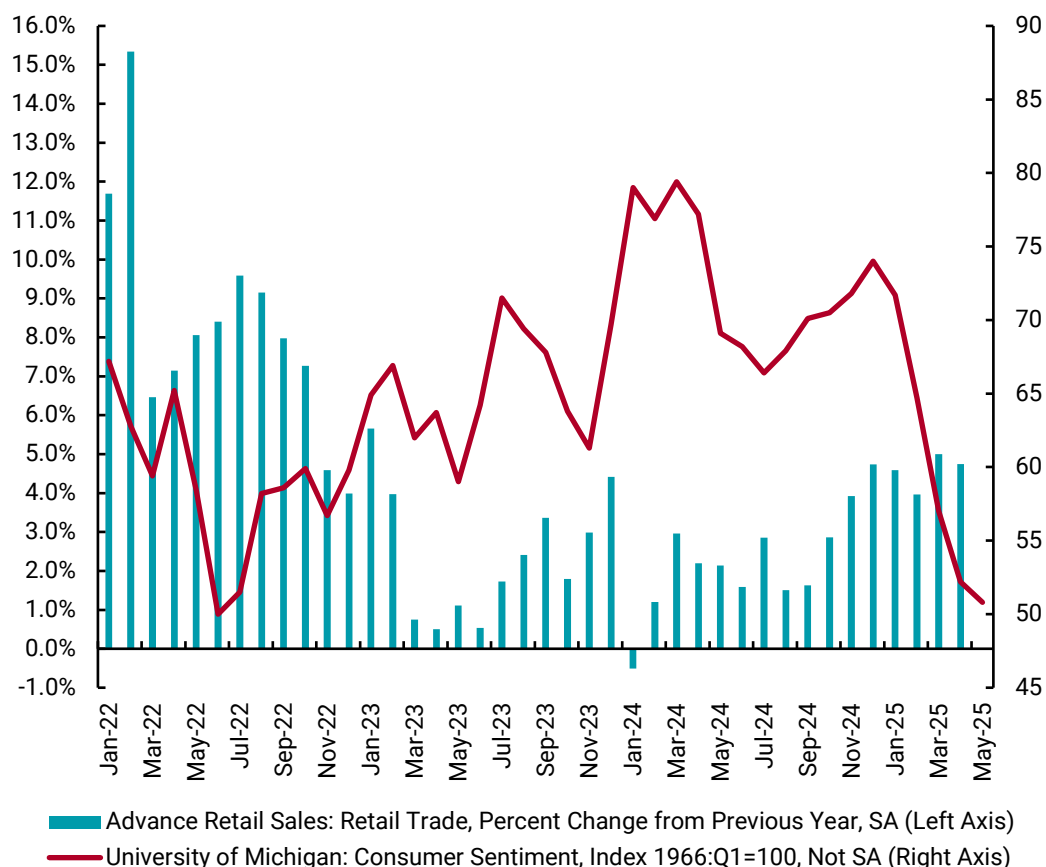


# Weekly market update

## Chart of the week (May 16, 2025)



### Retail Sales and Consumer Sentiment



The inelegant implementation of recent tariff policy has yet to hit many of the economic data points we look at. Weekly jobless claims, overall unemployment and even inflation still show a picture of a growing U.S. economy. However, when we look at consumer and business sentiment, we see a completely different picture, as these readings have declined precipitously.

We built this chart to look at the history of [consumer sentiment](#) versus retail sales—a measure of the relationship between how people feel versus how they act, if you will. Recently, we have seen several articles indicating that the recent decrease in consumer sentiment may lead to a decline in retail activity. Since most of the U.S. economy is tied to consumer spending, this outlook added to an increasing chance of a recession.

Instead of cutting back, however, we have seen an increase in retail sales even as the latest reading on the [University of Michigan's Consumer Sentiment Index](#) fell to 50.8. This result is the lowest reading since June 2022, when the index hit 50. Interestingly, this lower reading was accompanied by another period of increasing retail sales, while better subsequent index readings were accompanied by lower retail sales growth. In the current environment, the increase in retail sales might be explained by people buying goods before tariffs are implemented, out of the expectation that prices would increase. Indeed, [Walmart's recent earnings announcement](#) expressly stated a risk of higher prices, as narrow margins at the retailer will force some pass-through of higher costs. We saw a similar reaction among car buyers as annualized auto sales spiked higher in March.

Looking backward, we did not have tariff volatility in 2022, so was it just that consumers were spending money to feel better? It can be hard to explain consumer behavior fully, but one strong theory is that, if U.S. consumers have money, they will spend it. To this end, in 2022, there were also fears of a recession as interest rates were rising rapidly, and forecasts were for economic growth to slow to even include a recession. In hindsight, the recession of 2022 never materialized, and the employment market stayed firm, providing consumers with ongoing sources of income. Ironically, it might have been the increase in spending that kept the economy moving forward.

Could consumers' reactions in 2025 do the same? As tariff policies have become less onerous and uncertainty declines, we have seen the risks of a recession decline. We are not out of the woods yet, but U.S. consumers continue their practice of spending money if they feel good...or if they need to feel better.

