Weekly Market Comments

May 20, 2025

Conditions appeared dire for the stock market in early April. The President followed through on a campaign promise and announced sweeping tariffs against most U.S. trading partners. As a result, the S&P fell by 12% in four days.

Economists warned of a recession. Consumer confidence, already waning, weakened further. Corporate executives struggled to give investors a clear picture of their financial prospects.

The week that just ended saw the S&P rally by 5.3% and turned positive for 2025. Just a few weeks ago, the index at the heart of many 401(k) accounts was down about 15% for the year.

Analysts caution that the tariff drama is hardly over, and stocks could fall again. But the run for U.S. stocks back upward has been just as wild and unexpected as its decline. What follows takes a look at what happened:

Trump appeared in the Rose Garden on April 2nd and announced steeper-than-expected tariffs on almost all U.S. trade partners. He especially targeted China, eventually raising the duties on imports from China to 145%. Beijing retaliated by raising tariffs on U.S. goods to 125%. Investors fled the U.S. stock market.

On April 9th, Trump announced on social media a “90-day PAUSE” for most of the tariffs he’d announced a week earlier, except those against China. As a result, the S&P exploded by 9.5% for one of its best days ever.

Trump largely ignored the damage to the stock market, surprising for a president who boasted repeatedly during his first term about how the Dow was doing. But he couldn't ignore the signs of trouble in the bond and foreign exchange markets.

Tumbling prices for U.S. government bonds raised worries that the U.S. Treasury market was losing its status as the world's safest place to keep cash. The value of the U.S. dollar also sank in another signal of diminishing faith in the United States as a safe haven for investors.

Unlike stocks, Treasurys and the dollar haven't fully bounced back. Some of that may be because of shifting expectations for what the Federal Reserve will do with interest rates, but it is also still a signal that investors globally still have some trepidation about the United States.

While consumer sentiment has weakened – it has fallen for five straight months by one measure -- what investors call "hard data," such as employment numbers, indicate the economy is still doing OK. Recent data show employers added 177,000 jobs in April and that inflation has cooled.

Through all the market's tumult, U.S. companies have continued to deliver profit reports for the start of the year that have topped analysts' expectations. Stock prices tend to follow profits over the long term, and that has given the market a notable boost.

Three out of every four companies in the S&P have beaten analysts' expectations for profits in recent weeks, including such market heavyweights as MSFT and META, which are on track to deliver growth of nearly 13.6% from a year earlier, according to FactSet.

The investment outlook brightened this month as the U.S. signaled a willingness to negotiate on trade. Last week, the administration struck a deal with the United Kingdom. Then came the biggest news which was that the U.S. and China said that they were temporarily rolling back most of the tariffs they had imposed on one another and this caused the S&P to rise to its best day since the first tariff pause.

Even as companies have delivered fatter profits than expected, many have also warned that they are unsure about what lies ahead. CEOs have been either lowering or withdrawing their financial forecasts for the year given all the uncertainty around how Trump's tariffs will end up.

Market stalwarts such as AAPL and GOOG are still down double-digits for the year and the Nasdaq composite, with a bigger roster of technology companies, is still down 0.5%.

Analysts are quick to remind investors that most tariffs have been paused, not eliminated, and others are still in place. Trump retained a baseline 10% tariff against other counties. U.S. tariffs against China are still at 30%.

All of this means that things will continue to be volatile in the near-term and investors should try to take profits on rallies and buy on the kind of dips that we got early yesterday.

Donald M. Selkin

Chief Market Strategist

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