

Markets Engulfed in a Global Selloff as Trump's Newest China Tariff Threat Shakes Investor Confidence.

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by Francisco Rodríguez-Castro
frc@birlingcapital.com

The **U.S. and European stock markets** suffered a broad and sharp selloff on Friday after **President Donald Trump** threatened to impose a **“massive increase” in tariffs on Chinese imports**, escalating tensions with Beijing and reigniting fears of a renewed global trade war.

The **Dow Jones Industrial Average** sank **878.82 points**, marking its **steepest one-day decline since July**, the **S&P 500** tumbled **182.60 points**, while the **Nasdaq Composite** plunged **820.19 points**, **its worst performance since April**. The sharp downturn came moments after President Trump posted on **Truth Social**, accusing China of **“becoming very hostile”** and of using its control over **rare earth minerals** to hold the world **“captive”**.

“I was to meet President Xi in two weeks, at APEC, in South Korea, but now there seems to be no reason to do so”, Trump said. “One of the policies we are considering at this moment is a massive increase in tariffs on Chinese products coming into the United States of America”.

The remarks followed Beijing's move earlier this week to **tighten export controls on rare earth elements**, requiring foreign firms to obtain licenses to ship products containing as little as **0.1%** of the strategic materials. The decision, viewed as an assertion of economic leverage, jolted global technology and defense supply chains and further soured trade sentiment.

European Markets Join the Global Decline

Across the Atlantic, the **pan-European Stoxx 600** ended the session **down 1.3%**, with all major sectors in the red. The **FTSE 100** in London dropped **0.9%**, **Germany's DAX** fell **1.4%**, and **France's CAC 40** slid **1.5%**, pressured not only by trade worries but also by **domestic political tension** as President **Emmanuel Macron** imposed a **48-hour deadline** to appoint a new prime minister.

The renewed tariff threat weighed heavily on Europe's **export-oriented industries**, particularly autos and industrials, which had been recovering amid improving earnings expectations. Analysts warned that an escalation of tariffs could disrupt fragile supply chains just as global manufacturing indicators had begun to stabilize.

Safe-Haven Flows Push Yields Lower and Dollar Higher

The sudden risk-off move drove investors toward safer assets. The **10-year U.S. Treasury yield** declined 9 basis points to **4.05%**, reflecting flight-to-quality demand, while the **U.S. dollar strengthened** against major peers. **Gold prices rose modestly** as traders hedged geopolitical risk, and **WTI crude oil prices fell**, pressured by easing tensions in Gaza and renewed fears of weaker global demand if trade restrictions broaden.

Earnings Season Now Overshadowed by Geopolitical Risk

The new tariff rhetoric casts a shadow over the upcoming **corporate earnings season**, which had been expected to bring optimism back to markets. Analysts still project **S&P 500 earnings growth of around 10% year-over-year**, led by **technology, utilities, and materials**. However, any escalation in trade tensions could dampen sentiment and forward guidance for multinational firms.

Before Trump's comments, **small-cap and cyclical stocks** were leading gains amid hopes of broad-based earnings growth. Now, defensive sectors such as **consumer staples and utilities** are likely to regain investor favor as volatility reemerges.

Consumer Sentiment Slips Ahead of Trade Uncertainty

The **University of Michigan Consumer Sentiment Index** fell to **55.0**, below expectations for a rebound to **55.8**, marking a **five-month low**. Consumers cited persistent inflation and job concerns as key drags on confidence. **Short-term inflation expectations** eased slightly to **4.6%**, while **long-term expectations** held steady at **3.7%**.

While **consumer spending remains a crucial pillar of growth**, a tariff escalation could push import prices higher and rekindle inflationary pressures, complicating the Federal Reserve's path toward rate normalization.

Economic Data:

- **U.S. Index of Consumer Sentiment:** fell to 55.00, down from 55.10 last month, decreasing by 0.18%.
- **Canada Employment Net Change:** rose to 60,400, up from -65,500 last month.
- **Canada Unemployment Rate:** remains unchanged at 7.10%, the same as last month.
- **Canada Labour Force Participation Rate:** rose to 65.20%, compared to 65.10% last month.

