Summary

Equities rebounded last week on news that courts may block the majority of the new tariffs, with the Nasdaq up 2.0%, the S&P 500 up 1.9%, and DJIA up 1.6%. Treasury yields, however, have broadly declined across all maturities of one year or greater on weaker data showing possible cracks in the economy.

Durable goods orders declined 6.3% in April, largely driven by transportation equipment orders. Excluding transportation, durable goods orders increased a slight 0.2%. Capital goods orders fell 14.6%, and excluding aircraft, fell a more modest 1.3%, suggesting businesses are pulling back investment as they manage trade policy-related uncertainty. Real GDP was revised up slightly but still declined at a seasonally adjusted annual rate (SAAR) of 0.2% in the first quarter as firms increased imports after tariffs were announced. Corporate profits fell 2.9% as firms deal with uncertainties related to tariffs. Continuing unemployment claims rose to 1.92 million in the week ending May 17, the highest since November 2021. Initial unemployment claims also rose to 240 thousand, but the four-week average remained unchanged at 231 thousand.

Despite the weaker economic data, both Conference Board's consumer confidence and University of Michigan's consumer sentiment showed signs of improvement in May as consumers reacted to a recovering stock market and easing trade tensions.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Durable Orders (Apr – Tue 08:30)	-6.3%	-8.1%	
Durable Goods ex transportation (Apr – Tue 08:30)	+0.2%	+0.0%	
Consumer Confidence (May – Tue 10:00)	98.0%	87.0	
MBA Mortgage Applications Index (05/24 – Wed 07:00)	-1.2%	NA	
GDP - Second Estimate (Q1 – Thu 08:30)	-0.2%	-0.3%	
GDP Deflator - Second Estimate (Q1 – Thu 08:30)	3.7%	3.7%	
Initial Claims (05/24 – Thu 08:30)	240K	230 K	
Continuing Claims (05/17 – Thu 08:30)	1919K	NA	
Personal Income (Apr – Fri 08:30)	+0.8%	+0.3%	
Personal Spending (Apr – Fri 08:30)	+0.2%	+0.2%	
PCE Prices (Apr – Fri 08:30)	+0.1%	+0.1%	PCE Prices – Core: +0.1%
Chicago PMI (May – Fri 09:45)	40.5	45.0	
Univ. of Michigan Consumer Sentiment - Final (May – Fri 10:00)	52.2	50.8	

Next Week: Indicator	Consensus Expectation*	Prior	Comment
S&P Global US Manufacturing PMI - Final (May – Mon 9:45)	NA	50.2	
ISM Manufacturing Index (May – Mon 10:00)	49.0	48.7	
Construction Spending (Apr – Mon 10:00)	+0.1%	-0.5%	
Factory Orders (Apr – Tue 10:00)	-3.1%	+4.3%	
JOLTS (Apr – Tue 10:00)	NA	7.192M	
MBA Mortgage Applications Index (05/24 – Wed 07:00)	NA	-1.2%	
S&P Global US Services PMI – Final (May – Wed 9:45)	NA	50.8	
ISM Services – Final (May – Wed 10:00)	52.0%	51.6%	
Beige Book (Wed 14:00)			
Initial Claims (05/31 – Thu 08:30)	235K	240K	
Continuing Claims (05/24 – Thu 08:30)	NA	1919K	
Productivity Rev (Q1 – Thu 8:30)	-0.8%	-0.8%	
Trade Balance (Apr – Thu 8:30)	-$117.2B	-$140.5B	
Employment Situation (May – Fri 9:30)	130K	177K	Unemployment rate: 4.2%
Consumer Credit (Apr – Fri 15:00)	$10.3B	$10.2B	

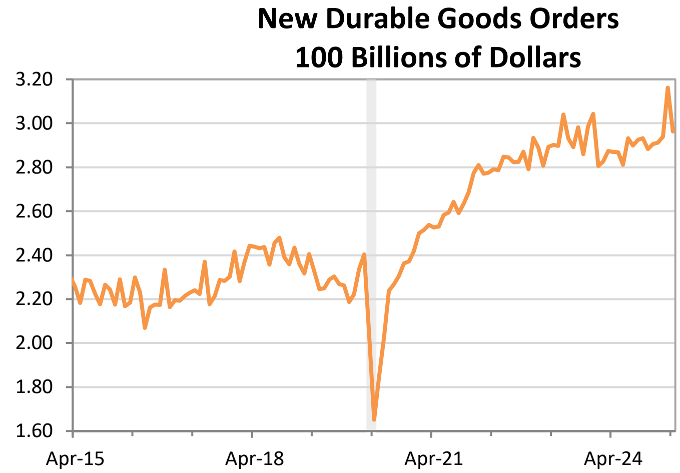
**Sources: www.briefing.com and www.federalreserve.gov*

