

Markets Rattle as Trump Revives Trade War with 50% EU Tariffs, Threatens iPhone Import Tax and Wall Street Stumbles.

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The U.S. and European stock markets closed with losses after President Trump reignited trade tensions by calling for sweeping tariff increases on the European Union and threatening new import taxes on Apple iPhones not manufactured in the U.S. These threats have unsettled markets, reminding investors that despite recent signs of easing, the global trade landscape remains vulnerable to abrupt policy shifts. Trump's proposal calls for a 50% tariff on EU imports, set to take effect June 1, 2025, clashing with an existing 90-day tariff moratorium scheduled to expire July 9.

Bond markets are also reacting, with yields sliding for a second consecutive day. The 10-year Treasury yield dipped to 4.51%, reversing its prior upward trend amid renewed concerns that rising deficits—fueled by tax cuts could add pressure to long-term debt sustainability. Asian markets closed higher after Beijing unveiled fresh monetary easing measures, including enhanced liquidity injections and reduced bank deposit rates. The U.S. dollar is weakening against major currencies, and oil prices are slipping on expectations that OPEC+ will approve another production increase in July.

Trump Escalates Trade Rhetoric with New Tariff Proposals

President Trump accused the European Union of maintaining unfair trade practices and announced his intent to impose 50% tariffs starting June 1. He also posted on Truth Social that iPhones manufactured outside the U.S. could face a 25% import tax. While not yet policy, these declarations are rattling investor sentiment and reinforcing that tariff risks remain a persistent overhang for global markets. Although trade friction subsides in broader terms, targeted volatility tied to specific sectors and regions may persist.

Earnings Season Wraps with Broad-Based Strength

With 96% of S&P 500 companies having reported first-quarter results, the earnings season has been notably strong. Roughly 78% of companies exceeded analyst estimates, with an average positive surprise of 8.4%. Projections for Q1 earnings growth have been revised upward to 13.3%, compared to just 6.7% at the quarter's outset.

Healthcare led all sectors with a 43% year-over-year earnings gain and a 29% increase from communication services. Gains have been broadly distributed, with eight of the 11 S&P 500 sectors posting higher earnings year-over-year—a sign of improving market breadth and a compelling case for continued portfolio diversification.

FEMA Faces Restructuring Amid Disaster Surge and Congressional Pushback

As the frequency and scale of natural disasters continue to escalate, bringing multi-billion-dollar costs and overwhelming federal response systems, the Trump administration has unveiled a controversial plan to dismantle and decentralize FEMA. Spearheaded by Homeland Security Secretary Kristi Noem, the proposal aims to shift disaster response responsibilities away from the federal government and place them squarely on the shoulders of state and local authorities.

However, the proposal has sparked bipartisan concern in Congress. In response, House Transportation and Infrastructure Committee leaders Sam Graves (R-MO) and Rick Larsen (D-WA) are drafting legislation that would reestablish FEMA as an independent agency, empowering it with greater autonomy to respond to emergencies and penalize states that fail to invest in disaster preparedness and mitigation.

Tensions escalated when the administration dismissed Acting FEMA Administrator Cameron Hamilton after he publicly opposed the dismantling plan and voiced support for the pending legislation. Despite growing concern over FEMA's rapidly depleting disaster relief funds—projected to run dry by early summer—and the looming hurricane season, the administration remains firmly against the bill, casting doubt on its legislative prospects.

Economic Update:

- **U.S. New Single-Family House Sales:** rose to 743,000, up from 670,000 last month and 10.90%.
- **Eurozone Unemployment Rate:** is unchanged at 6.20%, compared to 6.20% last month.
- **Germany Real GDP YoY:** is at -0.20%, compared to -0.40% last quarter.
- **UK Retail Sales YoY:** rose to 5.00%, compared to 1.90% last month.
- **China Exports YoY:** fell to 8.37%, compared to 12.75% last month.
- **China Imports YoY:** is at -0.22%, compared to -4.41% last month.
- **China Trade Balance:** fell to 96.18B, down from 102.64B last month.

