

THINGS TO WATCH

Trump-Xi Summit

President Trump meets Chinese leader Xi Jinping in Beijing this week for their first summit since October. While trade and cutting-edge AI technology were the original priorities, the Iran conflict could overtake the agenda. The Trump administration is pressing Beijing to leverage its influence over the regime in Tehran to reopen the Strait of Hormuz, a task complicated by China's massive strategic oil reserves. Tangible outcomes may include large-scale purchases of Boeing planes and U.S. agricultural exports, but underlying tensions remain. Discussions regarding Taiwan, advanced AI technology access, and critical rare earth exports will test the two powers' fragile trade truce.

How Much Price Pressure in April?

Inflation data returns to center stage this week, likely anchoring Fed commentary for the month ahead. The Bureau of Labor Statistics is scheduled to release the April Consumer Price Index (CPI) tomorrow morning, with expectations for a 0.6% monthly rise following March's 0.9% jump. This would push the annual inflation rate to a 31-month high of 3.7%. While energy costs remain the primary driver of the acceleration, core CPI (excluding food and energy) is expected to show a more moderate 0.3% monthly and 2.7% annual increase.

China Tech Giants and DeepSeek

Quarterly results from Tencent and Alibaba this week will be shaped by soaring AI capital expenditures, cloud computing demand, and the fallout from DeepSeek's V4 launch. This new model has intensified a regional price war, forcing incumbents to defend their cloud market share at the expense of near-term margins. This building competitive pressure is reflected in a wide performance gap between U.S. and Chinese technology stocks. From late September through last week, the KraneShares CSI China Internet ETF (KWEB) has plunged 30%, underperforming State Street Technology Select Sector ETF (XLK) by nearly 55%.

LAST WEEK'S ECONOMIC DATA	LATEST 3MO PRIOR	CHANGE
ISM Services PMI - Apr.	53.6	53.8 ▼
New Home Sales (Thousands Ann.) - Feb.	682	728 ▼
JOLTS Job Openings (Millions) - Mar.	6.87	6.55 ▲
Non-Farm Payrolls (Thousands) - Apr.	115	160 ▼
Unemployment Rate - Apr.	4.3%	4.3% ▼
U. of Mich. Consumer Sentiment - May	48.2	56.6 ▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	49609.16	1.39%	3.75%	22.31%
NASDAQ	26247.08	4.71%	13.15%	47.35%
S&P 500	7398.93	2.77%	8.50%	32.30%
MSCI EAFE	3076.29	2.15%	8.26%	25.25%
BB U.S. Aggregate	2359.15	0.58%	0.61%	5.53%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	3.68%	3.68%	4.32%
10-Year Treasury	4.35%	4.29%	4.38%

REPORTS DUE THIS WEEK	LATEST
Existing Home Sales (Millions Ann.) - Apr.	3.98
NFIB Small Business Optimism - Apr.	95.8
Consumer Price Index (Y/Y) - Apr.	3.3%
Core Consumer Price Index (Y/Y) - Apr.	2.6%
Producer Price Index (Y/Y) - Apr.	4.0%

Total returns are as of 5/8/26. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

27%

According to Bloomberg, S&P 500 operating earnings are on pace to grow in the first quarter at a blistering 27% year-over-year clip, more than double the 13% growth rate projected in early April. Excluding specific investment-related gains from Amazon and Alphabet, however, underlying profit growth for the index is estimated to be closer to 16%. Semiconductors, transportation, capital equipment, insurance, utilities, and mining are among the industries with the strongest profit growth in 1Q26.

1.4 billion barrels

The EIA estimates that China (the world's largest oil importer) held 1.4 billion barrels of crude oil reserves at the end of 2025, up 25% in a year. This massive stockpile includes an estimated 1 billion barrels in commercial inventories, more than double the 411 million barrels held commercially in the United States. This accumulation of reserves by China in 2025 could provide Beijing with incremental leverage in high-level diplomatic discussions with the U.S. this week.

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