

# U.S. Markets Rebound as Geopolitical Tensions Ease; Eyes Shift to Consumer Data and Fed Policy.

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The U.S. and European stock markets opened the week higher, staging a rebound after last Friday's risk-off session that saw the S&P 500 drop more than 1% and crude oil surge over 7% amid rising geopolitical tensions between Israel and Iran. While the human toll of the conflict remains a serious concern, markets are stabilizing as initial fears over broader disruptions to the global energy supply chain have not materialized.

Bond yields are also closed slightly higher, with the 10-year U.S. Treasury yield closing at 4.46%, reflecting cautious optimism ahead of key economic events later this week.

## Consumer Spending and the Federal Reserve in the Spotlight

Investor attention this week turns squarely to U.S. household spending trends and monetary policy. The May retail sales report is due on Tuesday, followed by the Federal Reserve's rate decision and updated economic projections on Wednesday. Economists anticipate a slight pullback in overall retail sales but expect a 0.2% increase in core control group sales, which exclude volatile categories such as autos, gasoline, and building materials.

Although consumer spending has moderated compared to prior years, it remains resilient. Real personal consumption expenditure rose at a 1.2% annualized rate in the first quarter. With the labor market remaining firm and household finances in relatively strong shape, consumer activity is expected to hold up throughout the remainder of 2025.

On the monetary policy front, the Fed is widely expected to keep its benchmark rate unchanged. However, investors will closely parse the updated "dot plot" and economic projections for signs of any shift in the path of interest rates. At the March meeting, policymakers forecasted two rate cuts by year-end; markets will be watching for any revisions to that outlook. Our base case anticipates one or two cuts in the second half of the year, which could offer modest tailwinds to growth through lower borrowing costs.

## Midyear Market Performance: Navigating Through Volatility

As we approach the mid-year mark, 2025 has delivered a volatile but ultimately constructive environment for most asset classes. Despite a notable drawdown of 19% between February 19 and April 8, the S&P 500 has clawed back gains, posting a year-to-date total return of 2.58%. On the other hand, the **Dow Jones** is in negative territory at **-0.07% YTD**, while the **Nasdaq** is at **2.02%**, the **Birling Capital Puerto Rico Stock Index** is at **5.47%**, and the **Birling U.S. Bank Index** is at **6.78%**.

At the sector level, value-oriented areas, such as industrials and utilities, have led the way—both up more than 8%—while traditional growth sectors, including technology and consumer discretionary, have trailed behind.

Outside the U.S., international equities have delivered robust performance. Developed-market large-cap stocks are up nearly 18%, buoyed by fiscal stimulus measures in Europe, while emerging-market equities have risen approximately 12%, helped by a resurgence in Chinese tech firms. A softer U.S. dollar has further enhanced returns for U.S.-based investors in foreign markets. That said, we continue to see the most compelling opportunities within U.S. equities over a one- to three-year horizon. The interplay between geopolitical uncertainty, consumer resilience, and central bank policy will shape market sentiment in the weeks ahead. While near-term volatility remains likely, disciplined investors should stay focused on long-term fundamentals and strategic allocation.

It's worth reminding everyone of the Fed's Interest Rate Actions from May 2022 to May 2025 as we begin to plan for the Fed's meeting on June 17-18, and lastly, we also emphasize the Investor Emotional Cycle to keep us grounded.

