

## PCE Price Index Drops to 2.15%, Beating Expectations, as Global Markets Diverge Amid Ongoing Trade Tensions and U.S. Consumer Sentiment Hits Historic Lows.

May 30, 2025

by Francisco Rodríguez-Castro  
[frc@birlingcapital.com](mailto:frc@birlingcapital.com)

The U.S. and European stock markets closed with mixed results following President Trump's allegations that China has breached its trade agreement with the United States. Wall Street fell as Treasury Secretary Scott Bessent separately stated that trade negotiations with China have reached an impasse. These comments underscore the ongoing trade tensions, which are likely to persist in the coming months. The Dow Jones industrial average was able to close with gains while the S&P 500 and the Nasdaq closed with losses.

Asian equities mostly closed lower overnight, influenced by a U.S. appeals court decision to reinstate specific tariffs that lower courts had previously blocked.

The Federal Reserve's preferred inflation gauge, the Personal Consumption Expenditure (PCE) index, decreased more than expected, with annualized inflation for April dropping to 2.15%, below the Inflation Nowcasting forecast of 2.23%. Lower goods prices, which were down 0.4% year-over-year, helped temper the rise in services inflation, which remains elevated at 3.3%. Shelter inflation slowed to 4.2%, down from 5.6% a year ago, contributing to the moderation in services inflation. Core PCE, which excludes volatile food and energy prices, decreased to 2.52%, down from 2.67% in the prior month and below the Inflation Nowcasting of 2.60%. While the PCE inflation rate is close to the Fed's 2% target, we anticipate the central bank will remain on hold for some time as it continues to collect data, especially regarding the impact of tariffs on inflation. The strong labor market, which shows unemployment holding steady at 4.2% and job openings roughly matching unemployment levels, should provide the Fed with more leeway. We expect tariffs to push inflation higher in the near term as increased import costs are partially passed on to consumers. However, these effects will be temporary and not a lasting driver of inflation.

In trade-related news, the U.S. Court of International Trade and a U.S. District Court ruled that President Trump lacks the authority to impose a 10% global tariff and a 20% fentanyl duty on China, citing the International Emergency Economic Powers Act and national emergency declarations. The Trump administration has appealed both rulings and requested a temporary pause, or "stay", on their enforcement. The U.S. Court of Appeals for the Federal Circuit has granted a stay pending a hearing on June 9.

A decision on the District Court ruling has yet to be made. Tariffs on steel, aluminum, and autos, however, remain unaffected, as they were enacted under different trade laws. The outcome of the appeal could determine whether these tariffs stay in effect or if further appeals to the Supreme Court or re-imposition under different statutes occur. This ongoing policy uncertainty is expected to persist for the foreseeable future.

## GDPNow:

- The GDPNow for the second quarter of 2025 was updated on May 30 to 3.80%, up from 2.20%, a 72.73% increase.

## Economic Update:

- **U.S. PCE Price Index YoY:** fell to 2.15%, compared to 2.31% last month.
- **U.S. Core PCE Price Index YoY:** fell to 2.52%, compared to 2.67% last month.
- **U.S. Index of Consumer Sentiment:** is at 52.20, unchanged from 52.20 last month.
- **U.S. Personal Income MoM:** rose to 0.82%, compared to 0.71% last month.
- **U.S. Personal Spending MoM:** fell to 0.23%, compared to 0.75% last month.
- **Canada Real GDP QoQ:** rose to 2.22%, compared to 2.06% last quarter.
- **Germany Real Retail Sales YoY:** rose to 4.00%, compared to 1.30% last month.
- **Japan Unemployment Rate:** is unchanged at 2.50%, compared to 2.50% last month.
- **Japan Housing Starts YoY:** fell to -26.63%, compared to 39.07% last month.
- **China PMI:** fell to of 49.00, N/A from last month.
- **China Non-Manufacturing PMI:** fell to 50.40, down from 50.80 last month, down -0.79%.

## Eurozone Summary:

- **Stoxx 600:** Closed at 548.67, up 0.79 points or 0.14%.
- **FTSE 100:** Closed at 8,772.38, up 55.93 or 0.64%.
- **DAX Index:** Closed at 23,997.48, up 64.25 or 0.27%.

## Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 42,270.07, up 54.34 points or 0.13%.
- **S&P 500:** closed at 5,911.69, down 0.48 points or 0.01%.
- **Nasdaq Composite:** closed at 19,113.77, down 62.11 points or 0.32%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,877.17, up 21.30 points or 0.55%.
- **Birling Capital U.S. Bank Index:** closed at 6,674.90, up 26.01 points or 0.39%.
- **U.S. Treasury 10-year note:** closed at 4.41%.
- **U.S. Treasury 2-year note:** closed at 3.89%

## Second Quarter 2025

Date	GDPNow 2Q25	Change
4/30/2025	2.40%	Initial Forecast
5/1/2025	1.10%	-54.17%
5/6/2025	2.20%	100.00%
5/8/2025	2.30%	4.55%
5/15/2025	2.50%	8.70%
5/16/2025	2.40%	-4.00%
5/27/2025	2.20%	-8.33%
5/30/2025	3.80%	72.73%

