Tariffs Stir Markets as Trump Targets Europe and Apple

The calm that had settled over Wall Street in the absence of economic surprises was short-lived. As Memorial Day neared, investor nerves were rattled again—this time by a familiar source: tariffs.

On Friday morning, former President Donald Trump reignited trade tensions with a flurry of posts on Truth Social, catching markets off guard. His new rhetoric took aim at the European Union and Apple Inc., proposing a sweeping 50% duty on European imports starting June 1. He also warned of at least a 25% tariff on iPhones sold in the U.S. unless Apple shifts production entirely to American soil.

These statements appear to stem from Trump's mounting dissatisfaction over stagnant trade discussions with Europe and Apple's recent decision to move manufacturing to India—an effort to cushion the impact of earlier levies on Chinese goods. Trump has long urged Apple to bring its production back home.

The market reaction was immediate and negative. The Dow slipped by 256 points (0.6%), the S&P 500 dropped 0.7%, and the Nasdaq declined 1%. All major indexes recorded their steepest weekly losses since April. However, one positive was that the market recovered from the bottom and ended in today's mid-range showing that the market rally is still intact and in a power trend.

Speculation now swirls around whether Trump's threats are genuine or simply a strategic maneuver. Louis Navellier, CIO at Navellier, wrote, "This looks like classic brinkmanship. I'd be surprised if these tariffs actually materialize."

Still, the unpredictability of such trade moves continues to inject volatility into financial markets. Paul Christopher of Wells Fargo Investment Institute noted that these sudden announcements "pose significant risk to investor sentiment."

For Apple and other U.S. firms with international exposure, the challenge is daunting. Regardless of contingency plans, offsetting the potential financial blow from these tariffs remains difficult, the actual rationale behind Trump's demands may be irrelevant—markets now focus on their implications, particularly for earnings.

Corporate America has already tried to stay in Trump's good graces. Apple's Tim Cook, for instance, not only supported Trump's inauguration financially but also committed to a massive $500 billion U.S. investment earlier this year. Still, even executives with close ties to Washington appear vulnerable.

In a separate development, Boston Fed President Susan Collins expressed doubts about the Federal Reserve's ability to lower interest rates in the near term. Her updated forecast includes persistent inflation and cooling economic momentum—factors worsened by tariff uncertainties.

"There are paths where rate cuts might be appropriate later," Collins said. "But current conditions suggest a longer wait, particularly if the labor market remains steady and inflation stays elevated."

The performance of major US indices was as follows:

Index	Friday (5/23)	Weekly	Monthly	YTD	1-Year
S&P 500	-0.67%	-2.61%	7.94%	-1.34%	10.16%
Dow Jones Industrial	-0.61%	-2.47%	5.04%	-2.21%	6.50%
Nasdaq 100	-0.93%	-2.39%	11.89%	-0.46%	12.31%
Nasdaq Composite	-1%	-2.47%	12.14%	-2.97%	11.96%
Russell 2000	-0.31%	-3.47%	6.47%	-8.12%	0.81%

Sector Rotation Signals Renewed Risk Appetite

Weekly performance of 11 S&P 500 sector ETFs is summarized as follows:

Sector	Weekly Performance	Last One Month
Staples (XLP)	-0.57%	-0.21%
Utilities (XLU)	-1.36%	3.49%
Materials (XLB)	-1.55%	5.18%
Communications (XLC)	-1.56%	8.99%
Industrials (XLI)	-2.05%	11.60%
Health Care (XLV)	-2.07%	-3.97%
Financials (XLF)	-2.99%	4.88%
Discretionary (XLY)	-3.23%	10.68%
Real Estate (XLRE)	-3.26%	0.42%
Technology (XLK)	-3.44%	14.53%
Energy (XLE)	-4.08%	0.92%

Two defensive sectors, Staples and Utilities, were among the better performers during the last week while the aggressive sectors like Communications, Discretionary and Technology were at the bottom of the pack showing a change in investor sentiments during the last week. This could be because of the better than normal recovery in these sectors during the last one month (including the Industrial sector). Utilities also got a boost as President Trump signed an executive order aimed at easing regulations on and expanding nuclear energy reactors. Among the companies which are expected to benefit are Constellation Energy (CEG), OKLO, NuScale and Uranium companies such as Cameco Corp (one of the biggest Uranium miners).

Important Events next week:

A few important economic events for the upcoming week are:

Tuesday (05/27): Durable Goods Orders (Apr), Consumer Confidence, Atlanta Fed GDPNow (Q2)
Wednesday (05/28): FOMC Meeting Minutes
Thursday (05/29): GDP *QoQ), Initial Jobless Claims
Friday (05/30): Core PCE Price Index (MoM and YoY), Chicago PMI (May), Michigan Consumer Sentiment

Important Earnings this week:

Tuesday (05/27): Okta (OKTA)
Wednesday (05/28): PDD Holdings (PDD), Veeva Systems (VEEV), Nvidia (NVDA), Nutanix (NTNX), Sales Force (CRM), Synopsys (SNPS), ELF Beauty (ELF), Abercombie & Fitch (ANF), HPQ (HQ)
Thursday (05/29): Ulta Beauty (ULTA), Zscaler (ZS), Burlington Stores (BURL), Gap (GAP), NetApp (NTAP), Dell (DELL), Costco (COST)

Long-Term Stock Picks:

Our long-term stocks are those in which we have the conviction that they have strong business fundamentals and enjoy moats in their respective industries; hence the chances of long-term profits are high.