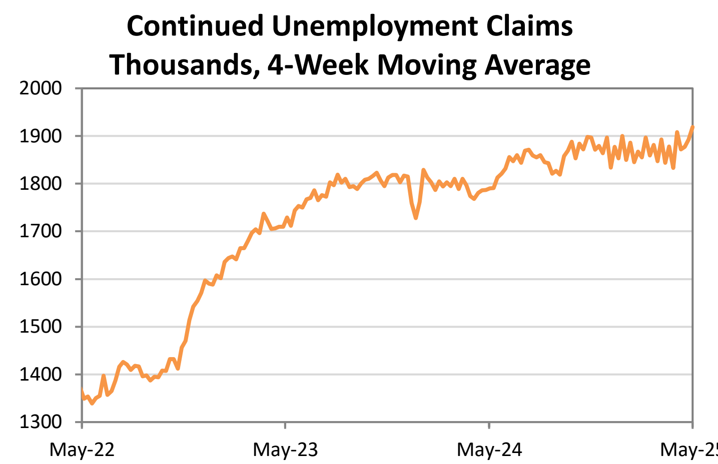
Economic Review

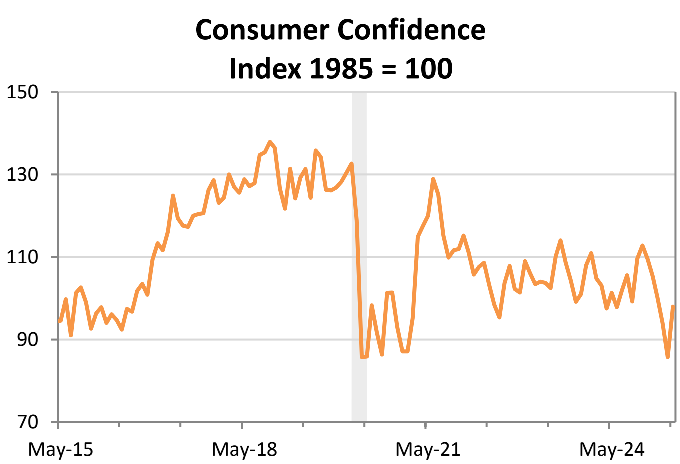
DURABLE GOODS ORDERS plunged 6.3% month-over-month in April to $296.3 billion. This drop was led by transportation equipment, which declined 17.1% but tends to be volatile. Motor vehicles and parts declined 2.9% while nondefense aircraft and parts fell a staggering 51.5%. Excluding transportation, durable goods orders increased 0.2%. Capital goods orders fell 14.6%, but core capital goods orders, which exclude defense and aircraft, declined a much milder but still significant 1.3%. This decline in business equipment reflects firms' increasing caution as they decide how to invest in an environment characterized by growing uncertainty about how volatile trade policy will impact input costs and consumer demand.

CONTINUING UNEMPLOYMENT CLAIMS rose to 1.92 million in the week ending on May 17, its highest level since November 2021. The rise in continuing claims, or ongoing claims filed by those already on unemployment insurance, reflect the increasing difficulty for unemployed people in the labor market to find work as hiring stagnates. Initial unemployment claims increased to 240 thousand during the week ending on May 24, but the four-week moving average remained unchanged from the previous week at 231 thousand, which is well within historical norms. Continuing claims rising and initial claims holding steady suggest businesses are neither hiring nor firing in large numbers as they try to navigate trade-policy-driven uncertainty driven and forecast the impact it will have on demand.

