

Producer Prices Drop Sharply as Retail Sales Disappoint; Markets Mostly Up except for the Nasdaq, which fell Amid Mixed Economic Signals.

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The U.S. and European stock markets closed mostly up, except for the Nasdaq Composite, which fell 0.18%. This was amid a busy trading day that delivered a flurry of key economic data, offering investors a mixed picture of the U.S. economy. April's Producer Price Index (PPI) surprised to the downside, while retail sales disappointed, signaling a potential deceleration in consumer activity. Meanwhile, initial jobless claims are unchanged at 229,000, historically low and suggestive of continued resilience in the labor market.

European bourses closed with gains as a result of stronger-than-expected U.K. GDP data, and Asian equities closed lower.

U.S. Treasury yields edged lower, with the 2-year note retreating to 3.96% and the 10-year yield at 4.45%, reflecting softer inflation pressures.

Inflation Softens as Consumer Spending Cools

April's inflation data delivered a welcome surprise for markets. The headline PPI fell by 0.5%, sharply missing expectations for a 0.2% increase and signaling cooling cost pressures for producers. On a year-over-year basis, PPI rose 2.4%. Goods prices were flat in the month, reinforcing earlier CPI data that showed little evidence of tariffs driving inflation in the short term.

On the consumer front, retail sales for April rose by just 0.1%, falling short of forecasts and marking a slowdown from March's robust 1.7% gain. The control group, which excludes volatile components such as autos and gas, declined by 0.2%, pointing to weakness in discretionary categories like sporting goods and miscellaneous retail. These figures suggest consumer momentum may be losing steam heading into the second quarter.

While recent data shows minimal near-term inflationary impact from tariffs, we expect upward pricing pressure to emerge in the months ahead. Nevertheless, we do not anticipate tariffs alone to unanchor long-term inflation expectations or trigger a Fed rate response. With employment and household finances still solid, our outlook remains constructive for continued, albeit slower, economic expansion into 2025.

Corporate Earnings Remain Strong Despite Trade Concerns

Earnings continue to offer a bright spot. Cisco Systems beat expectations due to strength in its networking division, while Walmart also topped estimates and reaffirmed its full-year outlook. Notably, Walmart management acknowledged that tariff-related costs cannot be fully absorbed, and some price increases will be passed along to consumers to protect margins.

Broadly, S&P 500 earnings for Q1 have been strong—78% of companies have surpassed consensus estimates, and overall profits are now tracking 13% growth for the quarter, well ahead of the 7%

anticipated back in March. While forward guidance has seen some downward revisions, analysts still project S&P 500 earnings to rise by approximately 9% in 2025.

With easing trade tensions, stable consumer fundamentals, and solid earnings performance, the U.S. economy continues to show durability, even as it transitions to a more moderate pace of growth.

GDPNow:

- The GDPNow for the second quarter of 2025 was updated to 2.50%, up from 2.30%, increasing by 8.70%.

Economic Update:

- **U.S. Producer Price Index YoY:** fell to 2.38%, compared to 3.37% last month.
- **U.S. Core Producer Price Index YoY:** fell to 3.05%, compared to 4.02% last month.
- **U.S. Initial Claims for Unemployment Insurance:** is at 229,000, unchanged from 229000.0 last week.
- **U.S. Retail and Food Services Sales MoM:** fell to 0.06%, compared to 1.68% last month.
- **U.S. Industrial Production MoM:** is at -0.01%, compared to -0.25% last month.
- **U.S. Business Inventories MoM:** fell to 0.12%, compared to 0.18% last month.
- **U.S. Wholesalers Inventories MoM:** fell to 0.40%, compared to 0.50% last month.
- **NAHB/Wells Fargo US Housing Market Index:** fell to 34.00, down from 40.00 last month, decreasing by 15.00%.
- **30-Year Mortgage Rate:** is unchanged at 6.76%, compared to 6.76% last week.
- **Canada Manufacturing Shipments MoM:** fell to -1.42%, compared to -0.17% last month.
- **Canada Wholesale Sales MoM:** rose by 1.06%, compared to -3.36% last month.
- **Eurozone Industrial Production Index YoY:** rose to 1.20%, compared to -0.50% last month.
- **U.K. Real GDP QoQ:** rose to 0.70%, compared to 0.10% last quarter.
- **U.K. Balance of Trade:** rose to -10.60B, up from -12.48B last quarter.
- **U.K. Business Investment QoQ:** rose to 5.87%, compared to -1.85% last quarter.
- **Japan Real GDP QoQ:** rose to 0.60%, compared to 0.40% last quarter.

