

House Passes the Big Beautiful Tax Bill Plan; Bond Market Flashes Caution, and Wall Street Closed Mixed.

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The U.S. and European stock markets closed marginally down, except for the Nasdaq, which rose 53.09 points as Wall Street responded to the passage of **the Big Beautiful Tax Bill**, a significant tax and spending package in the U.S. House of Representatives, where the bill advanced by a slim 215-214 margin, mainly along party lines. The legislation, which now moves to the Senate, aims to permanently extend provisions of the 2017 Tax Cuts and Jobs Act, raise the cap on state and local tax (SALT) deductions to \$40,000 for households earning up to \$500,000 annually, and eliminate federal income taxes on Social Security, overtime, and tip-based earnings.

To help offset the projected revenue losses from these tax cuts, the bill includes controversial spending reductions: a rollback of certain clean energy subsidies, stricter eligibility requirements for food and health assistance programs, and a new work requirement for Medicaid beneficiaries beginning in 2026. Despite these measures, the package will add roughly \$3.8 trillion to the federal deficit over the next ten years. This figure has sparked unease in the bond market, where yields are already climbing.

On the labor front, initial jobless claims fell to 227,000 for the week, coming in below consensus estimates of 230,000. However, continuing claims rose slightly to 1.9 million, suggesting a persistent churn in the job market.

European stocks pulled back after the S&P Global Flash Services PMI for the eurozone slipped to 48.9 in May, signifying contraction and missing forecasts for a modest rebound to 50.3. The U.S. dollar strengthened against most major currencies in response to both global softness and rising U.S. yields.

Positive Momentum in U.S. Business Activity

Back home, economic indicators painted a brighter picture. The preliminary S&P Global U.S. Services PMI rose to 52.3 in May, surpassing expectations of 51.5 and marking the 25th consecutive month of expansion. Manufacturing activity also showed renewed strength, with the Flash Manufacturing PMI climbing to 52w, well above the 50.7 forecast and indicating an acceleration in factory output.

These data suggest that the U.S. economy continues to expand moderately, buoyed by robust consumer demand and a resilient labor market. However, given the uncertainty surrounding the legislative process in the Senate, we advise investors not to make significant portfolio shifts based solely on the House bill in its current form. The final legislation, expected sometime in July, will likely undergo meaningful changes.

Economic Update:

- **U.S. Initial Claims for Unemployment Insurance:** fell to 227,000, down from 229,000 last week.
- **U.S. Existing Home Sales:** fell to 4.02 million, down from 4.27 million last month, decreasing - 5.85%.
- **30-Year Mortgage Rate:** rose to 6.86%, compared to 6.81% last week.
- **Kansas City Fed Manufacturing Production Index:** fell by -10.00, down from -5.000 last month.
- **Germany Ifo Business Climate Index:** rose to 87.50, up from 86.90 last month.
- **Germany Ifo Business Expectations Index:** rose to 88.90, up from 87.40 last month.
- **Germany Ifo Business Situation Index:** fell to 86.10, down from 86.40 last month.
- **Japan Consumer Price Index YoY:** fell to 3.60%, compared to 3.70% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 550.27, down 3.55 points or 0.64%.
- **FTSE 100:** Closed at 8,739.26, down 47.20 or 0.54%.
- **DAX Index:** Closed at 23,999.17, down 123.23 or 0.51%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 41,859.09, down 1.35 points or 0.00%.
- **S&P 500:** closed at 5,842.01, down 2.60 points or 0.04%.
- **Nasdaq Composite:** closed at 18,925.73, up 53.09 points or 0.28%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,908.44, down 79.17 points or 1.99%.
- **Birling Capital U.S. Bank Index:** closed at 6,539.00, down 184.46 points or 2.74%.
- **U.S. Treasury 10-year note:** closed at 4.54%.
- **U.S. Treasury 2-year note:** closed at 4.00%.

US Initial Claims for Unemployment, US Existing Home Sales, 30-Year Mortgage Rate & Kansas City Fed Manufacturing Production Index



Germany ifo Business Climate Index, Germany ifo Business Expectations Index, Germany ifo Business Situation Index & Japan CPI

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Germany Ifo Business Climate Index (I:GIBCI)	87.50
Germany Ifo Business Expectations Index (I:GIBEI)	88.90
Germany Ifo Business Situation Index (I:GIBSI)	86.10
Japan Consumer Price Index YoY (I:JPIR)	3.60%



Date Range: 05/31/2020 - 05/31/2025

Sources: CESifo Group, Japan Statistics Bureau



Wall Street Recap May 22, 2025



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