

MONDAY MORNING RECAP - May 12, 2025

Last Week

Dow Jones Industrial Average (DJIA)	41,249.38	-68.05	-0.16%
S&P 500 Index	5,659.91	-26.76	-0.47%
NASDAQ Composite Index	17,928.92	-48.81	-0.27%
U.S. 10 yr. Treasury Note Yield	4.37%	+4 Basis Points	
Gold (\$ per troy oz.)	\$3,335.40	+\$103.50	+3.20%
WTI Oil (\$ per barrel)	\$61.02	+\$2.73	+4.68%

Market Summary

Global Equities: US equities fell last week despite renewed hope around tariffs as the US and UK announced a trade deal framework and President Trump expressed optimism about trade discussions with China. The S&P 500 ended the week down - 0.47%. European equities rose over the week, with Germany's DAX hitting an all-time high. The STOXX 600 was up 0.60% over the week. Chinese equities also benefitted from the positive sentiment, with the Hang Seng up 1.61%.

Commodities: Oil prices rose last week, rebounding on hopes of a breakthrough in US-China trade talks, which would provide a boost to demand for oil. News that US stockpiles had fallen for a second consecutive week further supported oil prices. WTI and Brent crude rose to \$61.02 and \$63.91/bbl, respectively. Gold resumed its upwards trajectory on the back of tensions between India and Pakistan and strong buying in China. It ended the week at \$3335.40/troy oz.

Fixed Income: US Treasury yields rose last week as the market considered the implications of the outlines of the US-UK trade deal and the Fed keeping rates unchanged. The 2-Year and 10- Year US Treasury yields ended the week at 3.89% and 4.37%, respectively. In Europe, German Bund yields rose on hopes that the US might strike further trade agreements, with the 10-Year Bund yield ending the week at 2.56%.

FX: The US dollar appreciated against a basket of currencies last week as the Fed outlined that it would adopt a cautious approach to cutting rates. The US dollar index was up 0.31% over the week. Even though the dollar index strengthened, the Taiwanese dollar and to a lesser extent various other Asian currencies surged over the week, partly due to speculation about a Taiwan-US FX deal as part of a trade deal between the two countries, but possibly also due to Asian market participants looking to reduce their exposure to the dollar.

Economic Summary

Monetary Policy: The Fed kept the policy rate unchanged at 4.25–4.50% last week, with Fed Chair Powell ruling out a pre-emptive cut to blunt the economic impact of tariffs, as inflation is still above target and the risk of it rising further has increased. Meanwhile, the BoE cut its Bank Rate by 25bp to 4.25% at the May meeting. While the decision was in line with consensus expectations, the meeting was more hawkish than anticipated.

Trade: The US trade deficit widened 14% to a record high of \$140.5bn in March, above consensus expectations for \$136.8bn as US businesses raced to import goods before the new tariff regime took effect. Consumer goods imports posted their biggest ever rise, in part due to pharmaceutical imports surging by 71%. Meanwhile, the services trade surplus fell by \$0.8bn, reflecting a \$1.3bn drop in travel exports due to foreign boycotts. China's export growth remained solid in April at 8.1% year-over-year despite the implementation of US reciprocal tariffs. The resilient export growth was likely due to trade re-routing via other economies. By region, the value of Chinese exports to the US fell materially, while that of South-East Asia and Europe picked up. On the policy front, the US-UK trade deal signifies a move towards negotiation rather than escalating tariffs. However, with the 10% baseline tariff still in place, there are limits to how much the tariffs can be reduced.

Activity: The US Services PMI for April came in at 50.8, below consensus expectations for 51.4 in a sign that it may not be just manufacturing firms that are suffering from trade uncertainty. Outside the US, Euro area retail sales fell by 0.1% in March, below consensus expectations.



Key Economic Releases

Monday, May 12:

No economic releases

Tuesday, May 13:

US CPI YoY (Prior: 2.4%) US Core CPI

YoY (Prior: 2.8%)

UK Unemployment (Prior: 4.4%)

Wednesday, May 14:

No economic releases

Thursday, May 15:

UK GDP QoQ (Prior: 0.1%)

Euro GDP QoQ (Cons: 0.4%, Prior: 0.4%)

US Core Retail Sales (Cons: 0.3%, Prior: 0.5%)

US Core PPI MoM (Cons: 0.3%, Prior: -0.1%)

Friday, May 16:

US UMich. Consumer Sentiment (Cons: 53.0, Prior: 52.2)

Source: Goldman Sachs Asset Management: "Market Monitor", 5/9/2025

"Fed" refers to Federal Reserve. "WTI" refers to West Texas Intermediate crude oil, a common US benchmark for oil prices. "Brent" refers to a global benchmark for oil prices worldwide. "Bbl" refers to barrel. "Oz" refers to ounce. "FX" refers to foreign exchange. "BoE" refers to Bank of England. "bp" refers to basis points. "bn" refers to billion. "PMI" refers to Purchasing Managers' Index.

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