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# Market Update

May 5, 2025
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## This week in the markets...

Over the last two weeks, from April 21 to May 2, 2025, the US stock market experienced a significant recovery, driven by strong economic data and optimism surrounding potential trade negotiations. The S&P 500, a key benchmark for US equities, rose by 7.65%, marking its largest two-week gain since October 2022 (5). This rally enabled the index to recover all losses incurred since the April 2, "Liberation-Day", announcement of sweeping tariffs by President Donald Trump, which had initially triggered a sharp market downturn (7). The Dow Jones Industrial Average (DJIA) gained 3% over the same period, while the Nasdaq Composite, bolstered by technology stocks, advanced 3.4% (4). This performance reflects a broader market rebound, with the S&P 500 achieving a nine-day winning streak, the longest in 21 years (3). The catalyst for this rally was multifaceted.

A robust labor market report on May 2 showed 177,000 jobs added in April, surpassing expectations of 133,000, with the unemployment rate steady at 4.2% (4). This data alleviated concerns about the economic impact of tariffs, which had previously driven the S&P 500 into correction territory, with a peak decline of 19% from its February high (2).

| | 05/05/24 | 1/1/2025 | 05/05/25 | 12 MO ROR | YTD ROR |
|---|---|---|---|---|---|
| **DOW** | 38,225 | 42,392 | 41,317 | 8.09% | -2.88% |
| **S&P 500** | 8,065 | 5,903 | 5,687 | 12.29% | -3.31% |
| **NASDAQ** | 15,841 | 19,404 | 17,978 | 13.49% | -6.90% |


Additionally, reports of potential US and Chinese trade talks, including China's exemption of $40 billion in US goods from tariffs, boosted investor sentiment (6). Strong earnings from major technology firms, such as Microsoft and Meta Platforms, further supported the rally, particularly in the Nasdaq, which gained 0.88% in April despite earlier volatility (7). Sector performance varied, with technology leading gains at 1.69%, while consumer staples eked out a 0.2% increase. Conversely, energy and healthcare sectors struggled, with energy dropping 13.86% due to falling oil prices and healthcare declining 3.8% after missed earnings from firms like UnitedHealth Group (7). Despite the recovery, analysts remain cautious, citing ongoing tariff uncertainties and potential earnings downgrades, with 2025 S&P 500 earnings growth forecasts cut to 9% from 14% (1). In summary, the US stock market staged a robust recovery over the last two weeks, driven by positive economic indicators and trade optimism. However, uncertainties surrounding trade policies and economic growth suggest continued volatility ahead.

## U.S. Treasury Bond Yields

*as of 04/14/2025*

| | |
|---|---|
| **US1MO** | 4.32% |
| **US3MO** | 4.32 |
| **US6MO** | 4.25 |
| **US1Y** | 4.0 |
| **US2Y** | 3.8 |
| **US3Y** | 3.78 |
| **US5Y** | 3.90 |
| **US10Y** | 4.3 |
| **US30Y** | 4.79 |

## Market Expectations

The US stock market is poised for a volatile week from May 5 to 9, 2025, with expectations of mixed performance driven by key economic events, corporate earnings, and ongoing trade developments. After a robust two-week rally, with the S&P 500 gaining nearly 3% last week following a 4% rise, analysts anticipate potential short-term fluctuations but maintain a cautiously optimistic outlook (9). The market's trajectory will hinge on several critical factors, including the Federal Open Market Committee (FOMC) meeting, corporate earnings reports, and evolving US-China trade negotiations. The FOMC meeting on May 7, followed by Federal Reserve Chair Jerome Powell's press conference, is a focal point.


No interest rate changes are expected, with the federal funds rate likely to remain at 4.5–5.5%, but Powell's commentary on inflation and tariff impacts could sway markets (6). Recent data showing April's nonfarm payrolls at 177,000, above the expected 138,000, and steady unemployment at 4.2% suggest a resilient labor market, reducing the likelihood of immediate rate cuts (9). However, posts on X indicate investor nervousness, with some anticipating a hawkish Fed stance that could trigger a downturn if inflation concerns intensify (1). Corporate earnings will also shape market sentiment. Companies like Palantir, Disney, Uber, and Advanced Micro Devices are set to report, with strong results potentially sustaining the rally, particularly in technology and AI-driven sectors (8). Palantir's expected robust earnings could bolster AI-related stocks, while Ford's report may reflect tariff-related pressures (7). First-quarter earnings have been resilient, with 76% of S&P 500 companies beating expectations, though weaker guidance for Q2 (5.8% growth) due to tariff uncertainties may cap gains (2). US-China trade talks remain a pivotal influence.

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8Optimism from recent de-escalation, including China's consideration of trade negotiations, has supported recent gains (3). However, uncertainty persists, and any negative developments could rekindle volatility, particularly for tariff-sensitive sectors like consumer discretionary and technology (5). Additionally, the ISM Services PMI, expected to decline to 49.8, may signal softening in non-manufacturing activity, further impacting sentiment (4). In summary, the US stock market faces a critical week with potential for both gains and volatility.

Strong earnings and positive trade developments could sustain momentum, but a hawkish Fed or trade setbacks may prompt sell-offs. Investors should brace for choppiness while monitoring these key drivers.


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