



Trump's Tariff Shockwaves Rattle Markets as Investors' Sentiment Turns Negative and Productivity Surges.

August 7, 2025

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets delivered a mixed session, with Wall Street reversing earlier gains and sliding into negative territory on Thursday with only the Nasdaq closing with gains, as lingering unease over President Trump's tariff policies continued to weigh on investor sentiment. Not even the strong earnings momentum was able to abate the investor sentiment, which remains less than cautiously optimistic, as the U.S. administration formally enacted its **August 1 global tariff framework** while simultaneously signaling strategic flexibility through a wave of **corporate exemptions**.

Tariffs Implemented, But Exemptions Offer Relief

The administration's new round of tariffs—most notably a **100% duty on semiconductor imports**—was rolled out with significant caveats. Multinational corporations that commit to **expanding U.S.-based manufacturing** are receiving exemptions. Key players, such as **Apple, Samsung, and TSMC**, have already secured relief by pledging substantial U.S. investments.

Meanwhile, markets are closely watching potential **pharmaceutical tariffs**, which insiders suggest could range from **150% to 250%**. However, there is growing speculation that, as with semiconductors, exemptions will be offered for companies investing in domestic production. The **average U.S. tariff rate has surged from 2.3% to 18.3%**, per Yale Budget Lab estimates, raising concerns about future inflation in goods. Yet, the evolving tone from Washington suggests a **more targeted and negotiable trade approach**—one that markets are interpreting as less disruptive than initially feared.

Labor Trends Mixed: Productivity Strong, Yields Fall

Bond markets continued to signal caution. The **10-year U.S. Treasury yield closed at 4.23%**, extending its downward trend amid softening labor data and growing expectations for a **September Fed rate cut**. Despite the moderation in job growth, **U.S. labor productivity for Q2 came in at 2.4% annualized**, surpassing the 2.0% forecast and reinforcing confidence in the economy's underlying strength.

Earnings Season Surpasses Expectations

With **87% of S&P 500 companies** having reported, the second-quarter earnings season has seen approximately **82% beat analyst projections**, delivering an average surprise of **8.1%**. As a result, full-year earnings growth forecasts for the index have been **revised upward to 10%**, from 4% at the start of 2025.

Technology and communication services have led the charge, while **energy and materials** posted modest declines.

GDPNow:

- The GDPNow for the Third Quarter was updated today and is unchanged at 2.50% GDP.

Economic Update:

- **U.S. Initial Claims for Unemployment Insurance:** rose to 226,000, up from 219,000 last week, increasing 3.20%.
- **U.S. Productivity:** rose to 2.40%, compared to -1.80% last quarter.
- **U.S. Consumer Credit Outstanding MoM:** fell \$5.102 billion, down from \$16.87 billion last month, decreasing -69.76%.
- **U.S. Wholesale Inventories MoM:** rose to 0.10%, compared to -0.31% last month.
- **30-Year Mortgage Rate:** fell to 6.63%, compared to 6.72% last week.
- **Canada Ivey PMI:** fell to 54.60, down from 55.80 last month.
- **Germany Trade Balance:** fell to 14.90 billion, down from 18.40 billion last month, representing a decrease of 19.02%.
- **Germany Exports MoM:** rose by 0.80%, compared to -1.40% last month.
- **Germany Industrial Production Index MoM:** fell -1.90%, compared to -0.10% last month.
- **Bank of England Bank Rate:** fell to 4.00%, compared to 4.25% yesterday.
- **Japan Business Conditions Composite Coincident Index:** rose to 116.80, up from 116.00 last month.
- **China's Trade Balance:** fell to \$ 98.24B, down from \$ 114.77B last month.
- **China Exports YoY:** rose to 7.13%, compared to 5.80% last month.
- **China Imports YoY:** rose to 3.82%, compared to 0.86% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 546.05, up 4.98 points or 0.92%.
- **FTSE 100:** Closed at 9,100.77, up 63.54 points or 0.69%.
- **DAX Index:** Closed at 24,192.50, up 268.14 points or 1.12%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 43,968.64, down 224.48 points or 0.51%.
- **S&P 500:** closed at 6,340.00, down 5.06 points or 0.08%.
- **Nasdaq Composite:** closed at 21,242.70, up 73.27 points or 0.35%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,982.39, down 19.94 points or 0.50%.
- **Birling Capital U.S. Bank Index:** closed at 7,510.28, up 14.59 points or 0.19%.
- **U.S. Treasury 10-year note:** closed at 4.23%.
- **U.S. Treasury 2-year note:** closed at 3.72%.

Third Quarter 2025

Date	GDPNow 3Q25	Change
7/31/2025	2.30%	Initial Forecast
8/1/2025	2.10%	-8.70%
8/5/2025	2.50%	19.05%
8/7/2025	2.50%	0.00%

US Initial Claims for Unemployment Insurance; US Productivity; US Consumer Credit Outstanding MoM; 30 Year Mortgage Rate & US Wholesale Inventories MoM





Wall Street Recap

August 7, 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.