SIGHT|LINES

MARKET PULSE

May 27, 2025

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- Equities rose today, with the consumer discretionary and information technology sectors performing best.
- The S&P 500 rose 2.05%, the Dow Jones Industrial Average (Dow) was up 1.78%, and the Nasdaq rose 2.46%.
- Non-U.S. markets were up. The DAX (Germany) was up 0.8%, and the Nikkei (Japan) rose 0.5%.
- The 2-year Treasury yield fell to 3.98%, and the 10-year Treasury fell to 4.45%.

CATALYSTS

- U.S. equities gained after this weekend's news that the U.S. will delay 50% tariffs on the EU until July 9, allowing more time for negotiations. The timeline aligns with the EU's reciprocal tariff pause, signaling a chance for de-escalation following a constructive call with European Commission President Ursula von der Leyen.
- Stocks extended gains as the May Consumer Confidence Index jumped to 98.0, exceeding the 88.0 consensus and improving from 85.7 in April. This marked the first increase in six months, driven by easing U.S.-China trade tensions and improved views on overall economic conditions. Fewer consumers now see a recession in the next year.
- The S&P 500 has surged nearly 19.0% since its April 8 lows and is now positive for the year, driven by the Trump administration's decision to delay reciprocal tariffs and resume trade negotiations with key partners, including China. While GDP forecasts have softened since the start of the year, economists still project 1.4% growth for the U.S. economy in 2025, according to Bloomberg.
- Q1 2025 earnings season is concluding with 95% of companies reporting results. The blended earnings growth rate has risen to 12.6%, significantly outperforming the 6.9% estimate from mid-April, contributing to the market's recovery. Notably, nearly 78% of reporting companies have surpassed consensus EPS expectations.

INVESTMENT STRATEGY OUTLOOK

- We continue to see the year defined by *Gravitational Shifts* – with a rebalancing of markets, the economy, and policy, now complicated by rising trade tensions.
- At the start of the year, our base case outlook projected U.S. GDP growth of 1.5% to 2.5%, indicating a positive but slower pace of economic growth compared to last year. Trade policies and ongoing uncertainty represent a meaningful *downside risk* to that forecast. Key "hard data" – actual results – has remained positive and resilient, while some "soft data," which can reflect *Animal Spirits*, has turned negative, adding to market volatility.
- **Stay diversified.** Investors should ensure they are properly diversified within their portfolios and avoid shifting strategies or chasing near-term performance.
- **Dollar cost average.** Invest cash earmarked for a long-term strategy gradually with the flexibility to add more during market weakness.
- **Look long term and stay anchored on your goals and objectives.** Market volatility can create opportunities, and long-term investors may find compelling opportunities, especially in areas aligned with durable long-term themes.
- For more insights and market commentary visit Stifel Insights.

companies on the Frankfurt Stock Exchange. The **Bloomberg U.S. 1000 Value Total Return Index** provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth. The **Bloomberg U.S. 2000 Total Return Index** is a float market-cap-weighted benchmark of the lower 2,000 in capitalization of the **Bloomberg U.S. 3000 Index**. The **Bloomberg Magnificent 7 Total Return Index** is an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS). Dollar-cost averaging does not assure a profit or protect against a loss. Investors should consider their ability to continue investing during periods of falling prices.

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