



Markets Lose Confidence as Trade Tensions Escalate with Earnings Season Looming, and Wall Street Closed Down.

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The U.S. and European stock markets closed the week lower, as investors absorbed a wave of fresh TACO tariff headlines affecting confidence and braced for renewed trade volatility.

North of the border, Canadian index futures signal a 0.4% drop as tensions between the U.S. and Canada flare once again.

European markets slumped 1.2%, extending the global risk-off tone, and Asian Markets closed lower. The U.S. dollar is higher against a trade-weighted basket, while crude oil is attempting a fragile rebound after several sessions of weakness.

TACO Tariff Escalation Targets Canada and the EU

President Trump reignited trade tensions late last night by announcing a new 35% tariff on Canadian imports that do not comply with USMCA standards. The move, set to take effect August 1, is in response to U.S. accusations regarding fentanyl transshipments and longstanding frustrations over Canada's 400% tariff on U.S. dairy products. This latest levy will compound existing sectoral tariffs on metals, although energy imports will remain subject to the current 10% rate.

In a broader escalation, the White House is now considering lifting the general tariff baseline from 10% to a range of 15%–20% for most trading partners. Additionally, a formal tariff notice is reportedly being prepared for the European Union, with an implementation deadline also set for August 1 unless a deal is reached.

Until now, financial markets have discounted mainly tariff threats, viewing them as bluster or negotiation tactics. However, the formalization of deadlines and the layering of trade penalties have reignited investor anxiety over potential economic fallout. August 1 is quickly emerging as a pivotal inflection point for global trade and market stability.

Earnings Season: TACO Tariffs in the Spotlight

Next week, the second-quarter earnings season kicks off in earnest. Investors will be focused on whether trade uncertainty and cost pressures have begun to erode corporate profits. According to FactSet, S&P 500 companies are forecast to post 5% year-over-year earnings growth, sharply lower than the 13% surge recorded in Q1.

While recent analyst downgrades have already baked in some tariff-related disruption, actual earnings releases will provide critical insight into which sectors are absorbing the shocks and which may be buckling. From multinationals to small caps, tariff impacts are no longer theoretical; markets will demand clarity on margin pressures, pricing power, and forward guidance.

As earnings unfold and the August 1 tariff deadline approaches, volatility may rise. Investors are recalibrating expectations in a world where trade policy is again a headline risk, not a background concern.

Economic Data Highlights:

- **Canada Employment Net Change:** rose to 83,100, up from 8,800 last month, increasing 844.3%.
- **Canada Unemployment Rate:** fell to 6.90%, compared to 7.00% last month.
- **Canada Labour Force Participation Rate:** rose to 65.40%, compared to 65.30% last month.
- **UK Industrial Production Index YoY:** fell by -0.30%, compared to 0.30% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 547.34, down 5.59 points or 1.01%.
- **FTSE 100:** Closed at 8,941.12, down 34.54 points or 0.38%.
- **DAX Index:** Closed at 24,255.31, down 201.50 points or 0.82%.

Wall Street Summary:

