

June 2, 2025

Weekly Market Commentary



Aftermath

By Michael Crook, Chief Investment Officer

We're two full months after Liberation Day, and we now have a reasonable amount of economic and market data to start gauging the initial impact of tariff policy. The title of this commentary overstates where we are at in the Trump Administration's effort to redefine our international trading relationships, which we expect to be an ongoing effort through the balance of President Trump's term, but it feels appropriate to the extent that market volatility has subsided, and markets are once again nearing all-time-highs.

Here's what we know so far:

1. Consumer sentiment remains low but stabilized in May.

Fig. 1: University of Michigan Consumer Sentiment Index



Source: Bloomberg, Mill Creek. Data as of May 31, 2025.

2. There is little evidence that consumers changed behavior discernably in April. Consumers accelerated some purchases into March, but retail sales have grown at an annualized rate of 7.3% over the last three months.

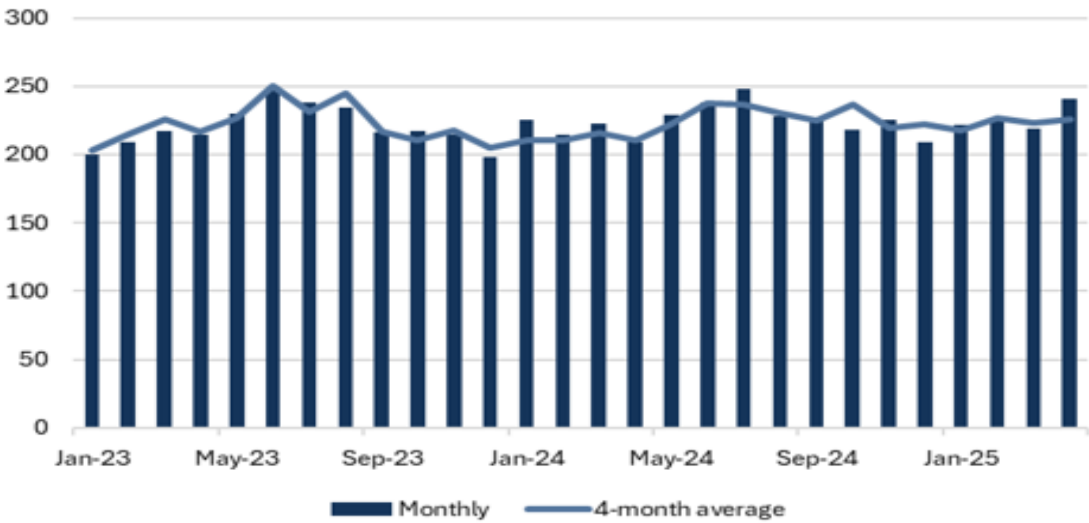
Fig. 2: Retail Sales less Autos and Gas



Source: Bloomberg, Mill Creek. Data as of May 31, 2025.

3. Jobless claims have not increased, and businesses appear to be taking a wait-and-see approach to layoffs.

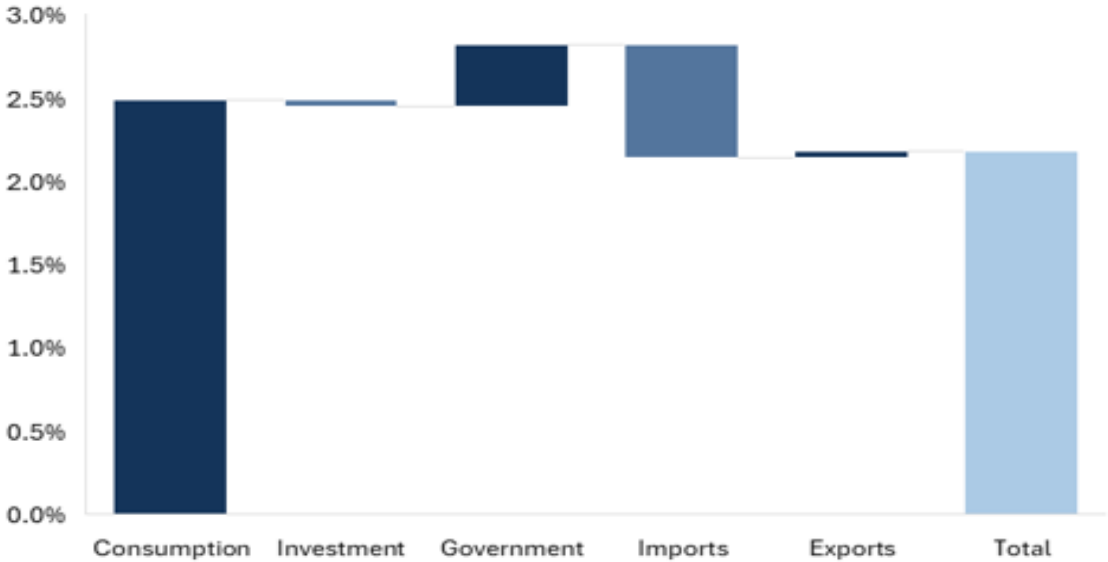
Fig. 3: US Initial Jobless Claims (weekly)



