opened the week rallying sharply, following the announcement of a 90-day tariff reduction between the U.S. and China after trade talks in Switzerland over the weekend. Additionally, President Donald Trump revived a contentious policy to reduce drug prices by linking the cost of certain medications in the U.S. to the significantly lower prices found in other countries.

The Dow Jones rose 1,160.72 points, followed by the Nasdaq Composite with 779.43 points and the S&P 500 with 184.28 points.

Trump signed an executive order outlining several measures to reinstate the "most favored nation" policy, though he did not specify which nations would be affected.

During a press briefing, Trump explained the rationale behind the initiative, saying, "What we're doing is equalizing. We are going to pay the lowest price available worldwide. Whoever is paying the lowest price, that's the price we're going to get".

Bond yields are rising, with the 10-year Treasury yield closing at 4.45%, as market expectations for the next Federal Reserve rate cut have shifted to September, pushing back from the previously anticipated July reduction. The market is pricing in two rate cuts this year, a shift from the three to four cuts expected just a week ago.

European markets are gaining, driven by cyclical and growth sectors, and Asian stocks are finishing higher. The U.S. dollar is strengthening against major currencies, while WTI oil is seeing a significant boost, continuing its climb above \$60 per barrel as trade tensions ease.

U.S. and China Agree to Tariff Reductions

In a key development, the U.S. and China have agreed to reduce tariffs as part of a 90-day trade truce. The U.S. will cut its tariffs on Chinese imports from 145% to 30%, while China will lower its tariffs on U.S. goods from 125% to 10%. Both nations confirmed in a joint statement that they will continue talks on broader economic and trade relations. While the tariff cuts are smaller than markets had anticipated, following President Trump's suggestion of an 80% tariff on Chinese imports, this step represents a positive shift in easing trade tensions. While a comprehensive U.S.-China trade deal will likely take longer to finalize, this tariff reduction should help alleviate trade disruptions and boost sentiment among businesses, consumers, and investors.

Congress Unveils Tax Bill Draft – In legislative news, the House Ways and Means Committee has released a partial draft of a new tax bill, aimed at extending provisions of the 2017 Tax Cuts and Jobs Act, which is set to expire at the end of this year. Among the provisions are the retention of the 37% top individual tax rate, a permanent extension of the estate tax exemption (set to reach \$15 million by 2026), and extensions of the standard deduction and child tax credit. This marks the beginning of

a lengthy legislative process, where additional items will be added from various House subcommittees before it proceeds to the full House and Senate for final approval. Lawmakers are targeting July for a completed bill, though the final version could differ substantially from the current draft.

Puerto Rico Economic Update:

- The February 2025 **Economic Activity Index** records its sixth consecutive contraction at -0.90%, below the details of the four EIA components.
- **Total Non-Farm Payroll Employment** rose to 963,200, up 1.20%.
- **Electric Energy Generation** rose to 1,558, up 0.2%.
- **Gasoline Consumption** fell to 71.2 million, down 11%.
- **Sales of Bags of Cement** rose to 1,265.88 million, up 17.8%.

Eurozone Summary:

- **Stoxx 600:** Closed at 544.49, up 6.53 points or 1.21%.
- **FTSE 100:** Closed at 8,604.98, up 50.18 or 0.59%.
- **DAX Index:** Closed at 23,566.54, up 67.22 or 0.29%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,410.10, up 1,160.72 points or 2.81%.
- **S&P 500:** closed at 5,844.19, up 184.28 points or 3.26%.
- **Nasdaq Composite:** closed at 18,708.34, up 779.43 points or 4.35%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,805.25, down 13.10 points or 0.34%.
- **Birling Capital U.S. Bank Index:** closed at 6,348.11, down 5.19 points or 0.08%.
- **U.S. Treasury 10-year note:** closed at 4.45%.
- **U.S. Treasury 2-year note:** closed at 3.98%.



