



Trade Winds

MAY 2025

ECONOMIC & CAPITAL MARKET OVERVIEW

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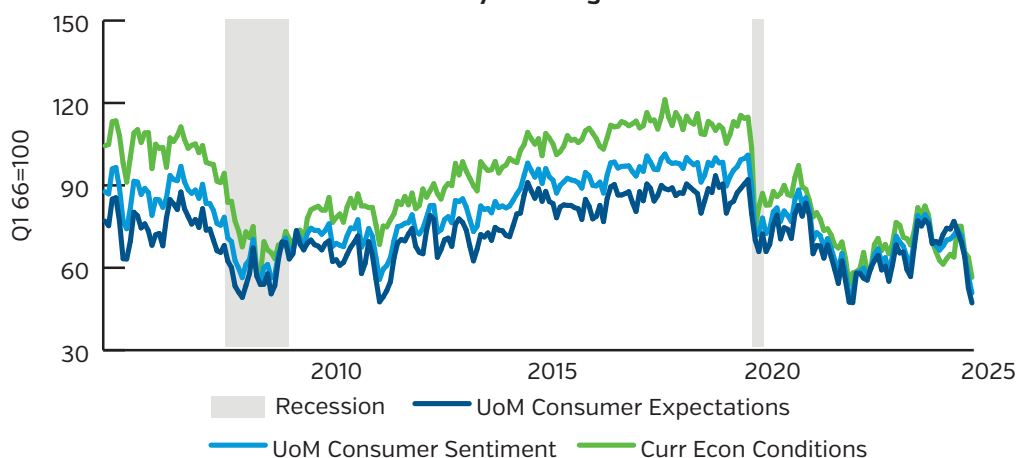
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Monthly Economic Highlights

APRIL OVERVIEW

Fed minutes highlighted that the US labor market remains stable and that inflation, although lower, remains above the desired level. New policies, particularly regarding trade, are presenting a challenge, however, and the Fed remains tethered to its data dependency position, waiting for hard data to confirm weakening survey responses on the consumer and business fronts. The Fed sees pressure on inflation favoring the upside, and concurrently growth pressuring to the downside. With “uncertainty higher,” the Fed prefers a more cautious approach, allowing them to remain restrictive enough in the face of potential one-time or more persistent inflation, as well as being ready to let the line out should labor market and/or growth pressures intensify. In a speech at the Economic Club of Chicago mid-month, Powell once again mentioned the “significantly higher than anticipated” tariffs and the corresponding impact on uncertainty, with potential implications for higher transient or persistent inflation, and slower growth on the horizon. With survey data for inflation expectations rising, and domestic and global growth estimates being revised downward, the Fed sits at a crossroads, advocating its intent to act once the data warrants so.

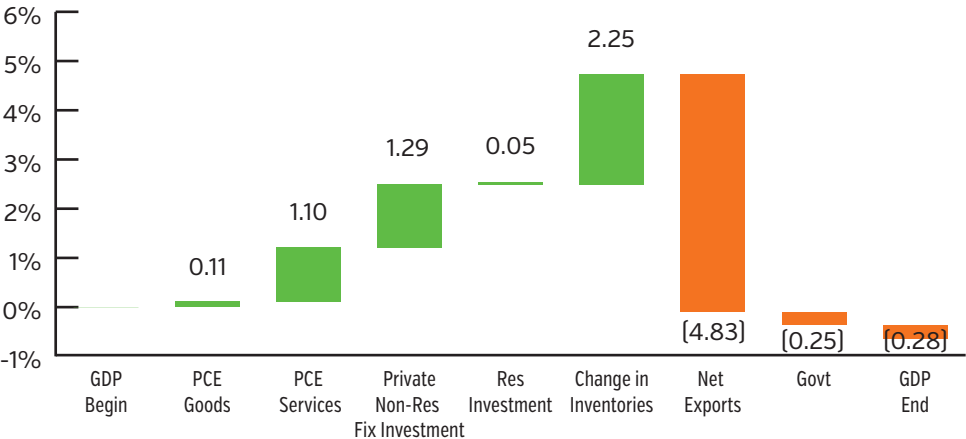
Exhibit 1. Consumer Sentiment: University of Michigan Consumer Sentiment Indicators

Source: UMICH, Haver, NEAM

Pressure remains on consumer sentiment, which fell again in April. The University of Michigan's Consumer Sentiment Index declined for the fourth straight month, with decreases in both current conditions and future expectations, as consumers grapple with the trade conflict and its impact on the economy, job prospects, and price increases they may face. To this point, the expectation for year-ahead inflation reached 6.7%, the highest since 1981, according to the University of Michigan. Similarly, the Conference Board's measure dropped for the fifth straight