## Inflation Nowcasting PCE & Core PCE

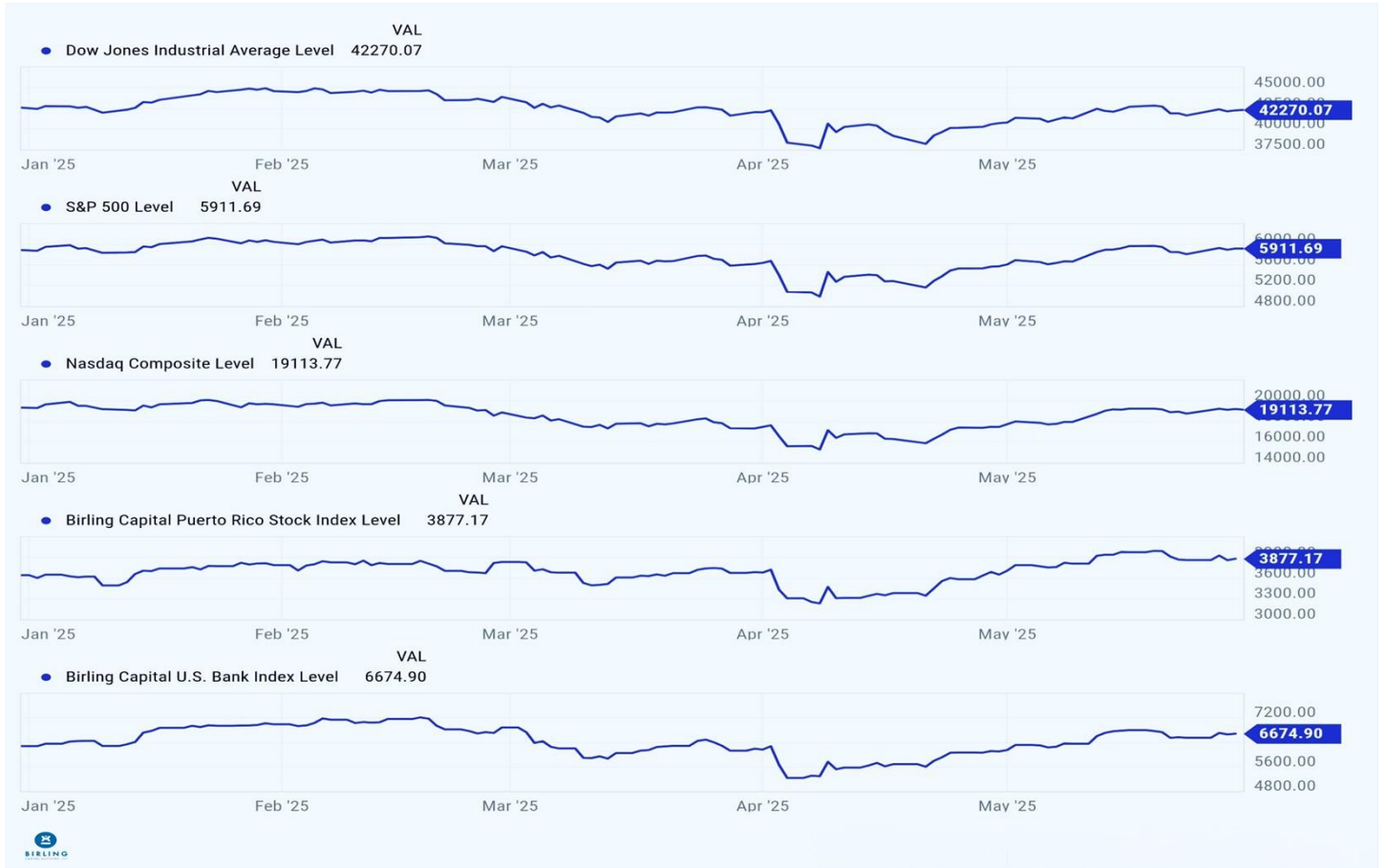
Inflation Nowcasting	PCE Forecast	PCE Actual	Change	Core PCE Forecast	Core PCE Actual	Change
April	2.23%	2.15%	-3.59%	2.60%	2.52%	-3.08%

# US PCE Price Index, US Core PCE Price Index, US Index of Consumer Sentiment, US Personal Income & US Personal Spending





## Wall Street Recap May 30, 2025



Global Market Square © es una publicación preparada por Birling Capital LLC y resume los recientes desarrollos geopolíticos, económicos, de mercado y otros que pueden ser de interés para los clientes de Birling Capital LLC. Este informe está destinado únicamente a fines de información general, no es un resumen completo de los asuntos a los que se hace referencia y no representa asesoramiento de inversión, legal, regulatorio o fiscal. Se advierte a los destinatarios de este informe que busquen un abogado profesional adecuado con respecto a cualquiera de los asuntos discutidos en este informe teniendo en cuenta la situación de los destinatarios. Birling Capital no se compromete a mantener a los destinatarios de este informe informados sobre la evolución futura o los cambios en cualquiera de los asuntos discutidos en este informe. Birling Capital. El símbolo de registro y Birling Capital se encuentran entre las marcas registradas de Birling Capital. Todos los derechos reservados.