WEEKLY MARKET UPDATE | MAY 16, 2025

Investors are relieved by a tariff reprieve.

The economy

- Major U.S. equity market indexes moved higher during the week ending May 16, buoyed by investors' optimism regarding a major trade agreement between the U.S. and China, as well as generally positive inflation news.
- Representatives of the world's two largest economies hashed out a trade agreement at a meeting in Switzerland last weekend. Under the terms of the trade deal, which the Trump administration unveiled on Monday morning, the two nations will postpone some tariffs for 90 days while negotiations continue. The U.S. will reduce the levies on most goods imported from China from 145% to 30% (with a 10% across-the-board tariff and an additional 20% levy to pressure China to increase efforts to curb the illegal exports of fentanyl to the U.S.). China will reciprocate by cutting the tariff on U.S. imports from 125% to 10%.
- According to the Department of Labor, the consumer-price index (CPI) rose 0.2% in April, up from the 0.1% dip in March and in line with expectations. Housing costs increased 0.2%, comprising more than half of the increase in inflation for the month. Energy prices were up 0.7% in April, as rising costs for utility gas service and electricity more than offset a decline in fuel oil and gasoline prices. The CPI advanced at a slightly lower-than-expected rate of 2.3% year-over-year—the smallest 12-month increase since February 2021—and was down from the 2.4% annual upturn in the previous month. Costs for utility gas service and housing climbed 15.7% and 4.0%, respectively, over the previous 12-month period, while gasoline and fuel oil prices declined by corresponding margins of 11.8% and 9.6%. Core inflation, as measured by the CPI for all items less food and energy, rose 2.8% year-over-year in April, meeting market expectations and unchanged from the annual increase in March.
- In prepared remarks delivered at the Second Thomas Laubach Research Conference in Washington, D.C., on Thursday, Federal Reserve (Fed) Chair Jerome Powell noted that the central bank is adjusting its monetary policy framework due to changes in inflation and interest rates since the onset of the COVID-19 pandemic five years ago. "The economic environment has changed significantly since 2020, and our review will reflect our assessment of those changes," Powell said. "Longer-term interest rates are a good deal higher now, driven largely by real rates given the stability of longer-term inflation expectations." The Fed chair indicated that the central bank seeks to complete its review "in coming months."
- The University of Michigan Index of Consumer Sentiment dipped 1.4 points (2.7%) to 50.6 in May—the fifth consecutive monthly decline—and was down 26.5% year-over-year. Many survey respondents cited concerns regarding U.S. trade policy. Consumers' expectations for inflation over the next year jumped 0.8 percentage points to 7.3%. Long-run inflation expectations edged up 0.2 percentage point to 4.6% in May.
- The Census Bureau reported that U.S. retail and food services sales—a gauge of consumer spending—edged up 0.1% in April, in line with expectations and down from the 1.7% upturn in March. Sales increased 5.2% over the previous 12-month period. Sales for motor vehicle and parts dealers surged 9.4% year-over-year as consumers rushed to purchase vehicles before the implementation of U.S. tariffs on imports. Additionally, health and personal care stores posted an annual sales gain of 8.5%, while sales for furniture and home furnishings stores, and food services and drinking places climbed 7.8%. Sales for gasoline stations fell 6.8% during the previous 12-month period as gasoline prices declined 49%, according to the U.S. Energy Information Administration.

Stocks

- Global equities recorded positive returns for the week. Developed markets outperformed emerging markets.
- U.S. equities posted notable gains during the week. Information technology and consumer discretionary were the top-performing sectors, while healthcare and real estate were the primary market laggards.
- Growth stocks outperformed value, while large caps outpaced small caps.

Bonds

- The 10-year U.S. Treasury note yield rose to 4.44% for the week.
- Global bond markets declined for the week.
- High-yield bonds led the markets, followed by corporate bonds and government bonds.

The Numbers as of May 16, 2025	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	3.5%	4.2%	10.4%	876.4
MSCI EAFE ($)	0.7%	12.6%	7.0%	2547.3
MSCI Emerging Mkts ($)	3.1%	9.1%	6.8%	1173.5
US & Canadian Equities				
Dow Jones Industrials ($)	3.4%	0.3%	7.0%	42654.7
S&P 500 ($)	5.3%	1.3%	12.5%	5958.4
NASDAQ ($)	7.2%	-0.5%	15.0%	19211.1
S&P/ TSX Composite (C$)	2.4%	5.0%	16.5%	25971.9
UK & European Equities				
FTSE All-Share (£)	1.6%	5.5%	2.6%	4715.6
MSCI Europe ex UK (€)	1.7%	8.6%	3.0%	1916.5
Asian Equities				
Topix (¥)	0.3%	-1.6%	0.1%	2740.5
Hong Kong Hang Seng ($)	2.1%	16.4%	20.5%	23345.1
MSCI Asia Pac. Ex-Japan ($)	3.1%	7.8%	7.6%	613.8
Latin American Equities				
MSCI EMF Latin America ($)	2.2%	22.8%	-8.8%	2274.5
Mexican Bolsa (peso)	2.5%	17.1%	0.9%	57962.3
Brazilian Bovespa (real)	1.9%	15.7%	8.5%	139170.8
Commodities ($)				
West Texas Intermediate Spot	1.0%	-14.1%	-22.2%	61.6
Gold Spot Price	-4.4%	21.5%	33.9%	3189.4
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-0.5%	4.1%	5.0%	482.6
JPMorgan Emerging Mkt Bond	0.4%	2.7%	6.5%	921.8
10-Year Yield Change (basis points*)				
US Treasury	6	-13	6	4.44%
UK Gilt	8	8	57	4.65%
German Bund	3	22	13	2.59%
Japan Govt Bond	9	36	54	1.46%
Canada Govt Bond	1	-5	-39	3.17%
Currency Returns**				
US$ per euro	-0.9%	7.7%	2.6%	1.115
Yen per US$	0.4%	-7.2%	-6.1%	145.92
US$ per £	-0.2%	6.1%	4.8%	1.328
C$ per US$	0.3%	-2.9%	2.6%	1.397

Source: Bloomberg. Equity-index returns are price only, others are total returns.
*100 basis points = 1 percentage point.
**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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