WEEK OF MAY 5, 2025

Market Update

Strong earnings and hiring data helped ease concerns around softening consumer sentiment last week. In a notable development, China granted tariff exemptions on roughly $40 billion in U.S. goods—an encouraging sign for trade stability. The S&P 500 posted gains, marking its third positive week in the past four.

Quick Hits

1. **Beyond the headlines:** Resilient earnings and hiring offered optimism amid worries.
2. **Report releases:** Consumer confidence fell in April despite better-than-expected personal spending and jobs reports for March.
3. **Financial market data**: Technology and consumer discretionary firms rallied on hints of progress between the U.S. and China.
4. **Looking ahead:** The highlight will be this week's Federal Open Market Committee (FOMC) meeting.

LIFETIME Asset Management

Beyond the Headlines: Resilient Earnings and Hiring Offer Optimism Amid Worries

Markets opened the week with positive momentum, building on encouraging signs from the previous week. Strong corporate earnings and easing trade tensions gave investors a sense of relief.

One of the early headlines focused on a sharp drop in shipments from China to U.S. ports. Gene Seroka, executive director of the Port of Los Angeles, noted that many major retailers are halting shipments from China due to rising tariffs. Although that sounds concerning, it's important to view it in context. U.S. imports from China reached their highest level since late 2018 earlier this year. These fluctuations likely reflect businesses adjusting supply chains in response to shifting trade policies rather than a clear, sustained decline.

Tuesday brought a shift in tone as consumer confidence declined for the fifth consecutive month, falling to its lowest level since 2020. Concerns about job prospects and income are weighing on sentiment. Credit card giant Visa offered a more optimistic data point: payment volume on its network rose 7 percent year-over-year, suggesting consumers are continuing to spend.

On Wednesday, we got a deeper look at consumer behavior. Personal spending for March rose 0.7 percent, exceeding expectations. First-quarter GDP, however, fell at a 0.3 percent annual rate as imports far outpaced exports, dragging down overall growth. Part of the spending slowdown was tied to disruptions from January wildfires in California.

Despite mixed economic data, earnings from major technology firms lifted market sentiment. Two of the largest tech firms beat expectations. Cloud business grew faster than forecast, and companies reaffirmed their commitment to investing in artificial intelligence (AI) infrastructure—a key growth theme driving equity markets in recent years. Continued investment in this space is seen as a positive signal for future innovation and business spending.

The week ended with a blend of caution and optimism. Manufacturing sentiment remained in contraction territory, though the data was better than feared. On Friday, the job market delivered a strong upside surprise: the U.S. added 177,000 jobs in March, well above the forecast of 138,000.

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In summary, while consumer confidence has softened, actual spending and hiring remained resilient. Shifting trade dynamics are creating volatility in import data, but that may balance out in coming quarters. Importantly, companies are continuing to invest in long-term growth areas such as AI, which supports a more constructive outlook for equities.

As Liz Ann Sonders of Charles Schwab wisely noted, "Neither get in nor get out is an investing strategy; that's just gambling on moments in time."

If you're feeling uncertain, now is a great time to speak with your financial advisor to ensure that your portfolio remains aligned with your long-term goals.

Report Releases: April 28–May 2, 2025

Conference Board Consumer Confidence Index
April (Tuesday)

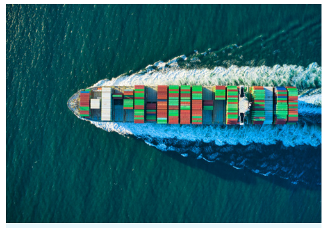
Consumer confidence fell more than expected, marking five consecutive months with falling confidence.

- Expected/prior month consumer confidence: 88.0/93.9
- Actual consumer confidence: 86.0

Advanced Estimate of Annualized GDP
First Quarter (Wednesday)

Economic growth slowed more than expected in the first quarter. Net exports were the primary detractor from overall economic growth due to a surge in imports.

- Expected/prior quarter GDP growth: –0.2%/+2.4%
- Actual GDP growth: –0.3%



Personal Spending and Personal Income
March (Wednesday)

Personal income and spending grew slightly more than expected.

- Expected/prior personal income monthly change: +0.4%/+0.7%
- Actual personal income change: +0.5%
- Expected/prior personal spending monthly change: +0.5%/+0.1%
- Actual personal spending change: +0.7%

Employment Report
April (Friday)

The employment report showed continued healthy levels of job growth, with 177,000 jobs added during the month.

- Expected/prior change in nonfarm payrolls: +138,000/+185,000
- Actual change in nonfarm payrolls: +177,000

>> The Takeaway

- In April, consumer confidence dipped lower than expected as consumers expressed concern about job availability and income levels.
- Personal spending and job growth beat expectations in March.

Financial Market Data

Equity

U.S. equities moved higher for the second consecutive week. Tech earnings, a better-than-expected jobs report, and continued easing of trade tensions with China helped push the market higher. The week started with a couple of negatives: falling consumer confidence and a negative advance estimate of first-quarter economic growth for the U.S. Earnings showed a continued commitment to AI infrastructure spending, which was welcomed by investors. We saw continued easing of tariffs, with China allowing an estimated $40 billion in U.S. goods into the country without applying reciprocal tariffs.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.94%	2.12%	−2.91%	13.80%
Nasdaq Composite	3.43%	3.05%	−6.71%	14.33%
DJIA	3.00%	1.59%	−2.39%	10.03%
MSCI EAFE	3.18%	1.45%	13.68%	14.65%
MSCI Emerging Markets	3.38%	1.86%	6.32%	10.82%
Russell 2000	3.24%	2.89%	−9.02%	1.59%

Source: Bloomberg, as of May 2, 2025

Fixed Income

The Treasury yield curve lifted, with the short and long end moving incrementally higher. The 2-year increased 8 basis points (bps) to close at 3.84 percent, the 10-year rose 6 bps to 4.32 percent, and the 30-year climbed 6 bps to 4.8 percent.

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	−0.60%	2.37%	6.36%
U.S. Treasury	−0.38%	2.70%	6.12%
U.S. Mortgages	−0.72%	2.51%	6.97%
Municipal Bond	−0.95%	−0.88%	1.58%

Source: Bloomberg, as of May 2, 2025

>> The Takeaway

- Equities moved higher on earnings, a solid jobs report, and easing trade tensions.
- The Treasury yield curve lifted, with yields rising 6–8 bps.

Looking Ahead

The focus this week will be on business confidence, the U.S. trade deficit, and wholesale inventories. The highlight, however, will be the midweek FOMC meeting.

- On Monday, the **ISM Services index** for April will be released. Service sector confidence is expected to fall for the second consecutive month.
- The **U.S. trade balance report** for March will be released Tuesday. Expectations are for a slight decrease in the deficit from February.
- On Wednesday, the **FOMC** will make its rate decision. The Federal Reserve (Fed) is expected to keep short-term interest rates unchanged.
- Finally, on Thursday, **wholesale inventories** for March will be released. Inventories rose 0.5 percent in the previous month.


Wichita, Kansas

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Authored by the Investment Research team at Commonwealth Financial Network®.

Matt Glova, CFP®, CEO, Wealth Consultant
LifeTime Asset Management, LLC
801 Corporate Center Drive,Suite 110 | Raleigh, NC 27607
919.845.5315 | 919.845.5346 fax | www.lifetimeasset.com | matt@lifetimeasset.com

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