Source: Bloomberg, Mill Creek. Data as of May 31, 2025.

- 4. The Atlanta Fed GDPNow Index indicates we are on track for real GDP growth of 3.8% this quarter. However, in a sign that policy uncertainty is weighing on long-term decision-making, investment spending on equipment, new commercial real estate, housing, and inventory appears flat to negative.

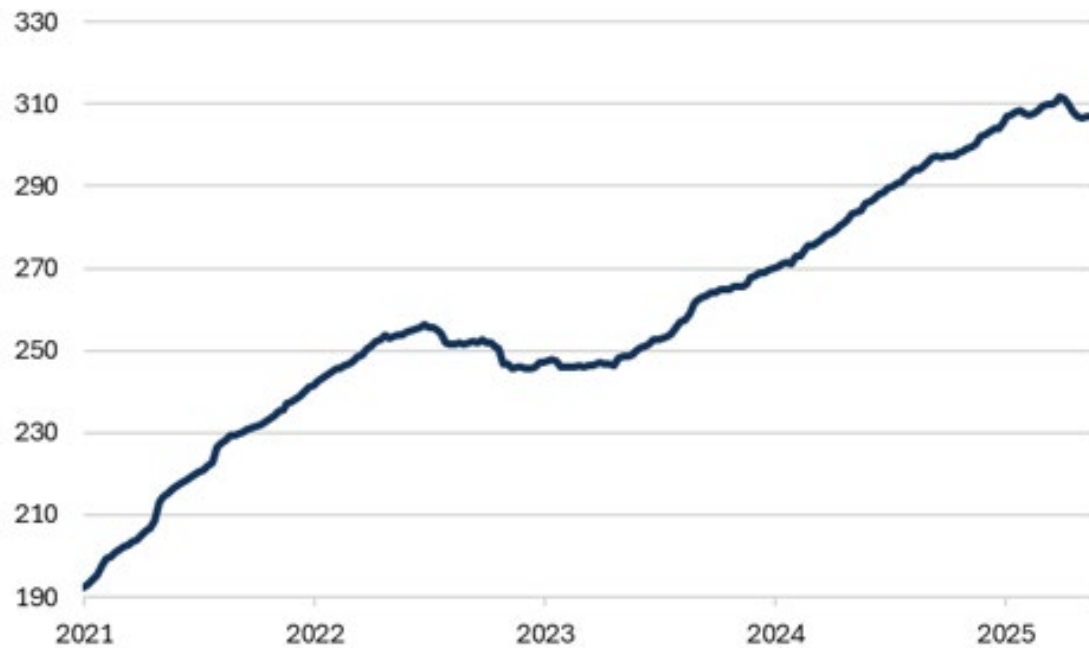
Fig. 4: Atlanta GDPNow estimate for 2Q 2025



Source: Bloomberg, Mill Creek. Data as of May 31, 2025.

5. Source: Bloomberg, Mill Creek. Data as of May 31, 2025. Corporate earnings guidance has come down for 2025 and 2026, but only modestly. Most US firms have said tariffs would have a limited impact on their earnings.

Fig. 5: S&P 500 estimated earnings per share, next 24 months



Source: Bloomberg, Mill Creek. Data as of May 31, 2025.

6. To the extent we see signs of stress, it is in the bond market. Bond holders are requiring additional compensation to buy longer-term government bonds instead of implicitly seeing them as a safe asset for volatile markets.

Fig. 6: 10-Year Treasury term premium



Source: Bloomberg, Mill Creek. Data as of May 31, 2025.

In summary, the US economy has proven to be resilient to policy uncertainty and tariff headwinds. Markets have responded accordingly and retraced back to their pre-tariff levels, but bond markets in developed countries are signaling apprehension about long-term fiscal sustainability.

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