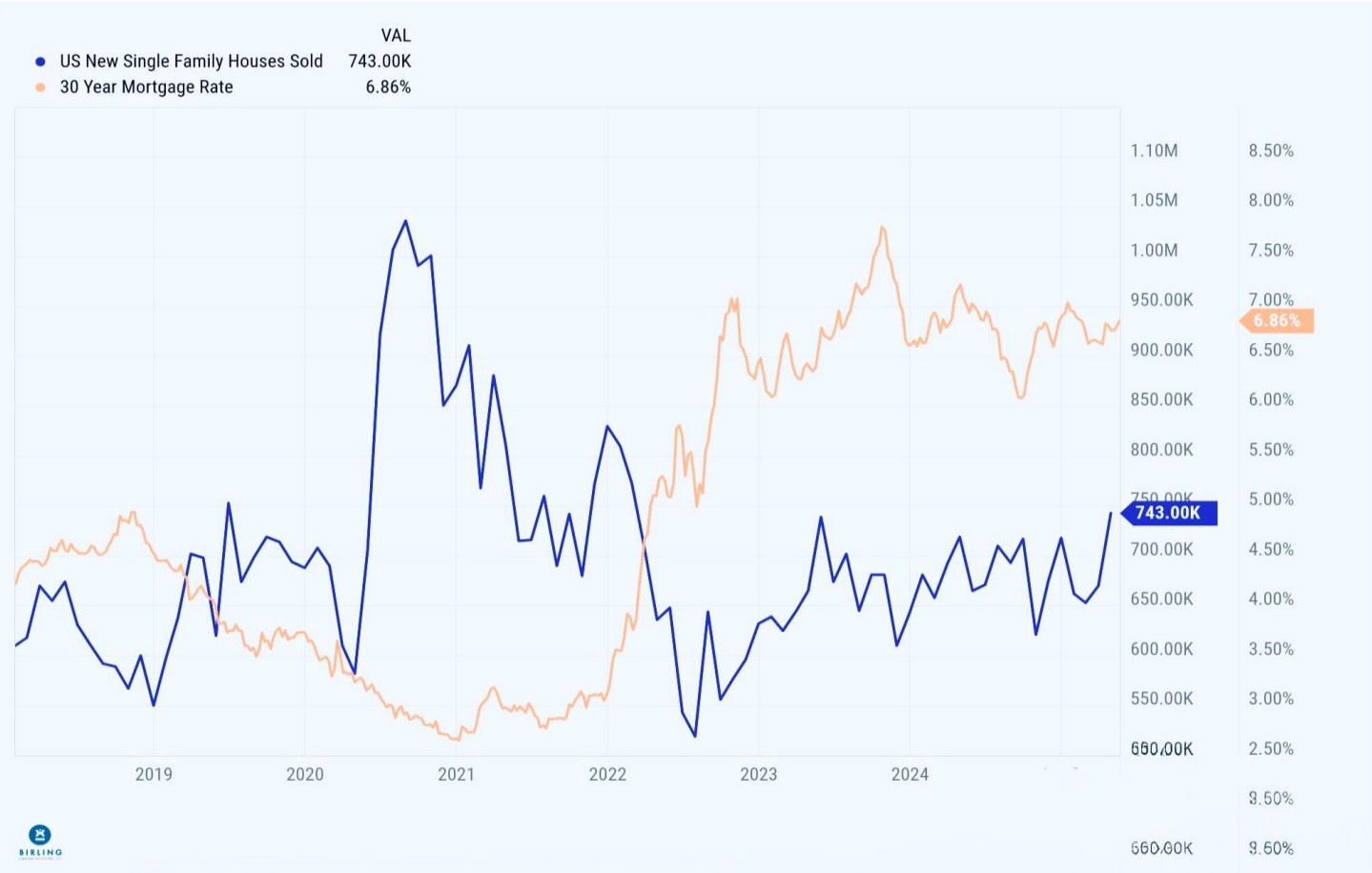
Eurozone Summary:

- **Stoxx 600:** Closed at 545.13, down 5.14 points or 0.93%.
- **FTSE 100:** Closed at 8,717.97, down 21.29 or 0.24%.
- **DAX Index:** Closed at 23,629.58, down 369.59 or 1.54%.