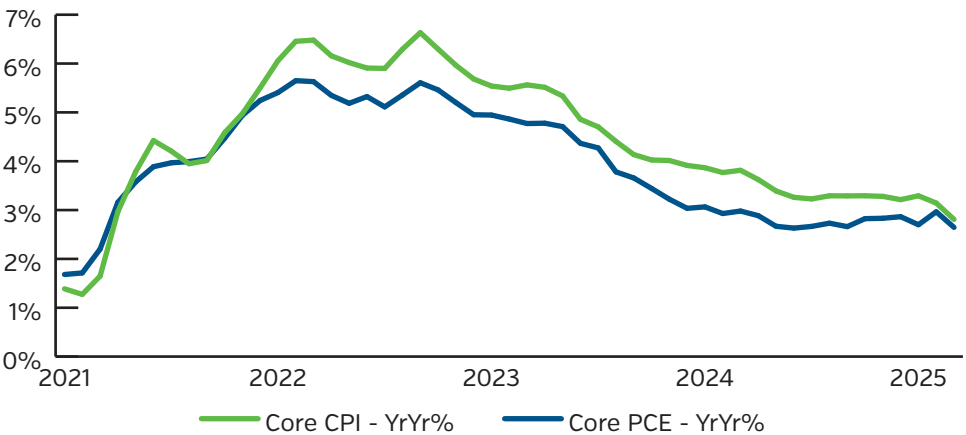
month too, with expectations now at their lowest in 13 years. In contrast to the pessimistic surveys, April's +177K payroll print exceeded expectations while the unemployment rate remained at 4.2%. JOLTS data was mixed, showing a decline in job openings but an uptick in quit rates, with layoff rates dropping and hiring rates unchanged. Overall, the data shows that the labor market remains intact. Elsewhere, retail sales jumped at the headline level (+1.43%), with much of the gain coming from non-core sectors and in particular motor vehicle production, although control group sales did see a +0.4% gain for the month too, while Q1 consumption from the GDP figures, while lower, also held up, with March data helping to prop up the quarter after a slow start to the year.

Exhibit 2. Q1 GDP Breakdown



Source: BEA, Haver, NEAM

Exhibit 3. Inflation



Source: BEA, BLS, FRB, Haver, NEAM

Q1 GDP fell -0.3% for Q1 2025, driven largely by the impact of a spike in imports before the tariffs rolled in. Inventory build helped mitigate the impact, as did a sizeable jump in business investment. Weakness in utilities due to warmer weather resulted in headline industrial production falling (-0.3%) for the month. However, the overall decline masked gains in mining and manufacturing sectors, the latter propped up primarily from the production of multiple durable goods categories. Despite the bump, regional PMI surveys echo those on a national level with respect to the hurdles in the sector, while pricing pressures increased as firms grapple with the heightened uncertainty of the trade conflict. Similarly, NFIB small business optimism fell for the third consecutive month as owners adjust to the increasingly uncertain business environment, while limited gains in core capital goods orders, after a revised decline last month, mirror business leaders' concerns.

As the world awaits the impact of recently enacted tariffs and the accompanying expected uptick in prices, headline and core CPI came in lower for March. Headline CPI declined -0.1%, weighed down by energy, despite food and core CPI being positive. At the core level, prices increased less than expected at +0.1%, which translated to a 2.8% year-over-year increase. On the core goods side, prices fell [-0.1%], led mainly by lower used vehicle and medicinal drug prices. In terms of core services, with lodging away from home [hotels] coming in negative, gains in shelter were milder, despite primary residence rents remaining level and owners' equivalent rent increasing. Categories also exerting their downward gravitational pull were in the transportation services sector, primarily in the form of lower airfares and declines in motor vehicle insurance prices, while a bump in medical care services, as well as hospital services and health insurance, countered to the upside. Core PCE prices also showed negligible growth [+0.03%], leading to lower annual figures [+2.6%]. The market absorbed the slower pace of price gains, but continued to focus on the impending impact of tariffs, while questioning their potential to persist as tariffs set in.

CAPITAL MARKET IMPLICATIONS

The trade conflict and its potential impact on growth and inflation is fueling uncertainty, as business and consumer-based surveys highlight growing unease. Shorter-dated treasury yields fell while longer-dated yields increased, as did volatility, while equity markets' performance was mixed.