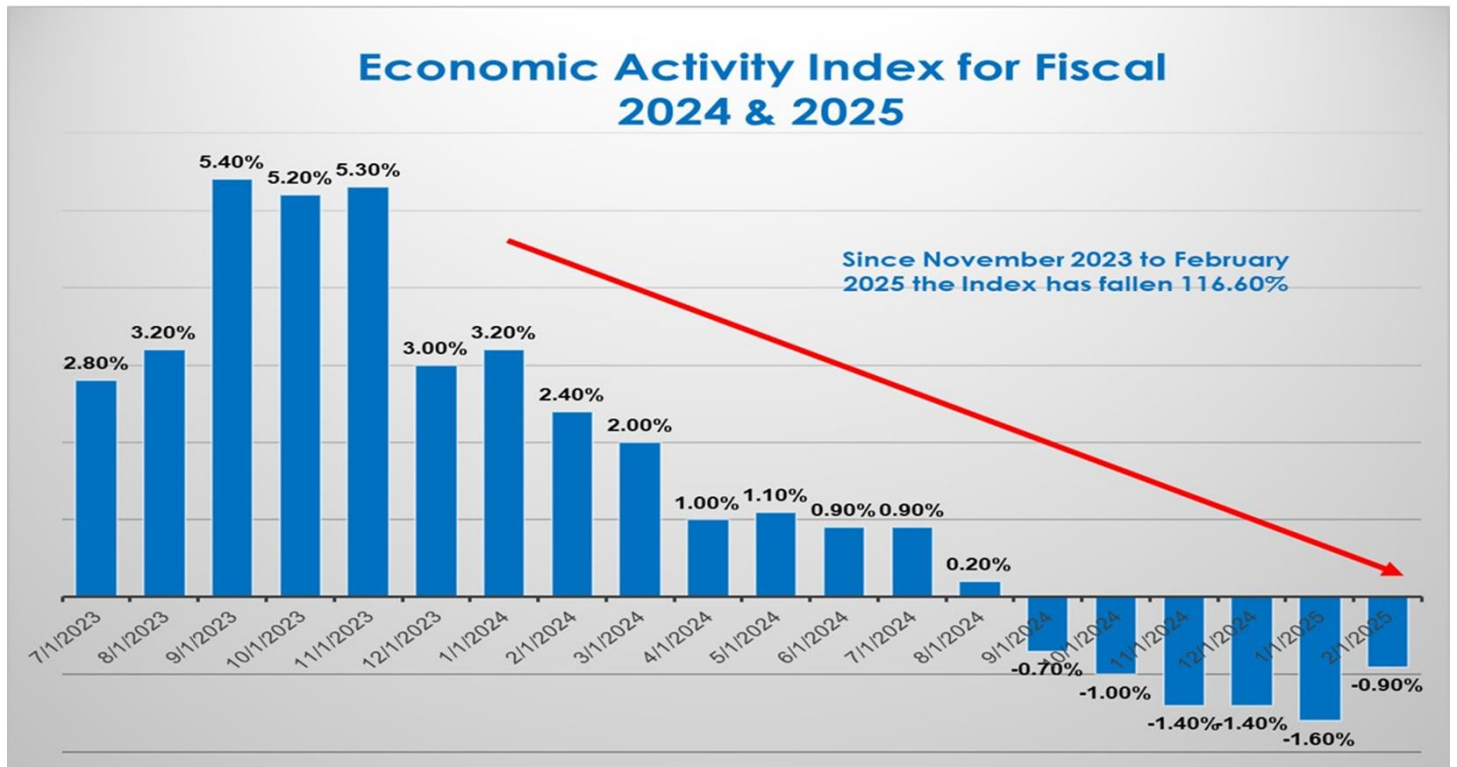
Inflation Nowcasting

Inflation Nowcasting	CPI Forecast	Core CPI Forecast	Updated
April	2.34%	2.76%	5.12.25



Puerto Rico Economic Activity Index

The February 2025 Economic Activity Index records its sixth consecutive contraction at **-0.90%**





Wall Street Recap May 12, 2025



Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.