### Eurozone Summary:

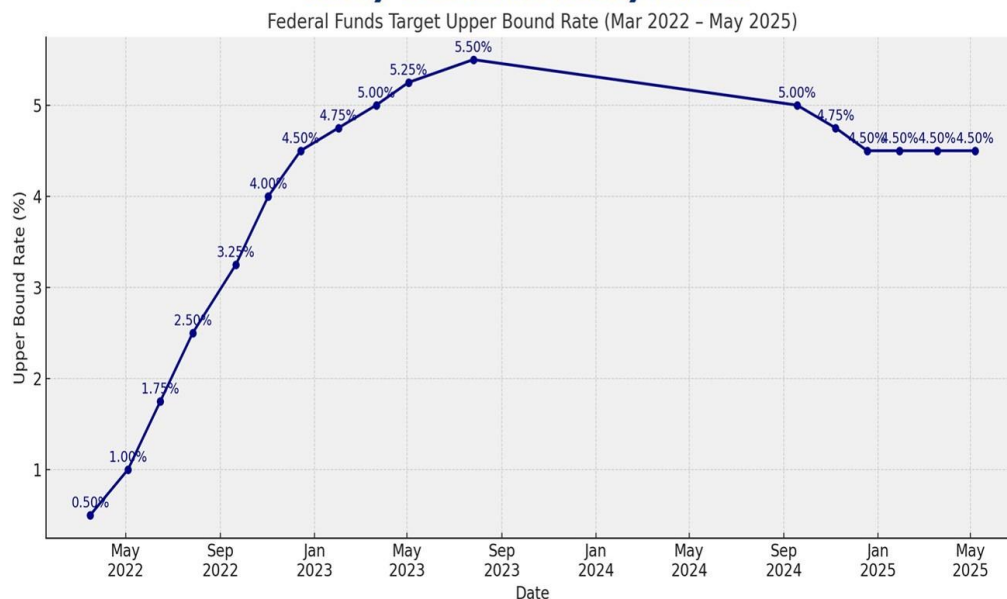
- **Stoxx 600:** Closed at 546.91, up 1.97 points or 0.36%.
- **FTSE 100:** Closed at 8,875.22, up 24.59 or 0.28%.
- **DAX Index:** Closed at 23,699.12, up 182.89 or 0.78%.

### Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,515.09, up 317.30 points or 0.94%.
- **S&P 500:** closed at 6,033.11, up 56.14 points or 0.94%.
- **Nasdaq Composite:** closed at 19,701.21, up 294.39 points or 1.52%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,837.53, down 87.36 points or 2.23%.
- **Birling Capital U.S. Bank Index:** closed at 6,726.11, down 122.48 points or 1.79%.
- **U.S. Treasury 10-year note:** closed at 4.46%.
- **U.S. Treasury 2-year note:** closed at 3.97%.

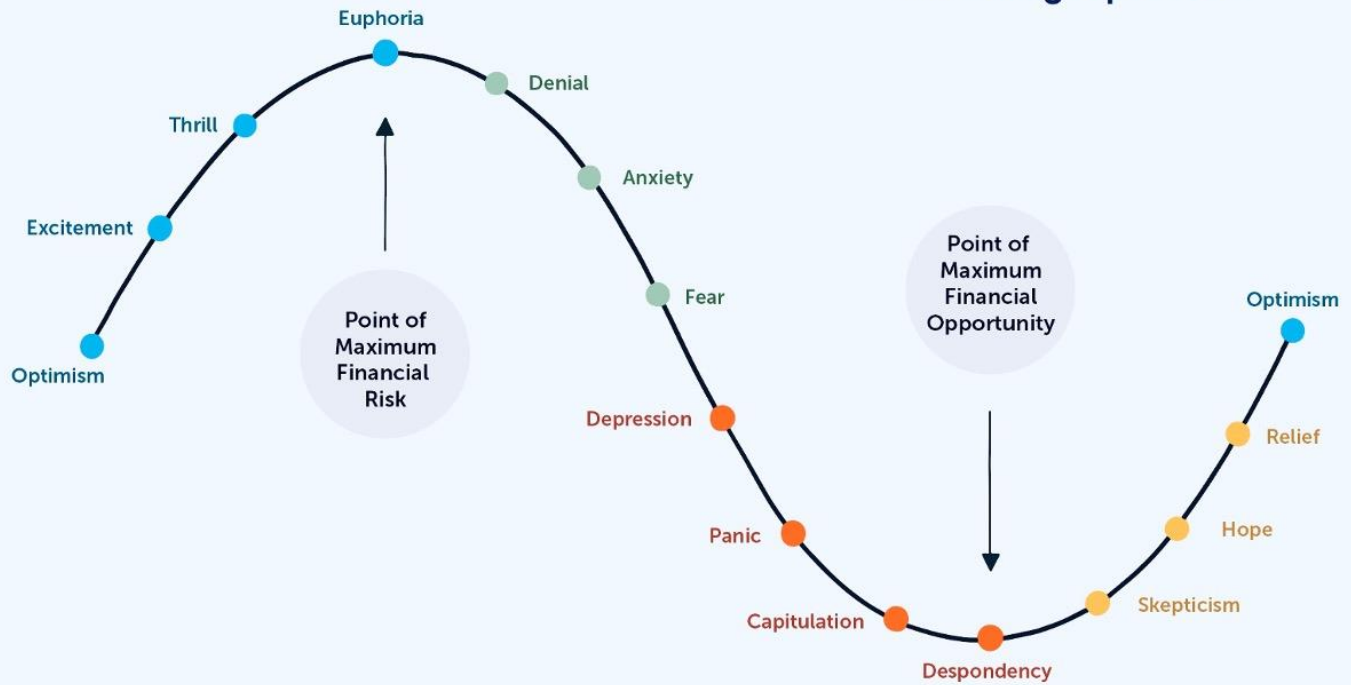


## Federal Reserve Bank Interest Rate Action May 2022 to May 2025



# The Investor Emotional Cycle

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## Dow Jones Industrial Average, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns 6.16.25

