

Global Markets Fall as Investors Weigh Prospects of Global Trade War

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Global stock markets and shares in European carmakers tumbled on Tuesday as [President Trump's broad tariffs](#) against Canada, Mexico and China came into effect.

European stocks slumped as investors weighed the prospects of a global trade war after China and Canada quickly retaliated with tariffs of their own. U.S. futures signaled that the S&P 500 would open slightly lower, after it dropped 1.8 percent on Monday, [its worst day this year](#).

The Euro Stoxx 50 index, which comprises the eurozone's largest companies, fell as much as 2.4 percent, its worst performance in about four months. Germany's benchmark index, the DAX, dropped as much as 2.6 percent, erasing nearly all of its gains from the previous day when it hit a record on the promises for more [European military spending](#).

Shares of German automakers and suppliers were hit especially hard as many have assembly plants in Mexico for vehicles they sell in the United States. Volkswagen shares fell about 4 percent, BMW's shares dropped more than 5 percent. Daimler Truck, which owns Freightliner and Thomas Built Buses, slid more than 6 percent. Continental, a maker of auto parts that also produces in Mexico, fell 9 percent.

The U.S. dollar index, which measures the currency against a basket of other major currencies, was 0.7 percent lower. The Canadian dollar hit a one-month low against the dollar before gaining nearly 0.5 percent.

But the Mexican peso weakened slightly against the U.S. dollar, its fourth consecutive day of declines.

Oil prices also fell after the Opec oil cartel and some its allies [said](#) on Monday that they would increase production. Brent crude, the international benchmark, dropped 1.6 percent to \$70.47 a barrel.

The yield on the [10-year U.S. Treasury bond](#), which underpins borrowing costs on mortgages, credit cards, and other rates, has dropped in recent weeks as investors have become wary about the economic outlook in the United States. The yield slipped further on Tuesday.

Amid a heavy morning of losses, some European defense companies held on to gains as the European Commission proposed additional military spending, including a measure that would provide 150 billion euros (\$158 billion) in loans to E.U. countries for defense investment. Shares in the German arms manufacturer Rheinmetall rose 1 percent, extending a 14 percent gain from the day before. Shares of BAE Systems, a British defense contractor, rose 1 percent after climbing 15 percent on Monday.