Markets Lift as Tariff Fears Ease, Optimism Builds, and *the Corporate Earnings Parade Begins.*

October 13, 2025

by Francisco Rodríguez-Castro
frc@birlingcapital.com

The U.S. and European stock markets opened higher Monday as investor sentiment improved following President Trump's weekend social-media remarks suggesting a softer stance on his proposed 100% tariffs against China. The comments helped temper last week's trade-related volatility, triggered when Beijing imposed new export controls on rare-earth minerals — critical inputs for semiconductors, defense systems, and advanced battery technology.
Stocks surged on Monday, rebounding from Friday's sell-off after President Donald Trump said trade relations with China "will all be fine".

The **Dow Jones Industrial Average** jumped **621 points**, recovering about 70% of its Friday loss. The **S&P 500** climbed **1.6%**, retracing roughly 60% of its prior decline, while the **Nasdaq Composite** surged **2.3%** as beaten-down technology shares led the rebound.

Oracle rallied more than **5%**, while **AMD** and **Nvidia** rose around **1%** and **3%**, respectively. **Broadcom** surged **10%** after formalizing its partnership with **OpenAI** on Monday morning. These gains followed a **Truth Social** post from President Trump on Sunday that signaled a softer approach to tariffs, easing fears of a renewed trade war that wiped out nearly **$2 trillion in market value** last week.

U.S. Markets

Equities closed broadly higher, led by gains in **technology** and **communication services**, while **consumer staples** and **health care** lag. Tech stocks are benefiting from news that **Broadcom** and **OpenAI** have reached a landmark agreement to collaborate on developing next-generation AI infrastructure. This deal underscores the accelerating convergence between semiconductor innovation and artificial intelligence.

The **U.S. dollar** advanced against major currencies, while **WTI crude oil** rebounded from five-month lows as easing trade tensions boosted demand expectations.

With the **U.S. bond market closed** for the Columbus Day holiday, equity traders remain focused on earnings season, which kicks off tomorrow with **JPMorgan Chase**, **Citigroup, Goldman Sachs, Wells Fargo, BlackRock**, and **Johnson and Johnson**. **S&P 500 earnings** are projected to rise around **8%YoY**, supported by gains across seven of the eleven sectors. Analysts expect **technology, utilities, and materials** to lead the earnings rebound, helping broaden performance beyond the megacap leaders and strengthening the case for diversified portfolios.

Meanwhile, Treasury yields ended last week lower, with the **10-year yield** at **4.05%**, as markets priced in two additional **Fed rate cuts** this year and potentially two more in 2026, which could bring the **federal funds rate** into the **3.0%–3.25% range**. The Fed's projections suggest one fewer cut, but we maintain our view that a slowing economy and continued labor-market cooling could prompt further easing.

European Markets

European markets closed Monday modestly higher, led by a rebound in **mining shares** amid optimism that U.S.–China tensions may ease. **Fresnillo** surged 9%, **Aurubis** gained 2.4%, and **Anglo American** advanced 4.1%, reversing last week's steep losses. These gains followed reports that China — which controls roughly **70% of global rare-earth supply**— may moderate its export restrictions, a crucial step for industries from autos to defense.

Asia and Commodities

Asian markets closed mostly lower overnight as investors remained cautious ahead of earnings season. Despite concerns, **China's exports rose 8.3%YoY in September**, beating forecasts of 6.6% and signaling resilient global demand.

In commodities, **WTI crude oil** rebounded from recent lows on improving trade sentiment, while **gold** edged slightly higher as investors balanced risk appetite with safe-haven demand.

Policy & Outlook

We view today's market tone as constructive but still fragile. The combination of cooling inflation, moderating yields, and a broadening earnings base provides support for equities heading into year-end. However, lingering tariff uncertainty and slowing global growth keep volatility risks elevated. In our opinion, **diversified exposure** across cyclical and defensive sectors — with an emphasis on companies showing sustainable earnings growth — remains the most prudent approach as markets navigate this phase of trade détente and monetary easing.

The Final Word

Markets are not only driven by data and policy, but also by emotion. Every rally and correction, every surge of confidence and wave of fear, follows a pattern as old as markets themselves. The pattern is ancient, and it unfolds with eerie precision — it's called **The Emotional Market Cycle:**
Optimism → Excitement → Thrill → Euphoria → Denial → Anxiety → Fear → Depression → Panic → Capitulation → Despondency → Skepticism → Hope → Relief → Optimism.

Today, we stand somewhere along this arc — between relief and renewed optimism — where opportunity often hides behind uncertainty.

