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Tariff Threats Stir Stock Futures as Investors Eye Earnings and Inflation

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U.S. stock futures slipped on Friday as former President Donald Trump announced a 35% tariff on Canadian imports and threatened additional levies on other trading partners starting August 1. Despite this, markets have shown resilience, with major indexes hovering near multi-week highs ahead of crucial inflation data and corporate earnings reports.

Dow Jones futures edged lower after the S&P 500 and Nasdaq reached record levels midweek before modest pullbacks. The Dow dropped about 1% last Friday, while the S&P 500 and Nasdaq slipped around 0.3% each. Investors are preparing for upcoming Consumer Price Index (CPI) and Producer Price Index (PPI) releases, which may reveal the true economic impact of these trade measures.

Trade tensions have broadened: Trump also signaled possible tariff increases on countries such as Brazil (50%) and the European Union, while Canada faces 35% duties unless exemptions for North American goods are granted. Analysts warn such moves could raise inflation and squeeze corporate earnings, with Morgan Stanley's Chief Investment Officer Mike Wilson cautioning that consumers and profit margins may suffer in the third quarter if trade conflicts continue.

Yet, despite these headwinds, some sectors have held up well. Travel and energy-related exchange-traded funds posted modest gains, while financial sector equities underperformed. Semiconductor stocks, especially Nvidia, Taiwan Semiconductor, and Advanced Micro Devices (AMD), continue to attract investor attention. AMD shares recently moved above key buy levels following optimism around AI chip demand.

Looking ahead, investors are focused on the earnings calendar. Major players such as JPMorgan Chase, Netflix, and Taiwan Semiconductor are expected to report soon, and their results could dictate near-term market direction. Additionally, the potential inflationary impact of tariffs may influence future decisions by the Federal Reserve, possibly pushing back anticipated interest rate cuts.

Overall, the market remains cautiously optimistic. While Trump's tariff announcements have triggered concern, the lack of immediate escalation has helped keep markets buoyant. Still, analysts advise maintaining diversification and watching key indicators, including earnings results, inflation data, and foreign policy developments.

From a center-right perspective, this period underscores the balance between protecting domestic industry and maintaining economic stability. While economic nationalism may serve certain interests, it also introduces volatility. Investors would do well to remain disciplined, data-driven, and prepared for both the risks and rewards of a more protectionist trade environment.