



Markets on Edge: Dow and S&P 500 Log Consecutive Losses as TACO Tariffs Return and Bond Rout Undermines Confidence.

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The U.S. and European stock markets closed with mixed results. Investors on Wall Street continue to struggle to digest the Trump administration's renewed tariff agenda. The U.S. indexes closed mixed, with the Nasdaq recording a slight gain of 5.95 points, while the Dow Jones fell 165.60 points and the S&P 500 lost 4.46 points.

European bourses closed higher, although there is great caution that reflects concerns over renewed trade tensions and softening consumer indicators. On the other hand, Asian markets closed broadly higher, buoyed by positive sentiment around corporate earnings. Meanwhile, global bond markets are under pressure, sparked by a selloff that originated in Japan. There, anxiety over fiscal risks surrounding the upcoming national elections spilled into broader markets.

Some U.S. Treasury yields have risen by sixteen basis points so far this month, pushing the 30-year bond yield to 4.94%, just shy of the 5% psychological threshold.

Meanwhile, crude oil prices dipped 0.4% amid mixed supply signals, and the U.S. dollar gained 0.5% against a trade-weighted basket, as investors sought safe-haven assets.

TACO Tariff Tensions Return to Center Stage

Markets remain sensitive to the shifting dynamics of global trade policy. On Monday, President Trump unveiled a revised set of reciprocal tariffs targeting key U.S. trading partners, though he postponed enforcement from July 9 to August 1. The extension has fueled optimism that last-minute deals may emerge to soften the blow, and to others it reminds them of the TACO or "Trump Always Chickens Out", an acronym coined by market observers to describe a recurring pattern in the Trump administration's trade policy strategy.

President Trump hinted late Monday that some agreements are "nearing completion", and added that the August deadline could still be adjusted.

Despite this potential flexibility, the summer trade agenda is now at the forefront. Volatility may reemerge as nations negotiate under heightened pressure. Our outlook suggests that major economies are incentivized to find a middle ground and avoid the full scale of the proposed duties. However, the recent announcement underscores how easily markets can be rattled by shifting trade priorities—and how fragile investor confidence remains.

Sparse Economic Calendar Keeps Focus on Policy

This week offers little in the way of fresh economic data. The highlights will be the Federal Reserve's June meeting minutes, scheduled for release on Wednesday, and the weekly jobless claims report on Thursday. Today's NFIB Small Business Optimism Index slipped slightly, reflecting a more cautious tone from Main Street entrepreneurs. Forward-looking expectations for sales and hiring softened, even as more businesses reported plans to raise prices, an early signal of the pass-through effects from tariff costs.

While we expect the impact of higher input prices to show up in inflation and spending metrics in the coming months, the broader economic outlook remains constructive. We anticipate a moderation in growth rather than a full stop, as businesses adapt to the evolving trade environment without losing sight of long-term expansion plans.

Economic Data Highlights:

- **U.S. Retail Gas Price:** fell to \$3.288, down from \$3.338 last week, a decrease of 1.50%.
- **Canada Ivey PMI:** rose to 54.60, up from 53.30 last month, increasing 2.44%.
- **Germany Trade Balance:** rose to 18.40 billion, up from 14.60 billion last month, decreasing 26.03%.
- **China Inflation Rate:** unchanged at -0.10%, compared to -0.10% last month.
- **China Producer Price Index YoY: fell by -3.30%, compared to -2.70% last month.**

