

5/19/2025

The Week Ahead



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THINGS TO WATCH

U.S. Debt Downgrade

Moody's Ratings downgraded U.S. debt one notch to Aa1 from Aaa late last Friday, citing concerns about a growing debt pile and unfunded tax cuts. In early market action today, U.S. stocks retreated, Treasury yields moved higher, the U.S. dollar weakened, and gold gained.

House Republicans' Fiscal Bill

With the Federal Reserve's policy-setting meeting and most of 1Q25 earnings season in the books, the market's attention will likely turn toward the GOP's efforts to advance a tax-and-spending bill in the House of Representatives. Four outspoken Republican fiscal hawks on the House Budget Committee abstained in a 17-16 vote last night, allowing the latest package to advance toward a House-wide vote later this week. A group of Republicans from high-tax states have threatened to oppose the bill if the cap on state and local tax deductions is not raised substantially from its current \$10,000 level.

Home Improvement Retailers

Both Home Depot (HD) and Lowe's (LOW) are likely to report noisy quarters this week. Unfavorable weather across most of the country for large stretches of the February-April period and elevated costs related to imported home improvement goods probably complicated operating results for both retailers. Last quarter, HD broke a streak of eight straight reporting periods in which same-store-sales declined as purchases related to hurricane damage repairs boosted its top line.

Google I/O World Conference

After an extended stretch of challenging headlines surrounding antitrust risks and signs of market share loss in its search business to generative AI platforms, Alphabet (GOOGL) will try to reset the narrative at its annual I/O developer conference this week. An article in The Information last week speculated GOOGL might unveil an AI agent for software design and a Pinterest-like feature that produces images for consumers to help develop concepts for fashion or interior design.

LAST WEEK'S ECONOMIC DATA

	LATEST	3MO PRIOR	CHANGE
NFIB Small Business Optimism	95.8	102.8	▼
Consumer Price Index (Y/Y)	2.3%	3.0%	▼
Core Consumer Price Index (Y/Y)	2.8%	3.3%	▼
Producer Price Index (Y/Y)	2.4%	3.8%	▼
Retail Sales (M/M)	0.1%	-0.9%	▲
U. of Mich. Consumer Sentiment	50.8	64.7	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	42654.74	3.50%	0.89%	8.88%
NASDAQ	19211.10	7.21%	-0.25%	15.89%
S&P 500	5958.38	5.33%	1.81%	13.97%
MSCI EAFE	2547.26	1.48%	15.38%	10.61%
BB U.S. Aggregate	2232.09	-0.10%	2.09%	4.48%

KEY BOND RATES

	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	4.34%	4.31%	5.40%
10-Year Treasury	4.45%	4.28%	4.38%

REPORTS DUE THIS WEEK

	LATEST
Continuing Jobless Claims (Thousands)	1,881
S&P Global U.S. Manufacturing PMI	50.2
Existing Home Sales (Millions Annualized)	4.02
New Home Sales (Thousands Annualized)	724

Total returns are as of 5/16/25. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

73.8%

As of last Friday, 73.8% of the stocks in the S&P 500 had closing prices above their 50-day moving averages. This was the highest reading since October 18, several weeks before presidential election. Just six weeks ago on April 7, a mere 7.4% of S&P 500 stocks traded above their 50-day moving averages. The sharp reversal in stock market sentiment following the Trump administration's pause of reciprocal tariffs on April 9 has likely surprised many investors.

286

There are 286 Chinese companies listed on U.S. stock exchanges with a combined market capitalization near \$1 trillion. Most of them, including internet giants like Alibaba Group (BABA) and JD.com (JD), are American Depositary Receipts (ADRs). According to Treasury Secretary Scott Bessent in a recent Fox Business interview, de-listings of Chinese stocks is "on the table" as part of US-China trade negotiations and the Trump administration's "America First Investment Policy."

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