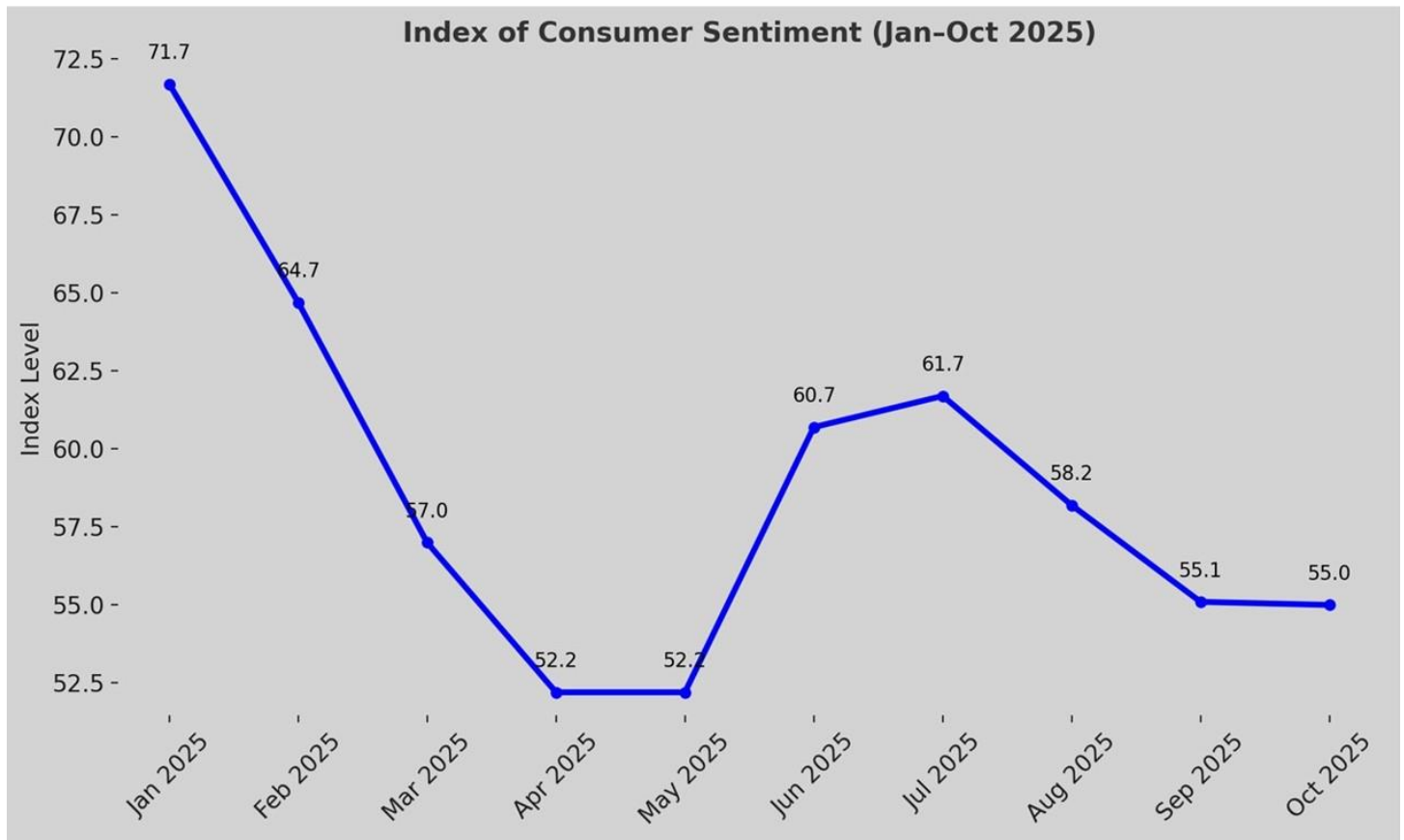
Eurozone Summary:

- **Stoxx 600:** Closed at 564.16, down 7.15 points or 1.25%.
- **FTSE 100:** Closed at 9,427.47, down 81.93 or 0.86%.
- **DAX Index:** Closed at 24,241.46, down 369.79 points or 1.50%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 45,479.60, down 878.82 points or 1.90%.
- **S&P 500:** closed at 6,552.51, down 182.60 points or 2.71%.
- **Nasdaq Composite:** closed at 22,204.43, down 820.20 points or 3.56%.
- **Birling Capital Puerto Rico Stock Index:** closed at 4,105.86, down 9.25 points or 0.22%.
- **Birling Capital U.S. Bank Index:** closed at 8,034.71, up 8.69 points or 1.14%.
- **U.S. Treasury 10-year note:** closed at 4.05%.
- **U.S. Treasury 2-year note:** closed at 3.52%.

US Index of Consumer Sentiment January to October 2025



US Index of Consumer Sentiment, Canada Employment Net Change, Canada Unemployment Rate & Canada Labour Participation Rate



Wall Street Recap October 10, 2025



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