

May 28, 2025

Good Afternoon,

Stocks fell last week as President Trump ramped up his tough talk on trade with the European Union by announcing 50% tariffs starting June 1st. Over the weekend, he pulled back on the threats and extended negotiations to July 9th. Markets rose sharply yesterday after the Monday holiday on the news of Trump's reprieve. The Euro rose as well. It seems the President is content to play this game with all US trade partners despite the disruption for corporations and investors.

The Conference Board's consumer confidence survey rebounded sharply in May. Notably, the "expectations" portion of the index came off its 13-year low to hit the biggest monthly increase since May 2009. One key takeaway is the speed: consumers have reacted nearly as quickly as the stock market. Another is just how important these trade deals truly are to the economy writ large, not simply stocks and investors. Trump's tariff backtrack in early May impacted consumer confidence, and thereby their actions. On Friday we'll get the PCE for April, the Fed's favorite inflation data point, and likely our first glimpse of the impacts of the trade wars on consumer prices.

The bond market has been jittery lately. There is growing concern that the US is ignoring its national debt and budget deficit at its own peril. Does the "Big, Beautiful" tax bill recently passed (by a single vote) in the House address the issues? It does not appear so – to the displeasure of fiscal conservatives on the right. It's too early to tell the bill's fate as the Senate now takes it up, but we are almost guaranteed to hear more about the deficit as it moves forward. In the meantime, the 10-Year Treasury yield is hovering around 4.5%, up from 4.14% at the start of May.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Enjoy your week and Go Reds!

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