The Conference Board's CONSUMER CONFIDENCE INDEX rebounded in May to 98.0 from 85.7 in April despite weaker economic data. The rebound, which is the first increase in six months, was driven by a recovering stock market and news of easing trade tensions. Surveyed consumers were optimistic about the labor market but remained cautious about tariff-related price hikes; with many putting aside money for future expenses, digging into savings for current purchases, and postponing major purchases. University of Michigan's final consumer sentiment index for May improved to 52.2 from its preliminary May reading of 50.8. The intra-month improvement can be attributed to the easing of trade tensions between the United States and China. Consumers are still weary of tariff-related price increases with one-year inflation expectations rising slightly to 6.6% from 6.5% in April.







Fed Speeches

In his May 27 speech at the Bank of Japan's Institute for Monetary and Economic Studies conference, Federal Reserve Bank of Minneapolis President Neel Kashkari discussed how to approach monetary policy in increasingly shock-prone uncertain economic conditions. In his remarks, he highlighted two layers of uncertainty central bankers face: the nature of the shocks and the appropriate policy response.

He noted that while responses to the financial crisis and pandemic became clear as their scope emerged, the post-COVID inflation surprise—initially viewed as transitory—taught policymakers to be more cautious in assuming inflation would self-correct. The Fed ultimately responded forcefully to preserve anchored inflation expectations.

Moving to the most recent shock of trade-policy uncertainty, President Kashkari noted the unique challenge it poses. It boosts inflation while slowing growth, forcing policymakers to choose which mandate to prioritize. He argued against following the "look-through" approach, which treats tariffs as transitory, as trade policy will not be settled in the short run, and treating the current shock as transitory could enable inflation expectations to lose their anchor.

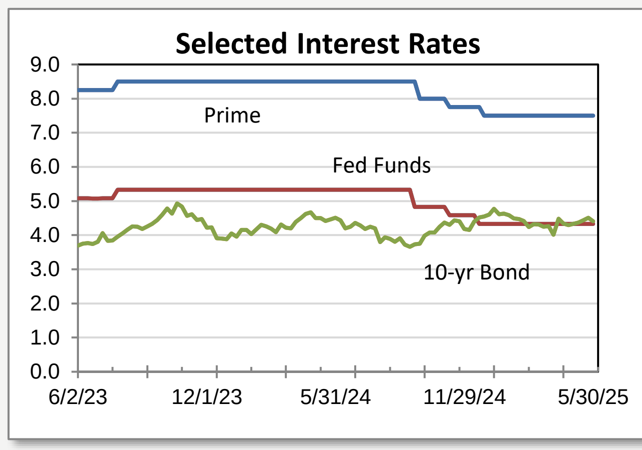
He ended by arguing for a slower methodological and adaptable approach which is not constrained by policy rules such as the Taylor Rule, stating:

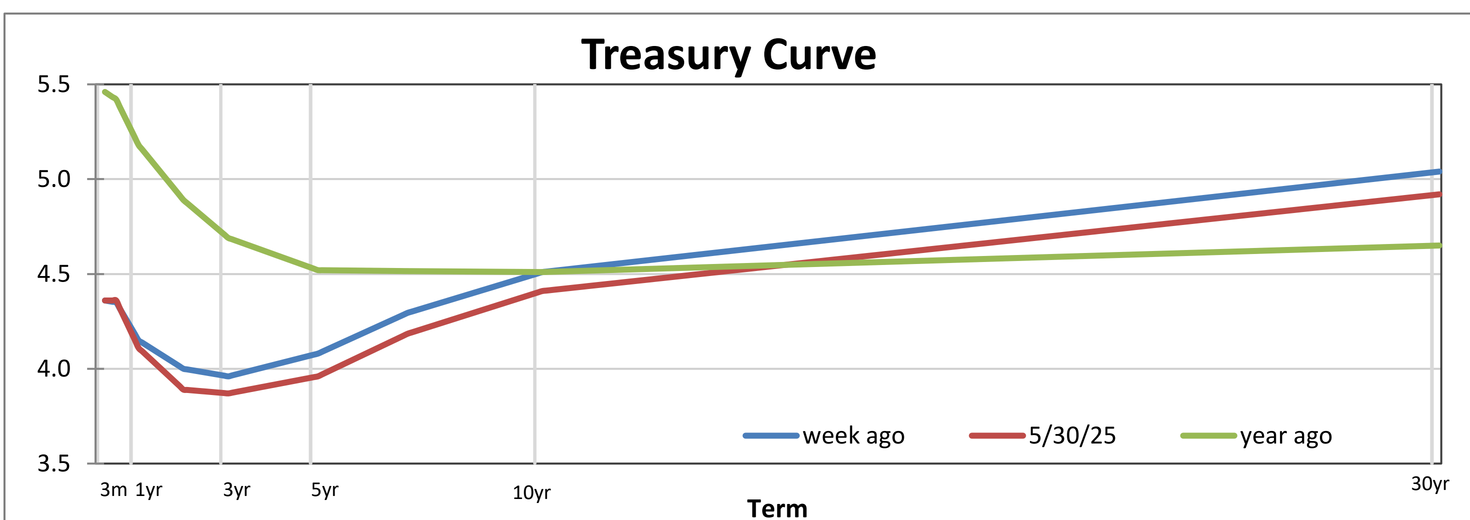
> *"Taking time to get more information to help inform the collective judgments of policymakers may be the best of an imperfect set of options."*

