

Trump Escalates TACO Tariffs, Blurs Lines Between Trade Policy and Foreign Politics, intrudes in a Sovereign Nation's Affairs, and Wall Street Closed Up.

July 10, 2025

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets had mixed results, as momentum in oil was quickly overshadowed by fresh tariff announcements from President Donald Trump late Wednesday. Trump confirmed that a 50% tariff on imported copper will take effect on August 1. President Trump is now actively inserting U.S. trade policy into Brazil's domestic political affairs. On Wednesday evening, he announced a sweeping **50% tariff on all Brazilian imports**, pointing to two primary justifications: first, Brazil's ongoing prosecution of former President Jair Bolsonaro for his alleged attempt to overturn the 2022 election, which Trump characterized as politically motivated; and second, what he described as a "very unfair trade relationship" that has been "far from Reciprocal".

However, **Trump's claim of a trade imbalance is not supported by the available data**. In reality, the **United States recorded a goods trade surplus of approximately \$7.4 billion with Brazil in 2024**, undermining the assertion that the U.S. is at a disadvantage. The unprecedented linkage of tariffs to another country's judicial proceedings, particularly in a democratically like Brazil, raises serious diplomatic and policy concerns, suggesting a new frontier in the politicization of U.S. trade tools.

Brazilian President Luiz Inácio Lula da Silva responded swiftly, invoking Brazil's economic reciprocity law and pledging retaliatory measures. The iShares MSCI Brazil ETF (EWZ) fell 2% on the news.

In Europe, markets closed firmly in positive territory buoyed by optimism over U.S.–EU trade negotiations, which many investors believe are progressing toward a framework deal that could soften tariff tensions and in Asia, markets also showed resilience mostly higher except with Japan's Nikkei 225, which closed down, slightly out of step with its regional peers.

In fixed income, yields on U.S. Treasuries are mostly flat across the curve following a resilient report on jobless claims. The U.S. dollar remains stable mainly against a basket of global currencies. Commodity markets are less settled, with WTI crude continuing its decline amid signs of oversupply and weakening demand in China.

TACO Tariff's Risk Rises as August 1 Deadline Looms

The twin tariff threats add to a growing list of global trade friction points. Over the past week, the U.S. administration has released a series of revised reciprocal tariffs, with most set to take effect on August 1, unless bilateral agreements are reached. The copper tariff, in particular, is poised to have a ripple effect on multiple industrial sectors. With domestic production accounting for only half of the annual U.S. copper demand, manufacturers in the construction, energy, and electronics sectors could face significant cost increases.

While markets remain cautiously optimistic that last-minute negotiations may soften or delay the rollout, the mounting tariff pressure is testing investor confidence. Copper futures are already on the rise, pricing in tighter supply and potential geopolitical fallout.

Labor Market Resilience Meets Subtle Shifts

On the economic front, the labor market continues to display resilience, at least on the surface. Initial jobless claims declined again last week, reinforcing the view that employers remain hesitant to lay off staff. However, continuing claims rose to nearly 2 million, marking their highest level since 2021 and indicating that the momentum for rehiring is beginning to slow.

This divergence may reflect a broader hesitancy in corporate hiring, as companies grapple with the uncertain impact of escalating trade tensions. Minutes from the Fed's June meeting confirm a broadly cautious stance: most policymakers prefer to hold off on major moves until the full effects of trade policy on inflation and growth become clearer.

With a July rate cut unlikely, attention turns to September, where the Fed may be forced to act if economic data weaken or if the implementation of tariffs triggers more profound disruptions.

Economic Data Highlights:

- **U.S. Initial Claims for Unemployment Insurance:** fell to 227,000, down from 232,000 last week, decreasing by 2.16%.
- **30-Year Mortgage Rate:** rose to 6.72%, compared to 6.67% last week.
- **Germany Consumer Price Index YoY:** fell 2.00%, compared to 2.10% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 552.93, up 2.97 points or 0.54%.
- **FTSE 100:** Closed at 8,875.66, up 108.64 points or 1.23%.
- **DAX Index:** Closed at 24,455.81, down 92.75 points or 0.38%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 44,650.64, up 192.34 points or 0.43%.
- **S&P 500:** closed at 6,280.46, up 17.20 points or 0.27%.
- **Nasdaq Composite:** closed at 20,630.66, up 19.33 points or 0.09%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,124.56, down 17.88 points or 0.43%.
- **Birling Capital U.S. Bank Index:** closed at 7,420.41, up 2.24 points or 0.03%.
- **U.S. Treasury 10-year note:** closed at 4.35%.
- **U.S. Treasury 2-year note:** closed at 3.86%.

