



Cautiously Optimistic Is the Tone of the U.S. Markets Rally on Trade Relief, Concerns Over Inflation Persist, S&P 500 Fully Rebounds from 2025 Losses.

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The U.S. and European stock markets closed with mixed results, driven by the recent surge in U.S. assets, triggered by the tariff truce between Washington and Beijing, which has taken major investors by surprise, clashing with widespread bets against the dollar and U.S. stocks.

The S&P 500 has gained 4.06% this week, fully recovering from its earlier losses for the year. This follows the U.S. and China's agreement to reduce tariffs for at least 90 days, signaling a de-escalation in the trade conflict. The dollar initially strengthened, while U.S. government bond prices fell as investors pulled funds from traditional safe havens.

This sudden influx of capital into stocks has caught large asset managers and institutional investors off guard. Many had positioned themselves cautiously on U.S. assets due to concerns over a potential economic slowdown and broader apprehensions about U.S. policy decisions.

After experiencing a 19% drop from its February 19 all-time high, the S&P 500 has gained ground in 13 of the last 16 trading sessions and is now flat year-to-date. Growth-driven sectors like technology are among the leading performers this morning, while more commodity-sensitive sectors such as energy and materials show weaker performance.

Asian markets closed mostly higher overnight, and European equity markets experienced a slight decline on Wednesday. This follows a four-day rally fueled by optimism over recent trade agreements. Analysts interpret this pullback as a brief pause, with investors awaiting further developments.

Bond yields are holding steady, with the 10-year yield at 4.53% and the 2-year at 4.05%. Corporate earnings and upcoming economic reports will take center stage as we look ahead. Cisco Systems will report its Q1 earnings after market close today, followed by the April producer price index (PPI) and retail sales data tomorrow.

Inflation and consumer spending will be in focus – While the economic calendar is light on Wednesday, investors will anticipate inflation data tomorrow, alongside consumer-spending trends. The headline PPI is expected to rise by 0.2% in April and 2.4% year-over-year, with the core PPI (excluding food and energy) expected to increase by 0.3% for the month and 3% annually. Retail sales for April are also on the radar, with expectations for a 0.2% increase in overall sales, a slowdown from March's 1.4% gain. The control group, which excludes volatile categories like gas, building materials, and vehicles, is forecasted to grow by 0.4% in April, matching March's reading. Although recent trade tensions have eased, we expect the effects of tariffs to become evident in economic data over the next few months, likely manifesting in higher inflation and subdued consumer spending. However, we view tariffs as temporary price increase rather than a persistent inflationary force, and we believe robust household finances and a strong labor market will support continued consumer

spending. As a result, we anticipate GDP growth will decelerate from 2024's 2.8% to around 1.5% for the year.

The road to recovery – what's next? – After a significant 19% decline from February 19 to April 8, the S&P 500 has staged a notable recovery and is now flat year-to-date. The primary driver behind this rebound has been reduced trade tensions following the April 2 tariff announcement. Leading the recovery, growth-oriented sectors like information technology and consumer discretionary have surged by over 20% since the market bottomed on April 8. Small- and mid-cap stocks have also experienced impressive rallies, gaining more than 19% in the same period.

Wall Street YTD Returns:

We note that the indexes we follow some have veered into positive territory. Below are the latest returns:

- Dow Jones: -1.16%
- S&P 500: 0.19%
- Nasdaq Composite: -0.85%
- Birling Puerto Rico Stock Index: 8.14%.
- Birling U.S. Bank Index: 6.90%.

Puerto Rico Stocks YTD Returns:

- **Firstbank (FBP):** has a return of **12.13%**.
- **Popular (BPOP):** has a return of **11.06%**.
- **Evertec (EVTC):** has a return of **6.21%**
- **Oriental (OFG):** has a return of **0.61%**

Economic Update:

- **U.S. Crude Oil Stocks WoW:** rose to 3.454 million, up from -2.032 million last week.
- **Germany Consumer Price Index YoY:** fell to 2.10%, compared to 2.20% last month.
- **Euro Area Money Supply M3:** is unchanged at 16.85T, from 16.85T last month.

