

European Stocks Slide, Bonds Rally as Trump Seeks 50% EU Tariff

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Stocks fell in Europe while bonds rallied after US President Donald Trump threatened a 50% tariff on the European Union starting in June.

Summary by Bloomberg AI

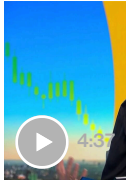
The Stoxx Europe 600 Index slid 0.9%, with tariff-exposed autos among the biggest decliners, falling 3.1%, and the euro reversed its gains against the Swiss franc and British pound.

Summary by Bloomberg AI

Market participants expressed concerns about the uncertainty and volatility caused by Trump's announcement, with some predicting higher tariffs and others seeing it as a negotiating tactic.

Summary by Bloomberg AI

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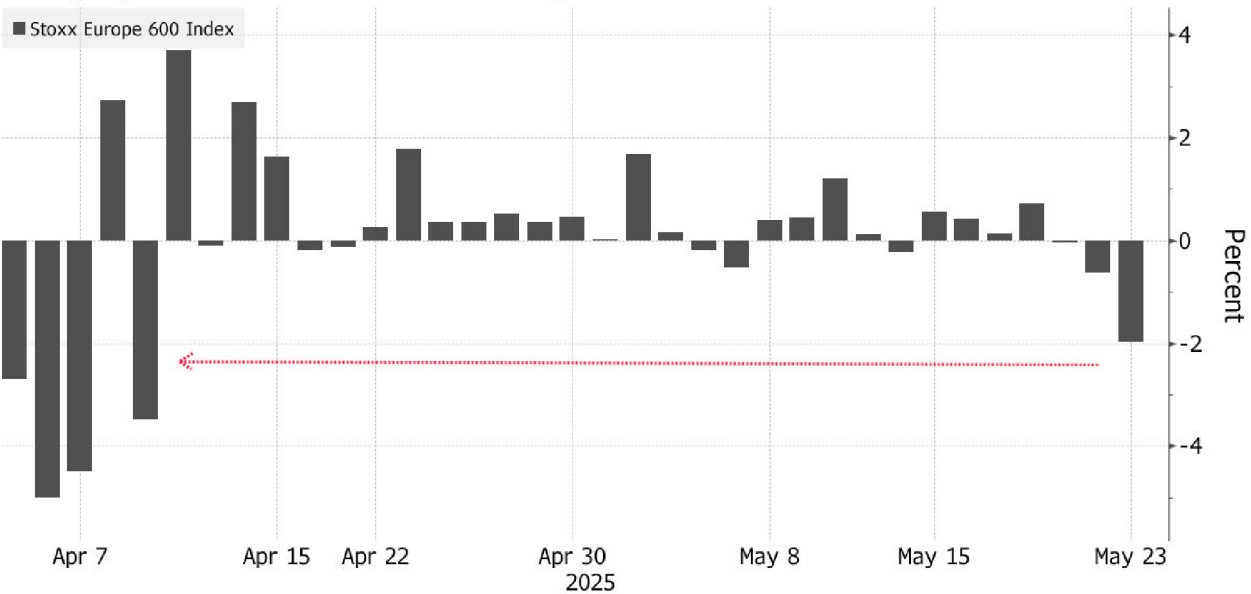
The Stoxx Europe 600 Index slid 0.9% by the close in London, with tariff-exposed autos among the biggest decliners, falling 3.1%. Trump said in a social media post that he was “recommending a straight 50% Tariff on the European Union, starting on June 1.”

“Just when I thought it was safe to go back into markets, look what happens,” said Neil Birrell, chief investment officer at Premier Miton Investors. “Uncertainty is continually ramping up – it’s not about to come down at all. This is on trend in terms of Trump’s tactics of imposing tariffs,” he added.

Germany’s DAX and France’s CAC 40 closed more than 1.5% lower as the yield on 10-year German bonds dropped seven basis points to 2.58%. The euro reversed its gains against the Swiss franc and British pound.

European Shares Drop Most in Six Weeks

The gauge extended declines as Trump threatened tariffs



Trump also threatened Apple Inc. with a tariff of at least 25% if it does not manufacture its iPhones in the US, hitting shares of Europe-listed suppliers Infineon Technologies AG and STMicroelectronics N.V. The [UBS EU Trump Tariff Losers](#) basket fell 2.4%, led lower by technology stocks, autos and luxury.

European stocks had been rebounding since Trump paused most levies for 90 days last month, while sentiment was further boosted by a US-China temporary trade truce. However, the Stoxx 600 ended the week down 1% following Trump's announcement.



Stock Movers

AJ Bell Up, Games Workshop Down, Hexagon Sale

4:53

"Markets were hoping news on tariffs had abated until at least the 90-day pause expired, but that's clearly not the case," said Aneeka Gupta, head of macroeconomic research at Wisdom Tree UK Ltd. "We're in for a period of very high volatility," she added.

Here's what other market participants were saying:

Win Thin, global head of markets strategy at Brown Brothers Harriman:

"This is just the start of what I expect to be much higher tariffs. The EU is one of the largest trading partners of the US and so the average effective US tariff will jump sharply from around 19% currently. I don't see how this is dollar-positive."

Kaspar Hense, fixed income portfolio manager at RBC Bluebay:

"Unlike some smaller countries, Europe is too large to be bullied. It will put forward retaliation measures and Trump will fold ultimately. The question is what remains thereafter. We think there will be auto tariffs both ways and perhaps even a digital service tax hitting big tech. It's not a great outcome."

David Kruk, head of trading at La Financiere de L'Echiquier:

"It's a surprise of course, and yes European stocks have fallen but to be honest, there's little volumes and I don't think a lot of European investors are selling on the news. But let's get real, the biggest issue at the moment for investors are US yields, the budgetary credibility of the US. Honestly, I think a lot of people see it as just another Trump tweet, which can be cancelled by another one in a few hours or a few days. Maybe I'll be proven wrong, maybe the market will fall 4% today but frankly, I really don't think this a game changer."

Andreas Lipkow, Comdirect Bank strategist:

"Traders have felt too safe in recent trading days and are now being hit by reality just before heading into the weekend. The US President's statements on the ongoing punitive tariff negotiations are bringing many investors back down to earth. It is still far too early to give the all-clear and return to business as usual. The US President's statements demonstrate how serious the US is about trade protectionism."

Alexandre Hezez, chief investment officer at Group Richelieu:

"The big question now is what are the Europeans going to do. What's being priced now across US yields by is the growing risk of recession."

Vincent Juvyns, chief investment strategist at ING:

"I'm quite convinced myself that it will not end up being 50%, this is just part of a negotiations. Markets are probably taking the view that Trump is now doing to Europe what he did with China in terms of negotiations."

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– *With assistance from Julien Ponthus, Jan-Patrick Barnert, Naomi Tajitsu, and Abhinav Ramnarayan*

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