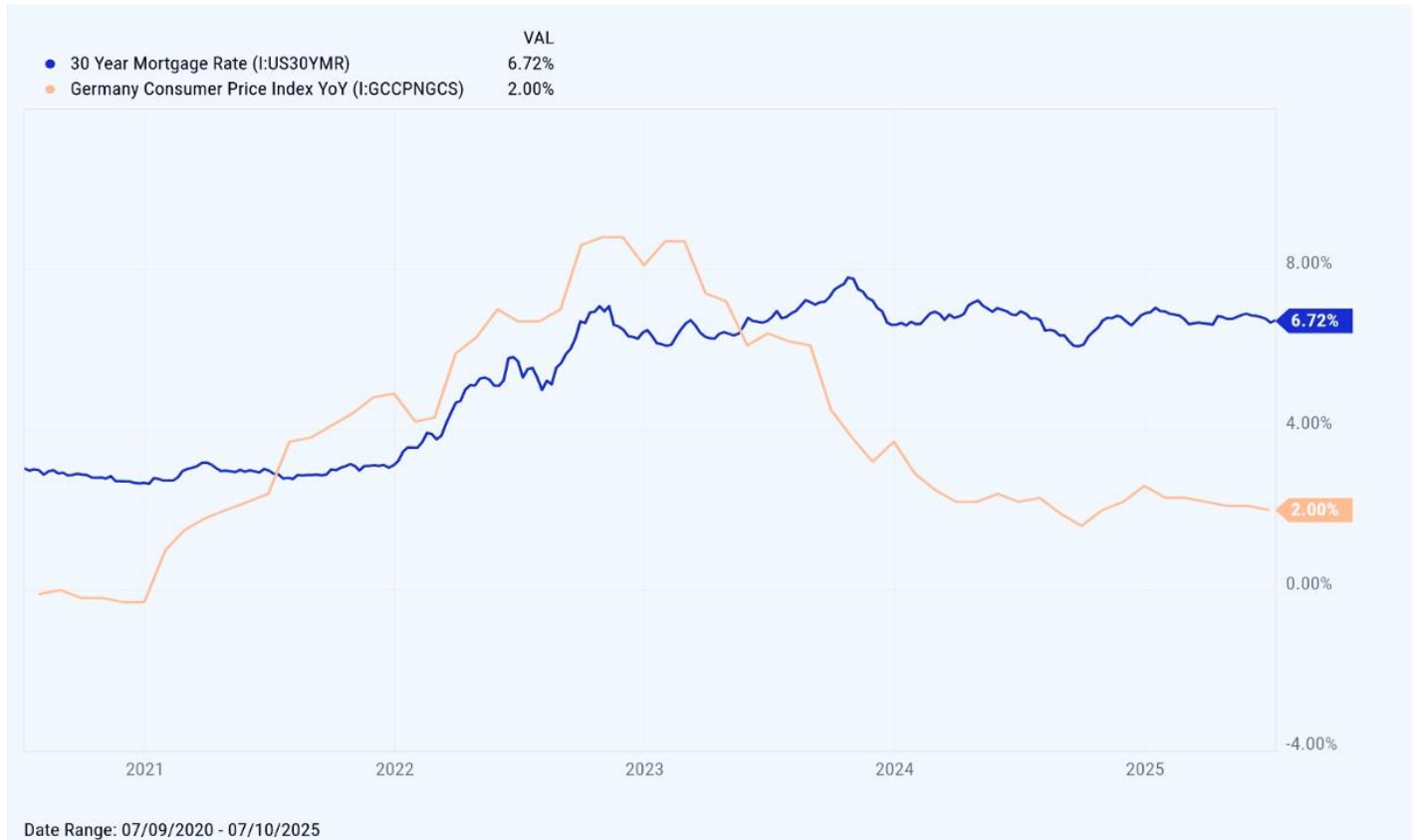


US Initial Claims for Unemployment, US Job Openings & US Job Seekers

www.birlingcapital.com



30-Year Mortgage Rate & Germany Consumer Price Index





www.birlingcapital.com

Dow Jones, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns 7.10.25

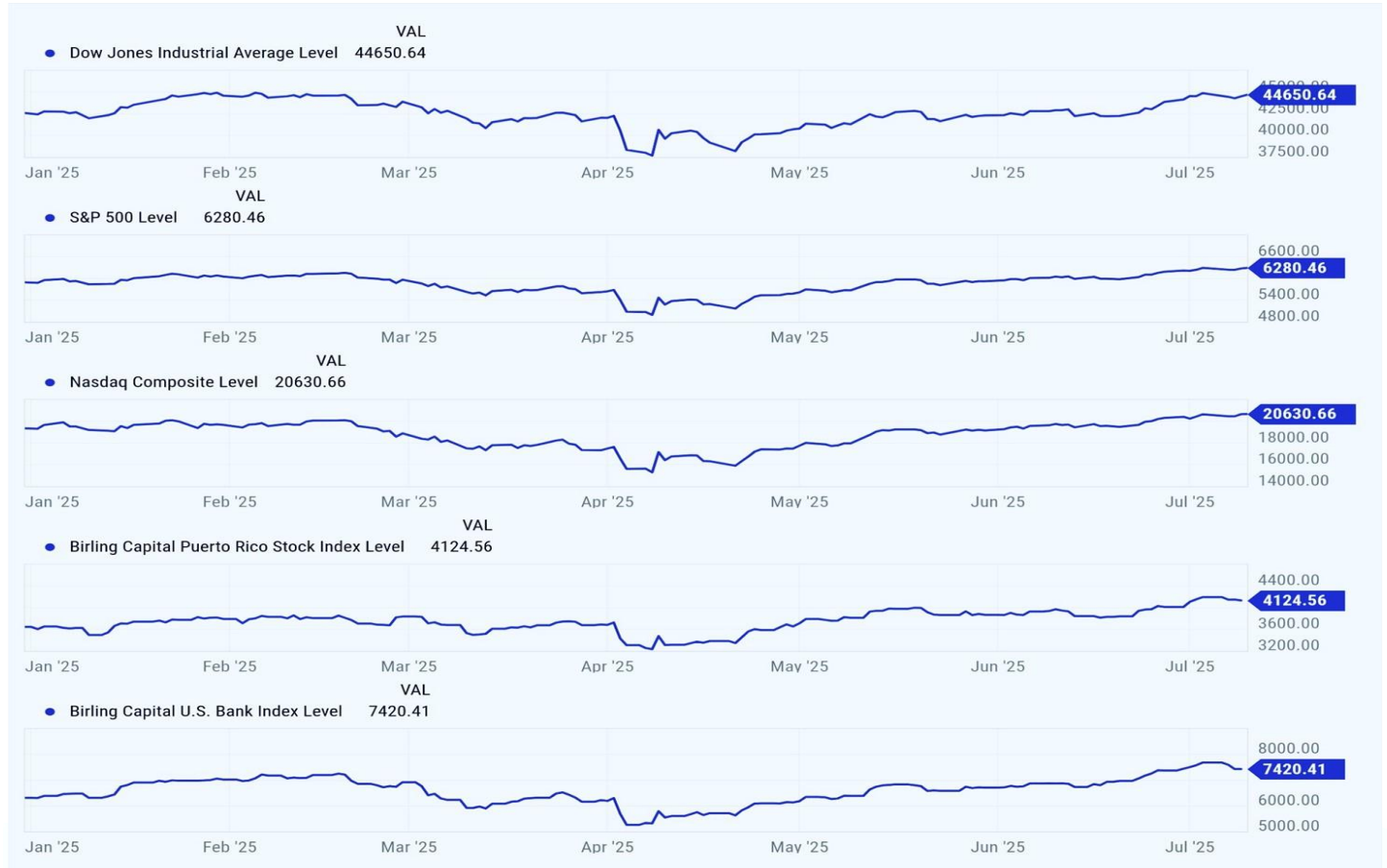
	VAL
● Dow Jones Industrial Average Level % Change	4.95%
● S&P 500 Level % Change	6.78%
● Nasdaq Composite Level % Change	6.83%
● Birling Capital Puerto Rico Stock Index Level % Change	13.36%
● Birling Capital U.S. Bank Index Level % Change	17.81%





Wall Street Recap

July 10, 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.