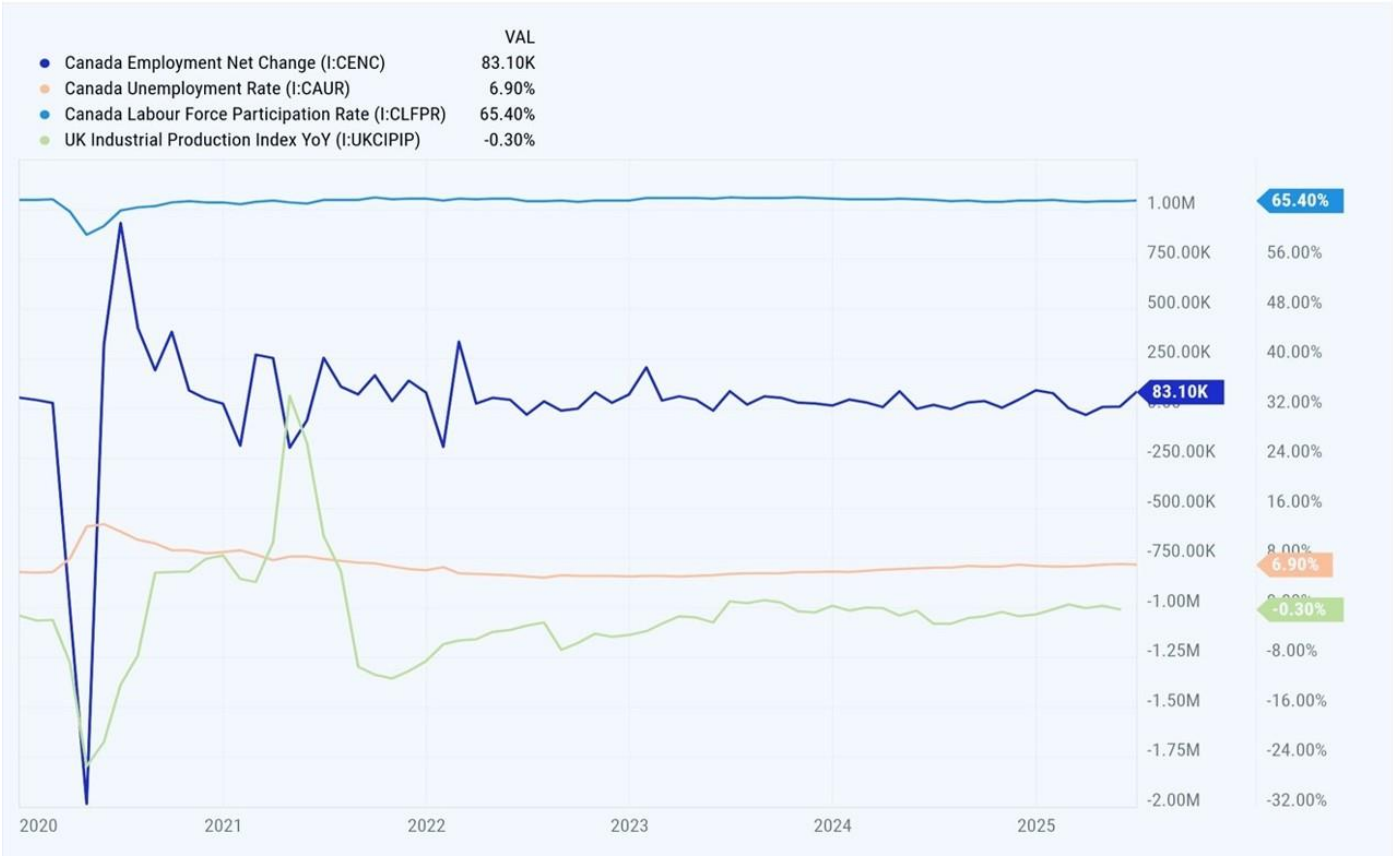
- **Dow Jones Industrial Average:** closed at 44,371.51, down 279.13 points or 0.63%.
- **S&P 500:** closed at 6,259.75, down 20.71 points or 0.33%.
- **Nasdaq Composite:** closed at 20,585.53, down 45.14 points or 0.22%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,109.98, down 14.59 points or 0.35%.
- **Birling Capital U.S. Bank Index:** closed at 7,508.54, up 88.13 points or 1.19%.
- **U.S. Treasury 10-year note:** closed at 4.43%.
- **U.S. Treasury 2-year note:** closed at 3.90%.