Wall Street Summary:

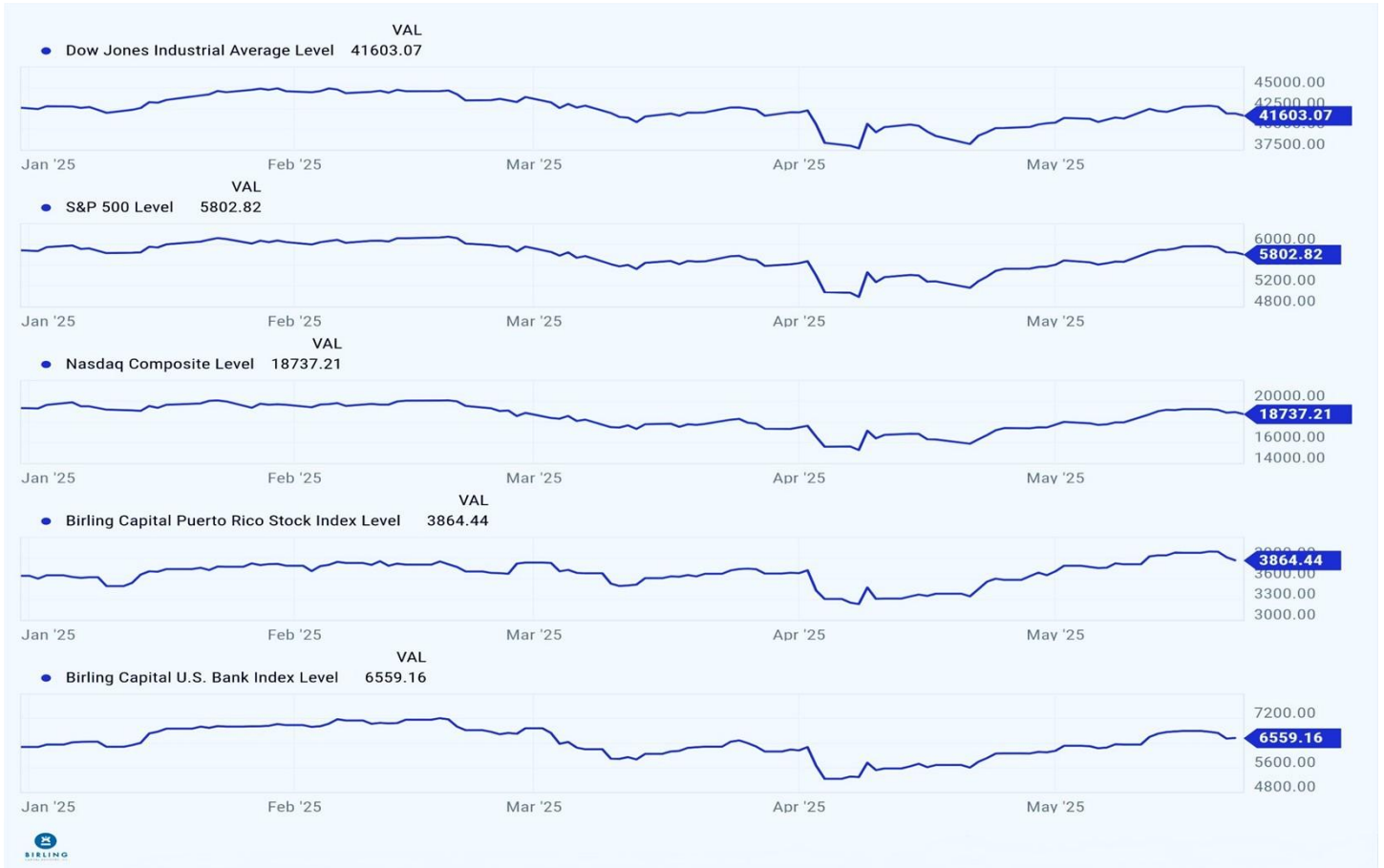
- **Dow Jones Industrial Average:** closed at 41,603.07, down 256.02 points or 0.61%.
- **S&P 500:** closed at 5,802.82, down 39.19 points or 0.67%.
- **Nasdaq Composite:** closed at 18,737.21, down 188.53 points or 1.00%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,864.44, down 43.99 points or 1.13%.
- **Birling Capital U.S. Bank Index:** closed at 6,559.16, up 20.16 points or 0.31%.
- **U.S. Treasury 10-year note:** closed at 4.51%.
- **U.S. Treasury 2-year note:** closed at 4.00%.

US New Single Family Houses Sold & 30 Year Mortgage Rate





Wall Street Recap May 23, 2025



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