Eurozone Summary:

- **Stoxx 600:** Closed at 546.95, up 3.07 points or 0.56%.
- **FTSE 100:** Closed at 8,633.75, up 48.74 or 0.57%.
- **DAX Index:** Closed at 23,695.59, up 168.58 or 0.72%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,322.75, up 271.69 points or 0.65%.
- **S&P 500:** closed at 5,916.93, up 24.35 points or 0.41%.
- **Nasdaq Composite:** closed at 19,112.32, down 34.49 points or 0.18%.
- **Birring Capital Puerto Rico Stock Index:** closed at 3,935.07, up 0.29 points or 0.01%.
- **Birring Capital U.S. Bank Index:** closed at 6,752.59, up 51.92 points or 0.77%.
- **U.S. Treasury 10-year note:** closed at 4.45%.
- **U.S. Treasury 2-year note:** closed at 3.96%.

GDPNow 1Q25

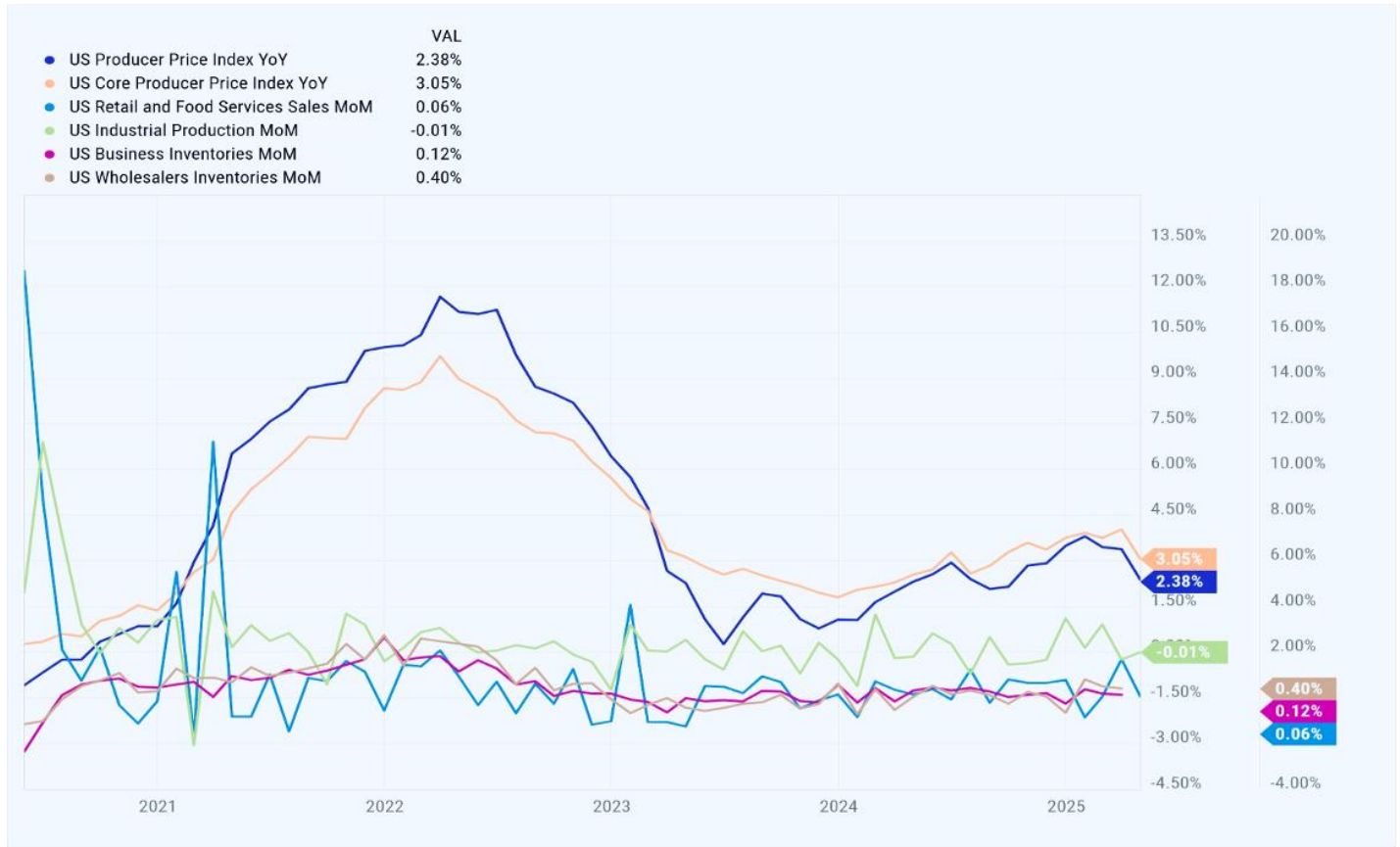
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Date	GDPNow 2Q25	Change
4/30/25	2.40%	Initial Forecast
5/1/25	1.10%	-54.17%
5/6/25	2.20%	100.00%
5/8/25	2.30%	4.55%
5/15/25	2.50%	8.70%