# Weekly market update

Commentary (May 16, 2025)



## Domestic Equities

- Stocks rallied throughout the week, and the S&P 500 Index has recovered all of its drawdown, turning positive year-to-date. Progress on trade with the U.K. and China and announcements that Nvidia will sell chips to the U.A.E. and Saudi Arabia drove optimism, particularly in the Nasdaq, which outperformed for the week.
- However, the trade war is far from over and Trump appears to be running out of patients to strike case-by-case deals. He announced Friday that the administration would unilaterally set tariffs on many countries within the next few weeks. Consumer sentiment continues to fall as consumers fear rising prices due to tariffs.
- Some companies are beginning to price in the impact tariffs could have. Walmart announced that it would pass tariff price increases through to consumers. Equipment manufacturer Deere announced that it estimates half a billion dollars in tariff expenses this year.

## Bonds

- U.S. Treasury yields were modestly higher for the week on tariff-relief optimism and indications that Trump's budget would result in higher deficit spending. However, yields finished the week off the highs following the release of softer producer prices and retail sales data for April.
- The broad investment-grade market was lower for the week, as measured by the Bloomberg U.S. Aggregate Bond Index, with higher rates weighing on returns.
- Credit spreads continued to narrow, with the spread on the Market CDX North America High Yield index closing below 3.50%, down over 1.25% from the April highs.
- Across fixed-income markets, lower-quality credit and hybrid securities outperformed following the rally in equities.
- Across developed markets, yields on long-term government bonds moved higher, with the yield on the 30-year JGB making a new multi-decade high.

## International Equities

- Foreign markets rose during the week as investors were encouraged by the U.S.-China trade deal temporarily slashing steep tariffs on each other's goods.
- Developed markets continued to move higher, benefiting from continued strength across European markets. The eurozone economy grew by a stronger-than-expected 0.40% in the first quarter despite tariff tensions casting uncertainty over the region's economic trajectory.
- Emerging markets rallied for the fourth straight week, driven by strong performance across Asia and Latin America. Mexico's central bank cut borrowing costs by 0.50% after the economy narrowly avoided falling into recession, and inflation remained within the target range. This reduction marked the seventh consecutive rate cut, trimming the policy rate by 2.5%. Year-to-date, Mexico's stock market is up over 25% despite the challenges from U.S. tariff policy changes.

## Economics

- The monthly Consumer Price Index (CPI) was released on Tuesday. Year-over-year CPI rose by 2.3%, falling below both last month's reading of 2.4% and the consensus estimate of 2.4%. Core CPI registered a 2.8% year-over-year increase, aligning with expectations. While the report was softer than anticipated, tariffs continue to create uncertainty around inflation forecasts.
- On Thursday, jobless claims came in at 229,000, matching both the consensus estimate and the previous week's revised figure. Despite growing concerns over a potential economic slowdown, jobless claims have remained stable.
- Retail sales increased by 0.10% month-over-month, in line with expectations but showing a slowdown from last month's 1.70% gain. Some of this decline may be attributed to consumers making purchases ahead of anticipated tariffs.

## Weekly Market Update

For Week Ending May 16, 2025

### Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
<b>Capital Markets</b>				
Dow Jones Industrial Avg	42,654.74	3.5%	0.9%	8.9%
S&P 500 Index	5,958.38	5.3%	1.8%	14.0%
NASDAQ Composite	19,211.10	7.2%	-0.3%	15.9%
S&P 400 Midcap Index	3,088.22	4.9%	-0.5%	4.0%
S&P 600 Smallcap Index	1,322.39	4.6%	-5.5%	0.3%
MSCI EAFE	9,241.38	0.9%	14.4%	9.9%
MSCI Emerging Markets	631.50	3.1%	10.0%	9.4%
Bloomberg US Agg	2,233.09	-0.2%	2.0%	4.5%
Bloomberg Municipal 5 Yr	498.85	0.2%	0.9%	2.7%
Bloomberg US Corporate	3,344.16	0.2%	1.7%	4.6%
Bloomberg Glb Agg ex US Hdg	598.34	-0.1%	0.9%	5.3%
Bloomberg High Yield	2,747.91	0.9%	2.4%	8.7%
MSCI US REIT Index	2,330.04	1.6%	0.9%	10.5%
Bloomberg Commodity Index	247.85	-1.7%	3.9%	1.6%

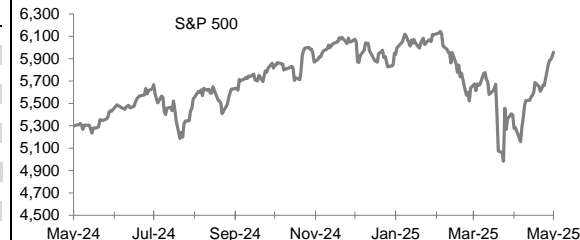
	Last Price/Yield	Prior Week	Year End	Year Ago
<b>Key Rates</b>				
Fed Funds Target	4.50%	4.50%	4.50%	5.50%
3-Month Treasury	4.34%	4.32%	4.31%	5.40%
1-Year Treasury	4.12%	4.06%	4.14%	5.12%
2-Year Treasury	4.00%	3.89%	4.24%	4.80%
5-Year Treasury	4.09%	4.00%	4.38%	4.40%
7-Year Treasury	4.28%	4.18%	4.48%	4.38%
10-Year Treasury	4.48%	4.38%	4.57%	4.38%
30-Year Treasury	4.94%	4.83%	4.78%	4.51%