NVDA:	Nvidia lost 3.04% last week after an impressive 16% move in the prior week. It has its earnings this Thursday and hence it is not the right time to make an entry. Analysts are expecting both revenues and earnings to increase and any surprises or weak future guidance could cause a pullback. On the other hand, the period from June till Mid-August is traditionally strong for Nvidia. Investors should consider making some profit (if > 20%) and let the rest run. Otherwise, watch its behavior after earnings for future direction. Nvidia remains our favorite long-term leader, and its price action is crucial for several other semiconductors and the market itself.
AAPL:	Apple lost 7.57% last week and lost its key level 0f 200. It is under pressure due to Trump administration's threats of imposing 25% tariff on its iPhone manufactured in India. Apple is an iPhone company, and it is not possible for it to change its global supply chain quickly. Therefore, we think it is not the right time to remain in this stock for a long time and hence, we are taking it out of our long-term list.
COST:	Costco will report in the coming week and has staged an orderly pullback to its 20-day EMA line. It is time to be a bit cautious on this long-term leader as any earnings surprise could lead to a sharp pullback in it although it is still at the 1000 level after finding support at its 20-day EMA two weeks ago. We do not want to get caught in a sharp pullback and hence should re-evaluate the situation after earnings.

Interesting Stocks for Watchlists:

META:	Meta has rallied in May but slightly pulling back giving us a good opportunity to enter in this strong performer if it comes between 597-600 level. It is expected to close the gap created in early May and then again move on to 662.67 level and beyond.

Medium- and Short-Term Picks:

These are newly picked stocks which have come out of bases during recent market correction.

TSLA:	Tesla's stock has jumped more than 40% in just the past month, mostly because investors are excited about the upcoming robotaxi launch in Austin, Texas. CEO Elon Musk recently confirmed that the self-driving ride service will start by the end of June, and that news has brought optimism back to stock. For Tesla investors, June has become a key month setting its direction for the near future as last earning report fell short of expectations and Tesla is continuously losing market share to BYD in China and Europe. Tesla's humanoid robot is also moving from prototype to production this year and could be a game changer for its long-term business model. As June 30 approaches, Tesla's robotaxi launch in Austin is a crucial moment for the stock. If the launch goes well, it could boost the stock and support its recent gains. However, if there are problems, shares may struggle to stay afloat. Given Wall Street's cautious view and Tesla's ambitious plans, we are likely to see uneven trading with moments of optimism as key goals are reached. For now, it's a waiting game, so mark your calendars as Tesla is likely to make pullback to 310 area, where it could be more attractive for buyers.
MSFT:	Although Microsoft lost 0.90% last week but is eyeing its recent highs and is still in a **buy range** with a stop loss below 410. Any recovery in the market will provide the required boost for Microsoft to move otherwise it could also consolidate in a range.
GOOGL:	Google tried to break out past its key moving averages before pulling back to its 200-day EMA line at 167.83 although it gained 1.37% for the week. It is at a support and could provide an entry at current prices with a maximum stop loss at 140.
CVX:	Chevron reversed its last week's gain remain floating around the 200-day EMA line. It was mentioned three weeks ago that investors **could take a position** in this solid-dividend player with a rebound in mind. It is **still actionable** at current prices; however, it is not a growth stock and is not likely to move quickly. With a rebound in energy space, it could move back to its recent highs in the 160s (although not in the immediate future).

BYDDY:	Our top EV pick BYDDY made another high with a 6.29% weekly gain. We continue to think that this stock has good potential in the days to come although a bit extended at current prices and any pullback to its 20-day EMA would likely get support.
ZS:	Zscaler will report earnings on late Thursday, analysts predict a fall in adjusted EPS while revenues rising by 20%. It increased by 1% last week and we think it is ultimately going to test its previous high of 259.61 as stated last week but an entry at this time is not suitable as earnings times are always risky to take a position.

<u>Recently Picked Stocks:</u>

BSX:	Picked three weeks ago, BSX lost gained 1.45% last week and is currently **in a tight but actionable range,** eyeing recent high. It is within a buy zone and has been showing strong price action for the last two months.
PEN:	Penumbra lost another 4.33% last week and broke the 50-day EMA line. It is likely to further go down to test the 200-day EMA (255) where it will be attractive for an entry.
T:	AT&T was flat again last week as investors preferred more aggressive growth stocks last week. We continue to think that any pullback to its 20 or 50-day EMA could be a trigger point for investors seeking dividends (currently 4.95%).
SMH:	After gaining 10% last week, the VanEck Semiconductor ETF cooled by 3.64% this week, showing signs of consolidation. We think semiconductors overall will wait for Nvidia's earnings before setting the future direction. On the other hand, the next two months are generally bullish in nature for semiconductors (particularly July). Therefore, watch for another entry post Nvidia earnings for some quick gains.
ATGE:	After a huge recent gain, ATGE continued its decline with another 4.63% loss. If not yet taken, then take some profit as it seems extended at this stage and could consolidate or continue its pullback. 20-day EMA at 123.56 which could provide an entry.
GDX:	GDX recovered 2.75% last week along with gold and provides an alternate entry at the current levels with a stop loss below 45.
MPLX/HESM:	Both MPLX and HESM lost some ground last week (2.86% and 1.85% respectively) performed well with 6 and 5% gains last week. Both are their 50-day EMA lines and could breach them, however they provide good dividend income (7% and above). Long-term investors could hold them for a continuous stream of income.

BABA:	BABA lost another 2.21% last week after its earnings in the prior week. However, we still think that a pullback could provide a suitable entry at around 110 level. Stay tuned for opportunities.
GLDM:	Gold increased by 5.27% as equities wavered, the capital rotated back to it and now again eyeing its recent highs. Aggressive investors could take a position at this level with a stop loss of around 8-10% as it is likely to show its strength in the upcoming days.
ETR/NI:	ETR and NI lost 2.86% and 0.15% last week. Given their high dividend payouts, these two utility stocks are expected to move forward and test their recent highs at 87.25 and 40.31 respectively.

Website:

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