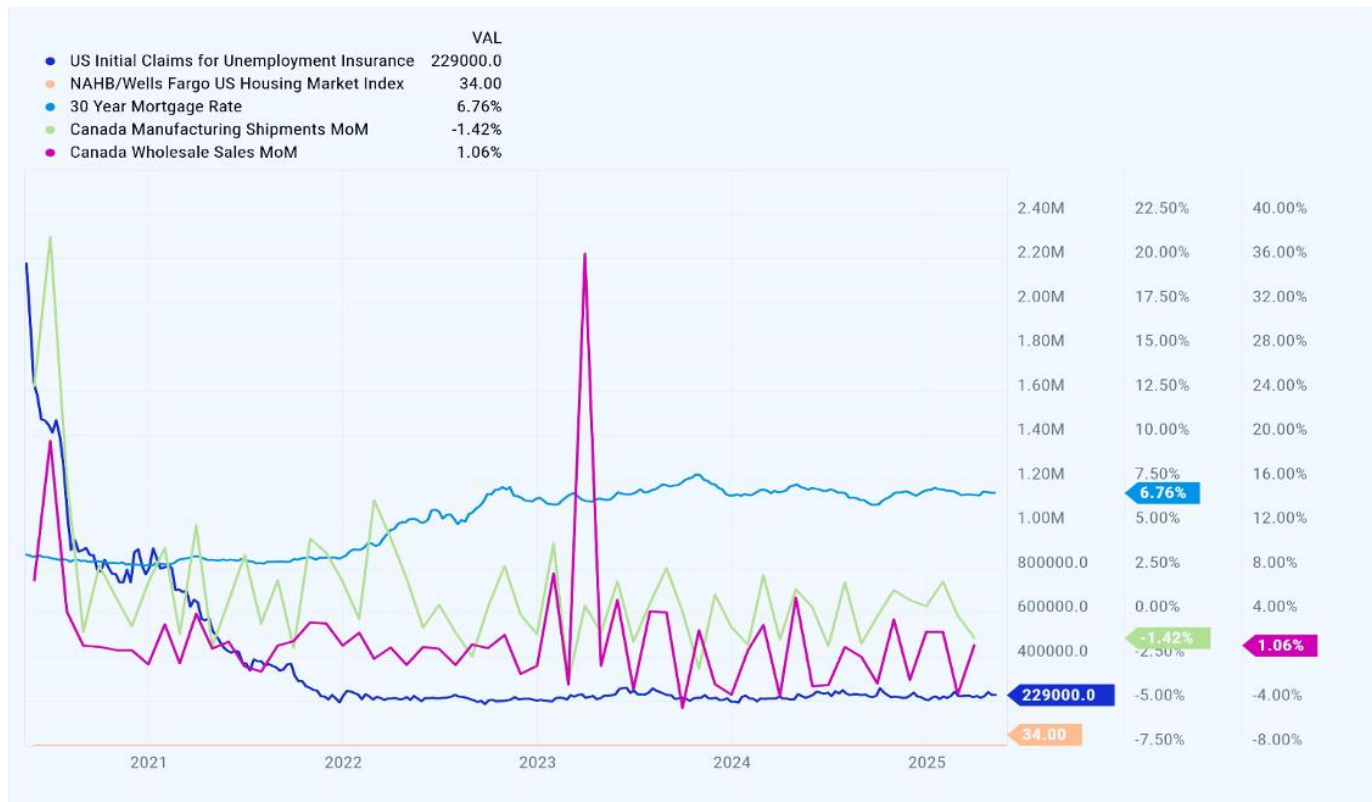
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US PPI, US Core PPI, US Retail & Food Sales, US Industrial Production , US Business Inventories & US Wholesalers Inventories

