

## A macro focus

There wasn't a lot of change in the major indices this week, which continued in a consolidation pattern following the huge run off the April 7 lows.



A nine-session win streak for the S&P 500 was broken on Monday, serving as a precursor to a week where outsized moves were reserved for individual stocks with news, like Dow component Walt Disney, which impressed with Q1 results and better-than-expected guidance for the full year, and Alphabet, which struggled on concerns about AI challenges to its search business.

It was a huge week of earnings reporting, yet most of the market's concentration was on the macro picture that included the following highlights:

- OPEC+ agreeing to raise its production output in June by 411K barrels per day.
- The U.S. trade deficit hitting a record \$140.5 billion, as imports surged in a tariff frontrunning move.
- India launching attacks on nine sites in Pakistan,

and Pakistan vowing a response to those attacks.

- An indication that Treasury Secretary Bessent and U.S. Trade Representative Greer will meet China's Vice Premier He Lifeng in Switzerland this weekend with an aim of de-escalating the tariff/trade situation.
- The People's Bank of China lowering its 7-day reverse repurchase rate by 10 basis points to 1.40% and the required reserve ratio by 50 basis points to 9.00%.
- The FOMC voting to leave the target range for the fed funds rate unchanged at 4.25-4.50%, and Fed Chair Powell declaring that the Fed will be patient before making any policy moves as it needs to see more data to understand better how the new administration's policies are affecting economic activity.
- The Bank of England lowering its cash rate by 25 basis points to 4.25%, as expected.
- President Trump announcing the first trade deal with the UK, which will involve keeping the baseline 10% tariff rate; and noting that a number of other trade deals should be following soon.
- President Trump touting the reconciliation bill and suggesting one should buy stocks now.

The best-performing sectors this week were the industrials (+1.1%), consumer discretionary (+0.8%), and utilities (+0.5%) sectors. The worst-performing sectors were the health care (-4.3%), communication services (-2.4%), and consumer staples (-1.1%) sectors.

The 2-yr note yield increased four basis points on the week to 3.88%, while the 10-yr note yield added six basis points to 4.38%. The U.S. Dollar Index jumped 0.4% to 100.42, garnering some support from the market's expectations for the next rate cut getting pushed out to the July FOMC meeting.

- Dow Jones Industrial Average: -0.2% for the week / -3.0% YTD
- S&P 500: -0.5% for the week / -3.8% YTD
- S&P 400: +0.5% for the week / -5.6% YTD
- Nasdaq Composite: -0.3% for the week / -7.2% YTD
- Russell 2000: +0.1% for the week / -9.3% YTD

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