Eurozone Summary:

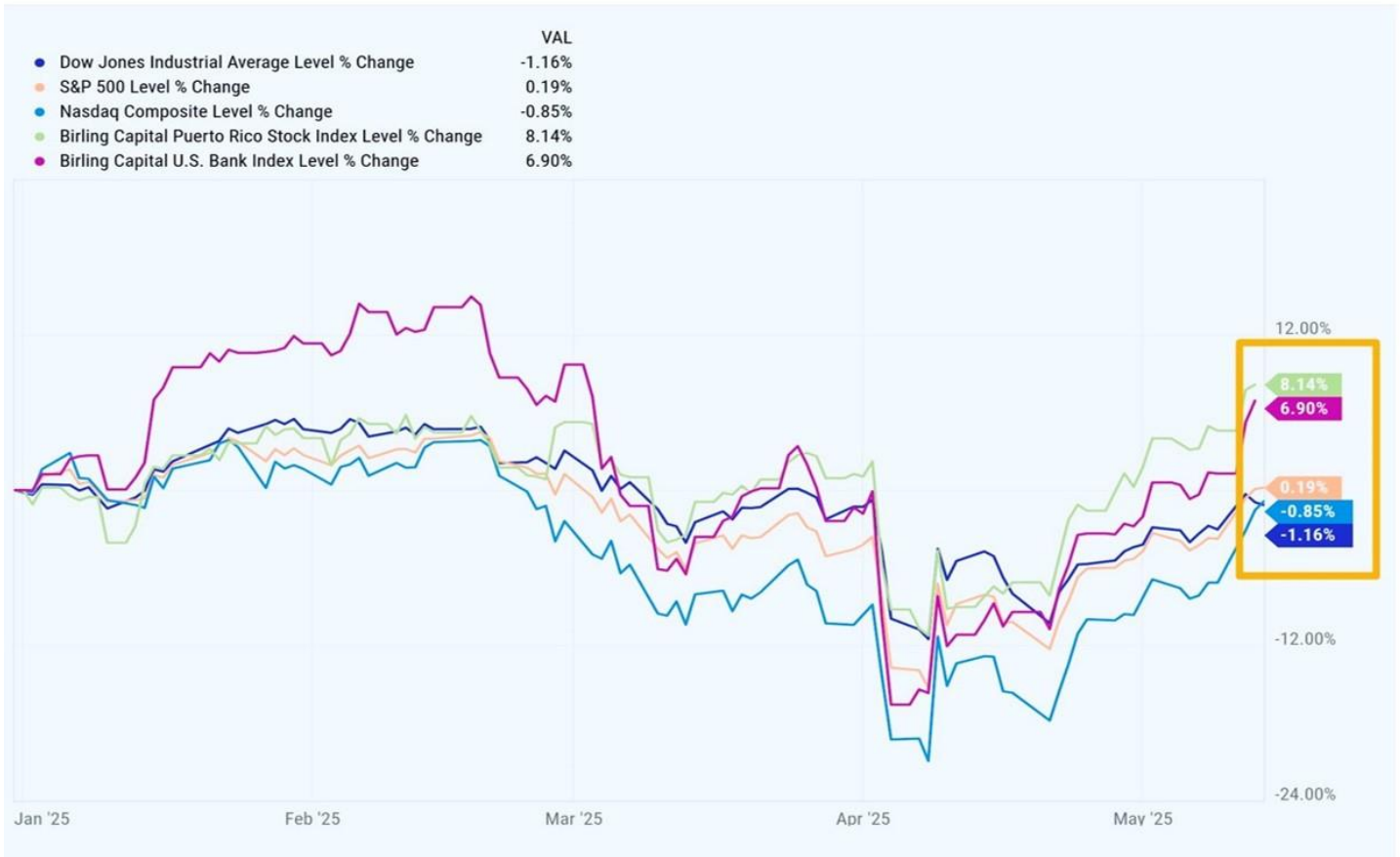
- **Stoxx 600:** Closed at 545.17, up 0.68 points or 0.12%.
- **FTSE 100:** Closed at 8,602.92, down -2.06 or 0.02%.
- **DAX Index:** Closed at 23,638.56, up 72.02 or 0.31%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,051.06, down 89.37 points or 0.21%.
- **S&P 500:** closed at 5,892.58, up 6.03 points or 0.10%.
- **Nasdaq Composite:** closed at 19,146.81, up 136.72 points or 0.72%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,934.78, up 14.69 points or 0.37%.
- **Birling Capital U.S. Bank Index:** closed at 6,700.67, up 104.82 points or 1.59%.
- **U.S. Treasury 10-year note:** closed at 4.53%.
- **U.S. Treasury 2-year note:** closed at 4.05%.



Dow Jones Industrial Average, S&P 500, Nasdaq Composite, Birling Puerto Rico Stock Index & Birling US Bank Index YTD Returns 5.14.25





Firstbank, Popular, Evertec, Oriental & Birling Puerto Rico Stock Index YTD Returns





Wall Street Recap

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