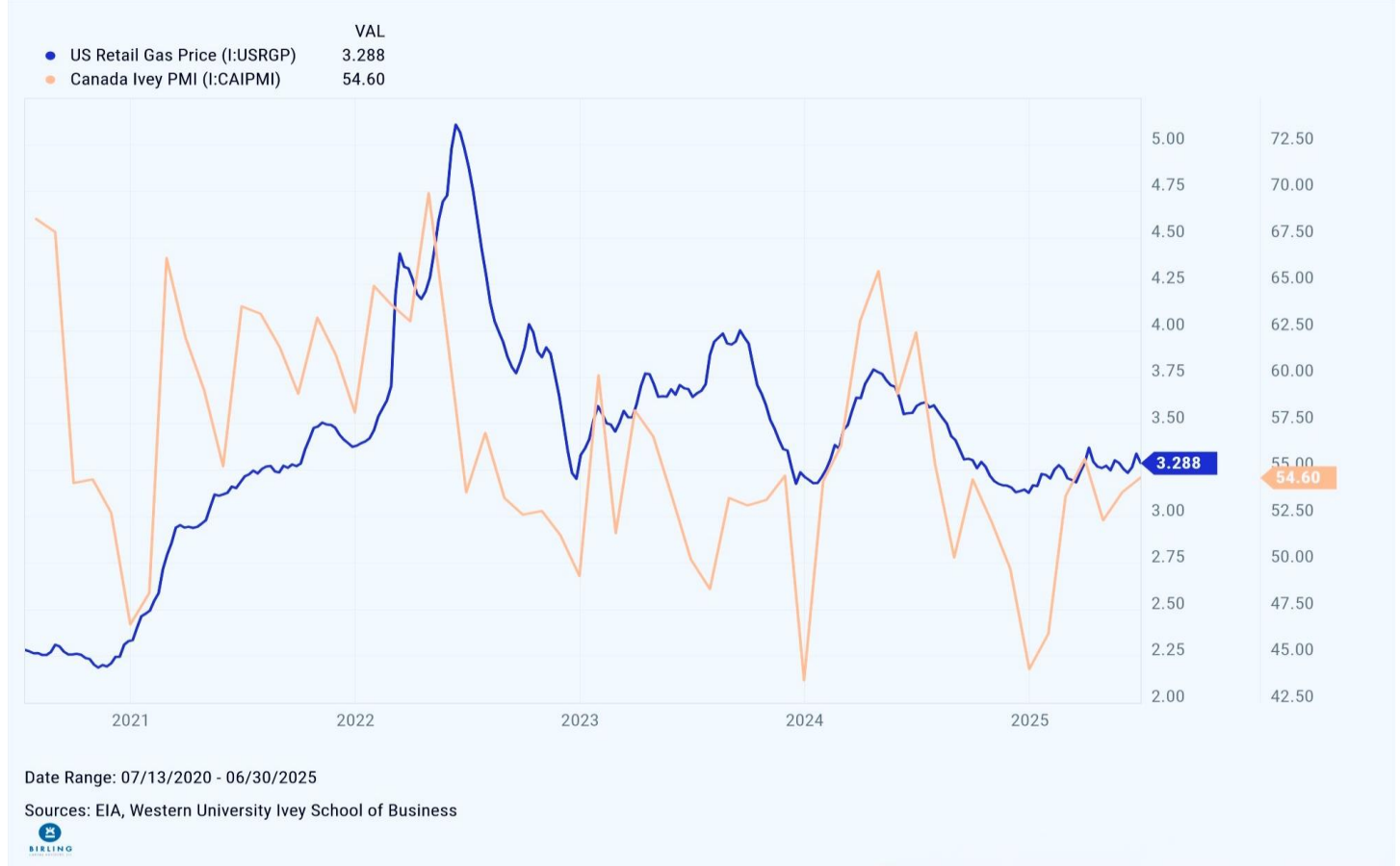
Eurozone Summary:

- **Stoxx 600:** Closed at 545.71, up 2.21 points or 0.41%.
- **FTSE 100:** Closed at 8,854.18, up 47.65 points or 0.54%.
- **DAX Index:** Closed at 24,206.91, up 133.24 points or 0.55%.