<b>Consumer Rates</b>				
30-Year Mortgage	6.89%	6.83%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.30%	4.28%	4.49%	5.31%

<b>Commodities</b>				
Gold (spot)	3,203.65	3,324.98	2,624.50	2,376.86
Crude Oil WTI	62.49	61.02	71.72	79.23
Gasoline	3.19	3.14	3.06	3.60
Natural Gas	3.33	3.80	3.63	2.50
Copper	4.56	4.61	4.03	4.89

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
<b>Index Characteristics</b>				
Dow Jones Industrial Avg	20.06	22.53	5.38	1.73
S&P 500	21.74	24.15	5.12	1.37
S&P 500 Value	18.09	19.42	3.37	2.12
S&P 500 Growth	26.62	31.04	9.68	0.69
NASDAQ	27.03	33.08	6.89	0.73
S&P Midcap 400	16.66	16.78	2.53	1.76
S&P Smallcap 600	15.65	15.99	1.77	2.59
MSCI EAFE	15.09	16.00	2.02	3.15
MSCI Emerging Markets	12.41	14.49	1.89	2.81

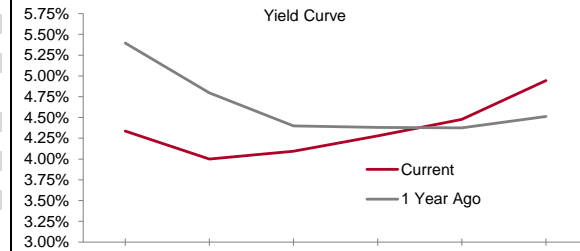
### Equity Style



1 Month*			Year to Date*		
Value	Core	Growth	Value	Core	Growth
Large					
8.38	13.07	17.65	0.89	1.81	2.63
Mid					
12.08	13.57	14.99	-0.86	-0.52	-0.21
Small					
14.00	13.88	13.77	-8.44	-5.52	-2.62

\*S&P Indices

### Fixed Income Style



1 Month*			Year to Date*		
Short	Interm.	Long	Short	Interm.	Long
Govt					
-0.09	-0.30	-1.72	1.89	2.47	0.44
Corp					
0.50	0.73	0.10	2.04	2.50	-0.07
HY					
2.24	2.91	4.34	2.96	2.43	1.40

1-3 Yrs 1-10 Yrs +10 Yrs

### Economic Data

	Last Release	Year Ago
<b>Inflation</b>		
CPI Headline Inflation	2.3%	3.4%
CPI Core Inflation	2.8%	3.6%
Personal Consumption Exp (PCE) Core	2.6%	3.0%

<b>Jobs</b>		
Unemployment Rate (U3)	4.2%	3.9%
Broader Unemployment Rate (U6)	7.8%	7.4%
JOLT Survey (in millions)	7.19	8.09
Jobless Claims (000's)	229	222
Change in Non-Farm Payroll (000's)	177	118
Average Hourly Earnings (Y/Y % Change)	3.8%	4.0%

<b>Consumer &amp; Spending</b>		
Consumer Confidence (Conf Board)	86.0	97.5
Consumer Spending (\$ Bil)	20,653	19,553
Consumer Credit (\$ Bil)	5,007	5,049
Retail Sales (\$ Bil)	724	689

<b>Housing</b>		
Housing Starts (000's)	1,361	1,385
Case-Shiller Home Price Index	324.92	312.80

<b>U.S. Productivity</b>		
Real Gross Domestic Product (\$ Bil)	23,526	23,054
Quarter over Quarter Change	-0.3%	1.6%
Year Over Year Change	2.0%	2.9%
ISM Manufacturing	48.70	48.80
Capacity Utilization	77.74	77.66
Markit US Composite PMI	50.60	51.30

<b>U.S. General</b>		
Leading Economic Indicators	100.5	104.1
Trade Weighted Dollar Index	122.9	122.5
EUR / USD	1.12	1.09
JPY / USD	145.70	155.39
CAD / USD	0.72	0.73
AUD / USD	0.64	0.67

### S&P 500 Sector Returns

	1 Month	YTD
Utilities	6.80%	9.44%
Industrials	15.34%	9.43%
Financials	10.95%	7.28%
Consumer Staples	2.63%	6.92%
Real Estate	5.55%	3.98%
Materials	7.80%	3.92%
Communication Services	15.02%	2.08%
Energy	6.88%	0.68%
Information Technology	21.00%	-0.40%
Health Care	-2.36%	-2.82%
Consumer Discretionary	18.98%	-4.60%

Source: Bloomberg

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