Economic Data:

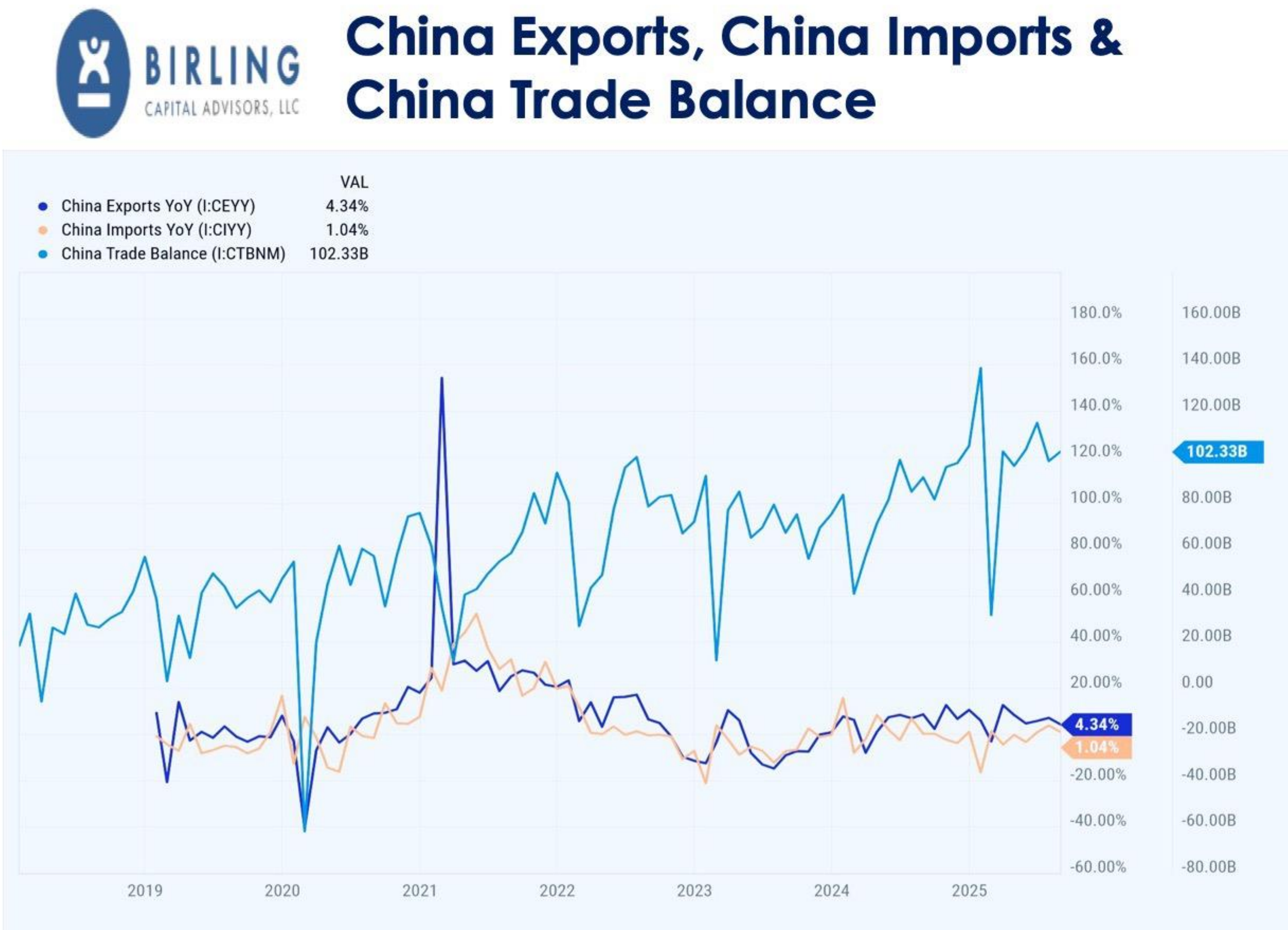
- **China Exports YoY:** fell to 4.34%, compared to 7.13% last month.
- **China Imports YoY:** fell to 1.04%, compared to 3.82% last month.
- **China Trade Balance:** rose to $102.33 billion, up from $98.24 billion last month, an increase of 4.16%.

Eurozone Summary:

- **Stoxx 600:** Closed at 566.63, up 2.47 points or 0.44%.
- **FTSE 100:** Closed at 9,442.87, up 15.40 or 0.16%.
- **DAX Index:** Closed at 24,387.93, down 369.79 points or 1.50%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 46,067.58, up 587.98 points or 1.29%.
- **S&P 500:** closed at 6,654.72, up 102.21 points or 1.56%.
- **Nasdaq Composite:** closed at 22,694.60, up 490.17 points or 3.56%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,492.30, down 163.56 points or 3.84%.
- **Birling Capital U.S. Bank Index:** closed at 7,853.34, down 181.37 points or 2.26%.
- **U.S. Treasury 10-year note:** Bond Markets Closed.
- **U.S. Treasury 2-year note:** Bond Markets Closed.



The Investor Emotional Cycle