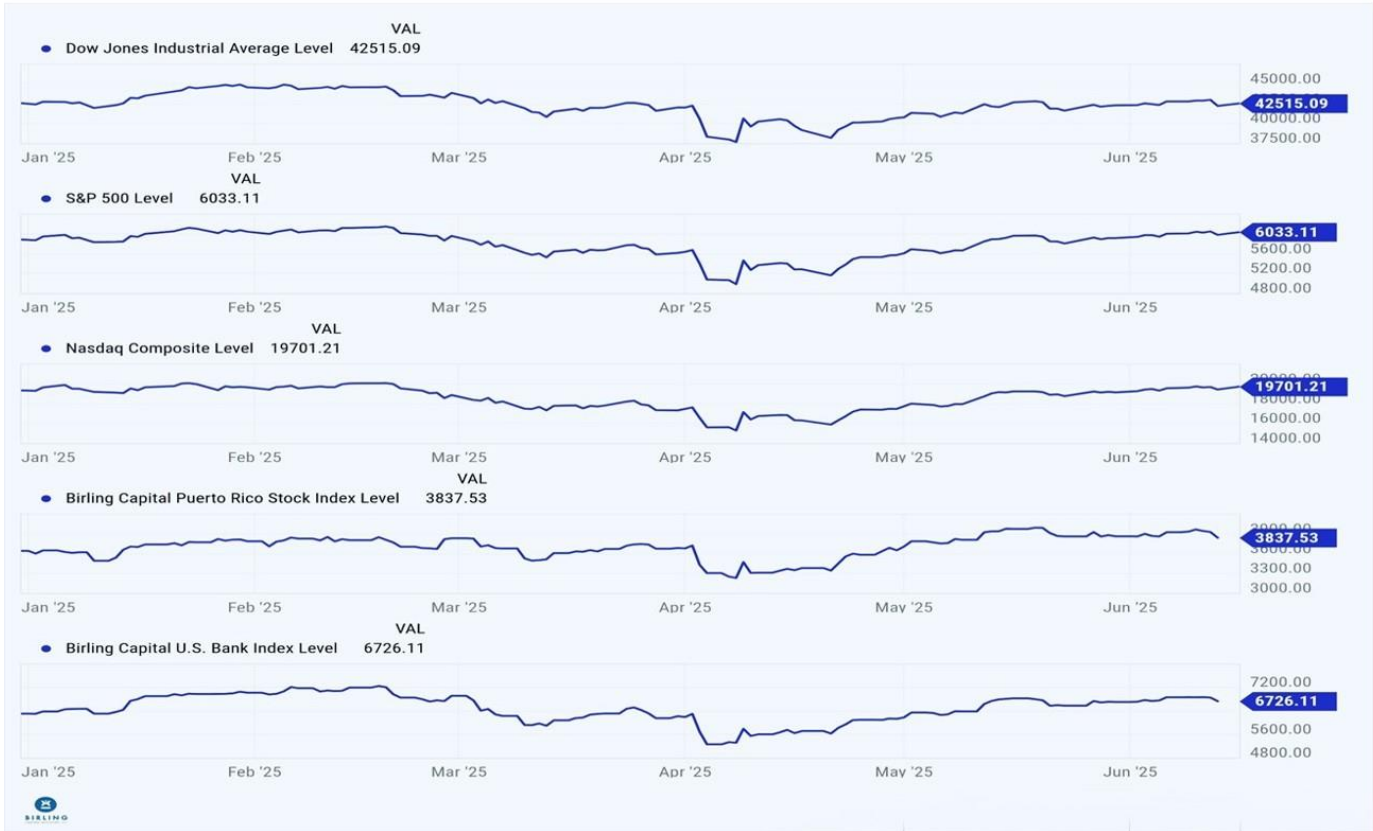




# Wall Street Recap

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