SMITH SHELLNUT WILSON
AN AFFILIATE OF 61 BANK

Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"What we play is life." Louis Armstrong "Satchmo"

MARKETS

Macro Recap: The holiday-shortened week began with strong market momentum. This was largely driven by President Trump's announcement to defer the implementation of a 50% tariff on European Union imports until July 9, allowing additional time for trade negotiations. In an otherwise quiet news cycle, tariff developments remained the catalyst for market movements.

Midweek, the U.S. Court of International Trade ruled that the President lacked the legal authority to impose reciprocal tariffs. However, on Thursday, the U.S. Court of Appeals temporarily reinstated the tariffs following a White House request. On Friday, President Trump further stirred markets by accusing China of violating the preliminary trade agreement negotiated in Switzerland.

Economic data released during the week offered mixed signals. The University of Michigan's final May reading of the Index of Consumer Sentiment came in at 52.2, a modest improvement from the preliminary figure of 50.8, yet still near a three-year low. The final figure matched April's closing level, reflecting continued consumer caution amid economic uncertainty.

The Personal Consumption Expenditures (PCE) Index, the Federal Reserve's preferred inflation gauge, showed core inflation (excluding food and energy) rose at an annual rate of 2.5% in April. While still above the Fed's 2.0% long-term target, this marked a slight decline from the previous month's 2.7% reading, despite ongoing concerns about the inflationary impact of elevated tariffs.

Equity Recap: All major U.S. equity indexes posted gains of approximately 2% for the week. However, the rebound was not sufficient to fully offset losses from the previous week. As a result, the S&P 500, NASDAQ, and Dow Jones Industrial Average remain relatively flat on a year-to-date basis. This stability comes despite the notable market volatility experienced between late February and early April.

Bond/Rate Recap: The yield on the 30-year U.S. Treasury bond declined below 5.00%, reversing course after reaching its highest level since 2023. The long bond ended the week at approximately 4.91%, down from a recent peak of 5.09% on May 21. The pullback reflects easing investor concerns about the long-term fiscal outlook for U.S. government debt. Yields on shorter-dated Treasuries also moved lower. The 10-year Treasury yield closed the week at 4.39%, as bond markets responded to shifting expectations around inflation, monetary policy, and fiscal stability.

Week Ahead: Markets will be focused on Friday's release of the monthly labor market report, which will reveal whether the recent trend of moderate but stronger-than-expected job growth continued into May. In April, the U.S. economy added 177,000 jobs, surpassing consensus expectations of approximately 130,000. March's employment figures were also revised upward to 185,000, reinforcing the resilience of the labor market despite broader economic uncertainties.

The upcoming data will be closely watched for signs of sustained momentum in hiring, which could influence both market sentiment and the Federal Reserve's policy outlook.

INDICES

	May 30 Close	May 26 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	42,270	41,603	1.6%	42,544	-0.6%
S&P 500	5,912	5,803	1.9%	5,882	0.5%
NASDAQ	19,114	18,737	2.0%	19,311	-1.0%
Russell 2000	2,066	2,040	1.3%	2,230	-7.3%
KBW Bank Indx	127.5	125.6	1.5%	127.5	0.0%
Bitcoin	$104,125	$109,871	-5.2%	$93,714	11.1%
Oil (WTI)	$63.65	$61.57	3.4%	$71.72	-11.3%
Gold	$3,362	$3,339	0.7%	$2,625	28.1%
Prime	7.50	7.50	0.00	7.50	0.00
Effective Fed Funds	4.33	4.33	0.00	4.33	0.00
3m Tbill	4.33	4.34	-0.01	4.31	0.02
2yr UST	3.92	3.99	-0.07	4.24	-0.32
10yr UST	4.43	4.51	-0.08	4.57	-0.14
2-10yr UST Spread	51	52	0	33	19
2y AAA Muni/10y UST	71.4%	71.8%	-0.4%	66.5%	5.0%
10y AAA Muni/10y UST	75.3%	74.6%	0.7%	68.4%	6.9%
5yr Inflation Forecast	2.42	2.42	0.00	2.42	0.00

Week Ahead

- **Monday:** ISM manufacturing, Constructing spend
- **Tuesday:** JOLTS, Factory orders
- **Wednesday:** ADP employment, ISM nonmanufacturing
- **Thursday:** Productivity/labor costs, Trade balance
- **Friday:** Unemployment report, Consumer credit

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