

Trade war de-escalation fuels winning week

It was a winning week for stocks.



The S&P 500 and Dow Jones Industrial Average turned positive again for the year, sitting on a 1.3% and 0.3% gain, respectively in 2025 after this week's moves.

The market was enthused by a notable easing in the trade war with China. Both the U.S. and China agreed to a 90-day reduction in tariffs, which went into effect Wednesday. The U.S. dropped tariffs on China from 145% to 30% and China dropping tariffs on the U.S. from 125% to 10%.

The good news for the market is that the reductions were larger than expected. The less than good news for the market is that the reductions expire in 90 days if both sides can't reach a more permanent trade deal.

The market was focused on the positive takeaway, fueling an everything-rally. Moves were helped by short-covering

activity and a fear of missing out on further gains.

Also, there was an emerging view that stocks were due for a period of consolidation after a big run since the April lows, but that didn't materialize in a meaningful way. The continued resilience acted as an additional upside catalyst for stocks.

The S&P 500 was down 17.8% for the year and down 21.4% from the all-time high it reached on February 19 at its April 7 low (4,835.04).

With Friday's close, the benchmark index is 23.2% higher than its April low and 3.2% below its all-time high.

Increased attention to mega caps and large-cap tech stocks had an outsized impact on the major equity indices. NVIDIA surged 16% and Apple was up 6.4% from last Friday.

On the flip side, UnitedHealth was a huge laggard, dropping 23.3%. It's one of the most influential names in the price-weighted Dow Jones Industrial Average, sinking following the news that CEO Andrew Witty

is stepping down for personal reasons and that

the company is suspending its 2025 outlook as it grapples with higher-than-expected medical costs.

Market participants were also weighing a big slate of economic news, including an April Consumer Price Index that lacked any tariff inflation shock, and a cool Producer Price Index report for April.

The calendar also included April reports for retail sales, and industrial production; weekly initial and continuing jobless claims; and May reports for the Philadelphia Fed Index, Empire State Manufacturing Survey, and NAHB Housing Market Index that, collectively, were mixed relative to expectations.

Treasury yields moved noticeably higher, but that didn't deter stocks. The 10-yr yield rose above 4.50% at its high this week before settling at 4.44%, which is six basis points higher than last Friday. The 2-yr yield jumped ten basis points from last week to 3.98%.

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