Exhibit 4. U.S. Historical Yield Curves

	Dec 2021	Dec 2022	Dec 2023	Dec 2024	April 2025
Fed Funds Range	0.00-0.25%	4.25-4.50%	5.25-5.50%	4.25-4.50%	4.25-4.50%
2-Year	0.73%	4.43%	4.25%	4.24%	3.6%
5-Year	1.26%	4.00%	3.85%	4.38%	3.73%
10-Year	1.51%	3.87%	3.88%	4.57%	4.16%
30-Year	1.90%	3.96%	4.03%	4.78%	4.68%

Source: Bloomberg, NEAM

Capital Markets

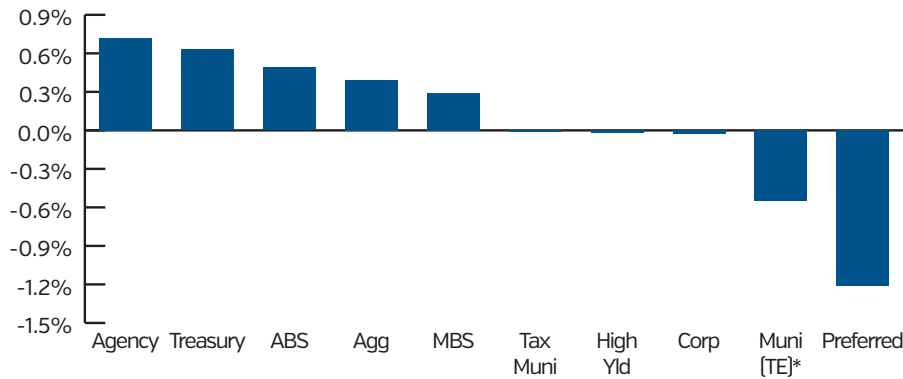
FIXED INCOME RETURNS

With the trade conflict driving uncertainty and correspondingly volatility higher, shorter-term Treasury yields fell while longer-dated yields rose. Corporate spreads widened in the early part of the month to their highest level since November 2023, despite retracing as the initially announced Liberation Day tariff announcements were softened.

Exhibit 5. Fixed Income Returns

	April	3-Month	YTD
Bloomberg Barclays U.S. Aggregate	0.39%	2.64%	3.18%
Blended ICE/ BofAML Preferred Stock	-1.21%	-1.90%	-1.03%
ICE BofA US Taxable Muni - Broad	-0.01%	2.32%	2.89%
ICE BofA Municipals Master [TE]	-0.55%	-1.15%	-0.86%
Bloomberg Barclays U.S. MBS (fixed rate)	0.29%	2.83%	3.35%
Bloomberg Barclays U.S. ABS	0.49%	1.70%	2.02%
Bloomberg Barclays U.S. Agency	0.72%	2.28%	2.84%
Bloomberg Barclays U.S. Treasury	0.63%	3.04%	3.57%
Bloomberg Barclays U.S. Corporates	-0.03%	1.71%	2.27%
Bloomberg Barclays High Yield	-0.02%	-0.38%	0.98%

Source: Barclays, Bloomberg, NEAM

Exhibit 6. Domestic Fixed Income Sector: Month-to-Date Total Returns (4/30/25)

* Taxable Equivalent

Source: Bloomberg, Barclays, ICE BofAML, NEAM

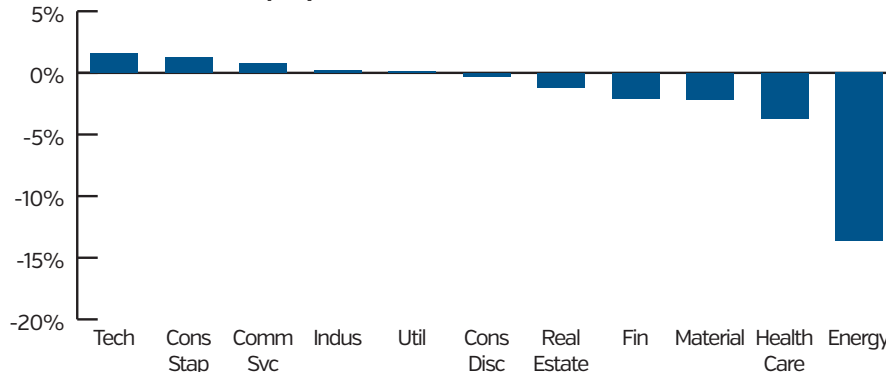
EQUITY TOTAL RETURNS

Equity market performance was mixed, and volatility was high, after a turbulent month of trade conflict uncertainty. The S&P and Dow would finish the month weaker, while the Nasdaq ended higher.

Exhibit 7. Equity Total Returns

	April	3-Month	YTD
S&P 500	-0.68%	-7.50%	-4.93%
NASDAQ	0.88%	-10.95%	-9.47%

Source: Bloomberg, NEAM

Exhibit 8. Domestic Equity Returns: Month-to-Date Total Returns (4/30/25)

Source: Bloomberg, NEAM



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