Financial Markets

Equities markets rebounded for all major indices last week, with the Nasdaq up 2.0%, the S&P 500 up 1.9%, and the DJIA up 1.6%, as courts blocking the majority of new tariffs increased investor optimism. Each index has also risen over the past four weeks, as the initial April tariff shock dissipated in May. Despite the recent rebound, only the Nasdaq is above it's level 13 weeks ago. The S&P remains 0.7% below its 13-week level and the DJIA is still 3.6% below its 13-week level, suggesting equities are still hampered by policy uncertainty.

Treasury yields declined across most maturities this week, with the 3 month and 6-month yields staying relatively flat. The decline in treasury yields suggests investors are reacting to this week's weaker economic data as the needs for safe U.S. treasuries outweigh concerns of tariff-induced inflation and a growing deficit.





Interest Rate Forecast*

During the Fed's May policy meeting, the Federal Open Market Committee (FOMC) left the federal funds target rate unchanged at 4.25% to 4.50%. In the statement released following the meeting, the FOMC stated, "The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty around the economic outlook has increased further. The Committee is attentive to the risks to both sides of its dual mandate and judges that the risks of higher unemployment and higher inflation have risen." This statement emphasized the persistent economic uncertainty that has continued since the last meeting.

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
2nd Qtr '25	7.50	4.33	4.33	4.24	3.89	4.37	4.80	6.75
3rd Qtr	7.44	4.28	4.27	4.24	3.92	4.37	4.73	6.64
4th Qtr	7.25	4.13	4.12	4.17	3.88	4.34	4.64	6.45
1st Qtr '26	7.08	3.96	3.95	4.01	3.90	4.28	4.53	6.26
2nd Qtr	6.92	3.79	3.79	3.86	3.91	4.20	4.44	6.13

April 2025

FINANCIAL MARKET SUMMARY

	As of 5/23/2025	As of 5/16//2025	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	7.50	7.50	0	0	0
Secured Overnight Financing Rate (SOFR)	4.33	4.26	7	(6)	(3)
Fed Funds (Wed close)	4.33	4.33	0	0	0
TREASURIES (BE) (Changes in BPs)					
3 Months	4.36	4.36	0	3	4
6 Months	4.36	4.35	1	10	11
1 Year	4.11	4.15	(4)	11	3
2 Years	3.89	4.00	(11)	6	(10)
5 Years	3.96	4.08	(12)	4	(7)
10 Years	4.41	4.51	(10)	8	17
30 Years	4.92	5.04	(12)	13	41
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.79	2.87	(8)	(12)	23
5-Year Muni	2.88	2.97	(9)	(15)	23
10-Year Muni	3.31	3.37	(6)	28	43
30-Year Muni	4.54	4.56	(2)	11	62
30-Year Conventional Mortgage	6.89	6.86	3	13	13
MARKET INDICATORS (Changes in %)					
DJIA	42,270.07	41,603.07	1.6	2.3	(3.6)
S&P 500	5,911.69	5,802.82	1.9	4.0	(0.7)
NASDAQ	19,113.77	18,737.21	2.0	6.3	1.4
CRB Futures	355.47	362.79	(2.0)	0.4	(2.7)
Oil (WTI Crude)	60.79	61.53	(1.2)	(4.0)	(13.4)
Gold	3,289.25	3,357.51	(2.0)	1.6	15.1
Yen / Dollar	144.02	142.56	1.0	0.2	(3.5)
Dollar / Euro	1.13	1.14	(0.1)	0.4	9.4