The Thought of the Week:

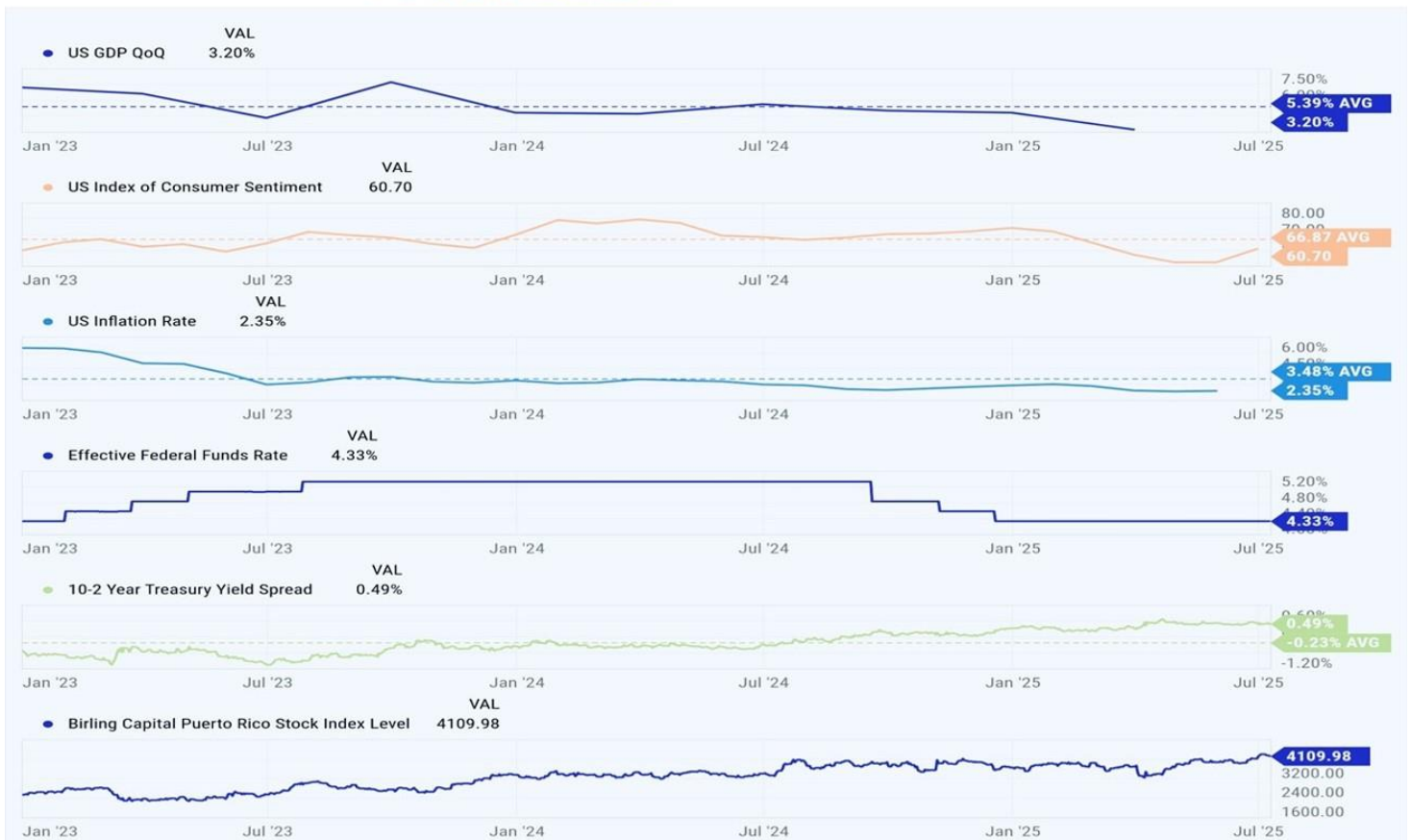
"Debating with an ignorant person is like quarreling with a parrot: It echoes what it has heard, unaware of its meaning, yet utterly convinced it is right, without the faintest idea why, and even after being shown all the facts proving it's wrong".



Canada Employment Net Change, Canada Unemployment Rate, Canada Labour Force Participation Rate & UK Industrial Production Index



The Economic Cycle: US GDP, US Index of Consumer Sentiment, US Inflation Rate, Effective Federal Funds Rate, 10-year US Treasury & Birling PR Stock Index





Wall Street Recap

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