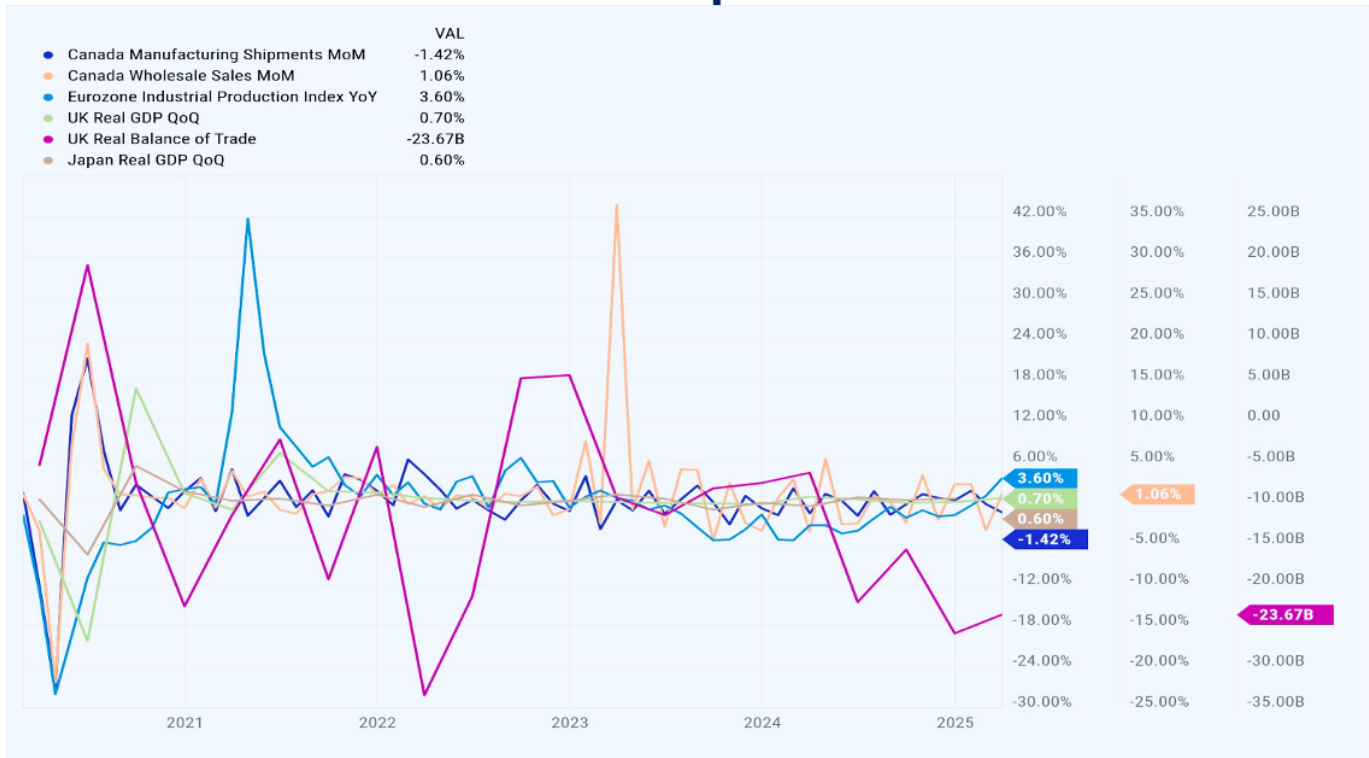




US Claims for Unemployment, NAHB/Wells Fargo US Housing Market Index, 30-Year Mortgage Rate, Canada Manufacturing Shipments & Canada Wholesales Sales



Canada Manufacturing Shipments, Canada Wholesale Sales, EU Industrial Production, UK Real GDP, UK Balance of Trade & Japan Real GDP





Wall Street Recap May 15, 2025



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