Market Pulse 13 Brief

Author: Aditya Dhanraj
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Over the past two months, US markets have navigated a volatile and tariff-driven backdrop, with the S&P 500 up 14.36%, Nasdaq 18.96%, Dow 10.87%, and Russell 2000 12.87% in April–May, reflecting a rebound from earlier March weakness, while gold briefly set record highs above $3,000. Domestically, economic data painted a mixed picture: March–April headline and core PCE inflation moderated to 2.4% and 2.8% YoY, retail sales remained soft with April up just 0.1% MoM, consumer sentiment fell for the fifth consecutive month, and flash PMIs signaled slowing services and modest manufacturing growth, yet the labor market remained resilient with unemployment steady at ~4.2% and wage growth persisting above inflation. Tariff developments drove uncertainty, as April's "Liberation Day" 10–25% tariffs on imports from 57 countries raised import costs, temporarily dampened Q1 GDP by 0.3% annualized, and triggered spikes in the 10Y Treasury yield and VIX volatility, though subsequent negotiations with China led to temporary tariff reductions and eased some market fears. Globally, Europe experienced uneven growth: the ECB cut rates to 2.25% amid sticky inflation, eurozone industrial output rose and trade surpluses hit record highs, but UK PMIs fell into contractionary territory; in APAC, Japan contracted 0.7% QoQ with surging 20Y JGB yields and fiscal concerns, while China showed modest recovery in retail and industrial output but weakness in property and employment. Corporate earnings highlighted resilience in AI, technology, and financial trading, though consumer-facing firms like Amazon, Starbucks, and Chipotle flagged softer demand and tariff exposure. M&A activity continued, including DICK'S $2.4B Foot Locker acquisition and selective energy and tech consolidations, underscoring strategic expansion and confidence in targeted sectors, while markets overall reflected the ongoing interplay between trade policy, consumer behavior, fiscal dynamics, and central bank interventions.