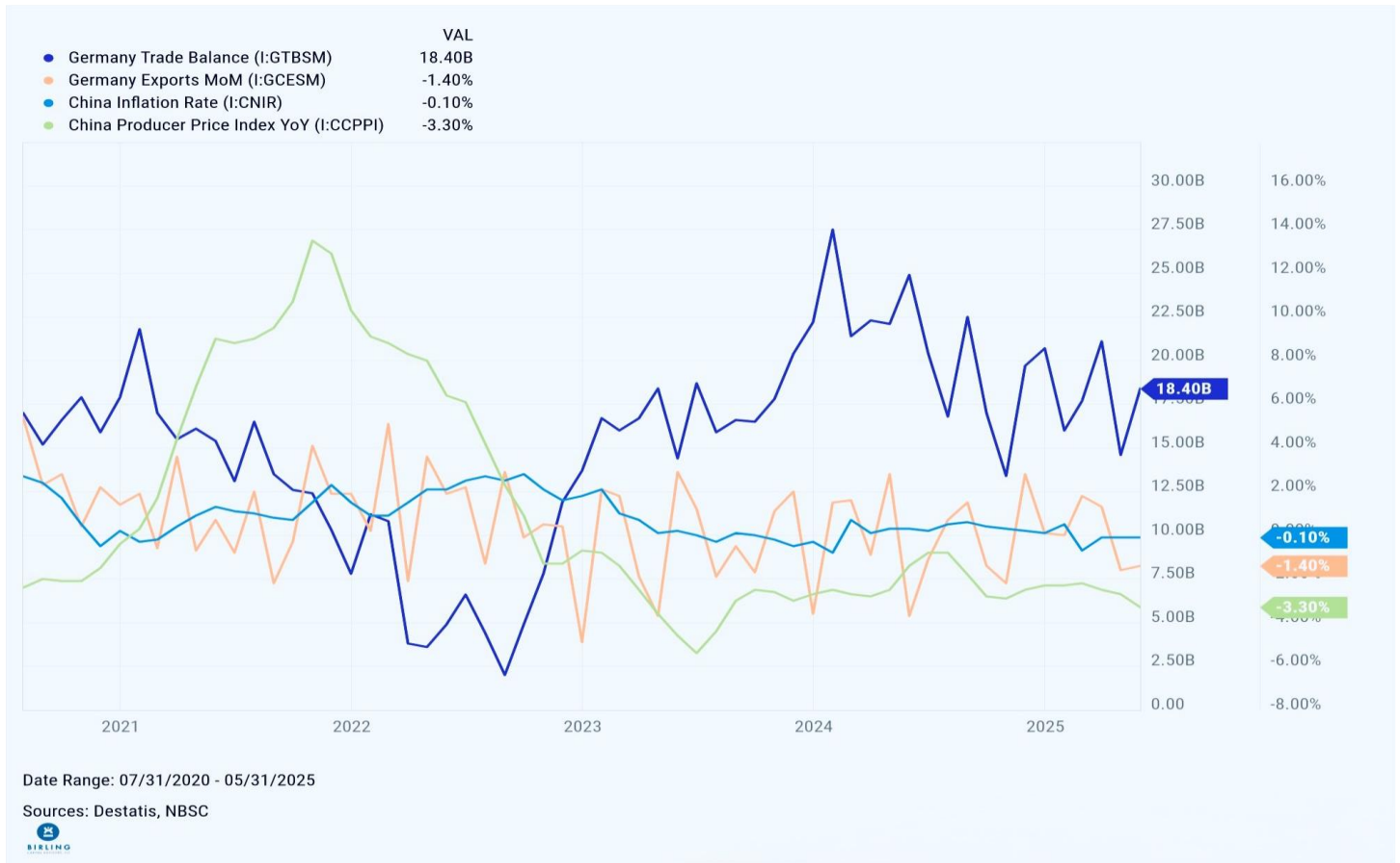
Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 44,240.76, down 165.60 points or 0.37%.
- **S&P 500:** closed at 6,225.52, down 4.46 points or 0.07%.
- **Nasdaq Composite:** closed at 20,418.46, up 5.95 points or 0.03%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,140.23, down 46.31 points or 1.11%.
- **Birling Capital U.S. Bank Index:** closed at 7,585.17, down 86.00 points or 1.12%.
- **U.S. Treasury 10-year note:** closed at 4.42%.
- **U.S. Treasury 2-year note:** closed at 3.90%.

US Retail Gas Price & Canada Ivey PMI



Germany Trade Balance; Germany Exports MoM; China Inflation Rate & China Producer Price Index YoY



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