

WEEK OF APRIL 28, 2025

# Market Update

Earnings, led by communication services and health care, were better than expected last week. On Friday, China granted certain U.S. products exemptions from reciprocal tariffs, a notable improvement from earlier in the week. The S&P 500 rose for the second time in three weeks.

## Quick Hits

1. **Topic of the week:** Thawing trade tensions and stronger earnings helped calm markets.
2. **Report releases:** Existing home sales fell notably in March, signaling a slow spring for the housing sector.
3. **Financial market data:** Technology and consumer discretionary firms rallied on hints of progress between the U.S. and China.
4. **Looking ahead:** The focus this week will be consumer confidence, U.S. economic growth, and the April employment report.





## Topic of the Week | Thawing Trade Tensions and Stronger Earnings Help Calm Markets

After a 90-day pause in new tariffs, two critical questions remain:

- When will the U.S. strike new trade deals with key partners?
- What happens next with tariffs on Chinese goods?

Last Monday brought mixed signals. India, the ninth-largest source of U.S. imports, agreed to a road map to begin formal trade talks. Later that day, however, China's Ministry of Commerce issued a statement saying it would "firmly oppose any party reaching a deal at the expense of China's interests" and vowed to take "reciprocal countermeasures" if needed.

China remains a critical trading partner, supplying \$462.62 billion worth of goods to the U.S. in 2024—about 14 percent of total imports according to Trading Economics. Only Mexico sent more goods (\$509.96 billion). The sharp rhetoric from China raised concerns that tensions could spark a deeper trade conflict.

As the week went on, the tone began to shift. On Tuesday, the president announced trade negotiations with China were underway and said tariffs on Chinese goods would likely "come down substantially."

The timeline wasn't clear, however. Treasury Secretary Scott Bessent later clarified that formal negotiations had yet to start, and this was confirmed on Thursday by China's Ministry of Foreign Affairs.

Despite the back-and-forth, Friday brought encouraging signs. China announced

it would drop its 125 percent retaliatory tariffs on eight types of U.S.-made semiconductors. U.S. pharmaceuticals also entered China without facing the high tariff. Speculation is growing that more sectors, including medical equipment, ethane, and aircraft leasing, may also see relief.

Markets also found support from stronger earnings. With an additional 24 percent of S&P 500 companies reporting results, estimated earnings growth

for the quarter rose from 7.2 percent to 10.2 percent. Better-than-expected results from companies in communication services, health care, technology, and industrials helped drive the improvement.

This combination of easing trade tensions and strong earnings came at a good time. Market volatility had been running high, with the CBOE Volatility Index (VIX) averaging 33.67 so far this month—higher than nearly every other month in the past 20 years, with only 14 months topping that level, per FactSet.

The encouraging news is volatility tends to move back toward long-term averages. It's difficult for markets to remain in "fear mode" for long. These moments serve as reminders of the value of a diversified portfolio that aligns with your risk tolerance and helps you stay focused on long-term goals.

Morgan Housel, former *Wall Street Journal* columnist, has this helpful perspective:

"Volatility is the price of admission. The reward for long-term investing is earned through enduring short-term volatility."

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Report Releases: April 21–25, 2025

**Preliminary S&P Global PMIs:**  
April (Wednesday)

The S&P Global US Composite Purchasing Manager Index (PMI) was lower than expected at 51.2. Manufacturing surprised to the upside, coming in at 50.7 versus expectations for a value of 49. Services fell to 51.4, down from 54.4 in March.

- Expected/prior month S&P Global US Composite PMI: 52.4/53.5
- Actual S&P Global US Composite PMI: 51.2



**New Home Sales**  
March (Wednesday)

New home sales were slightly above expectations, with sales rising 7.4 percent against calls for a more modest 1.3 percent increase.

- Expected/prior month new home sales: 685,000/674,000
- Actual new home sales: 724,000



**Durable Goods Orders**  
March (Wednesday)

Durable goods orders beat expectations, due in part to increased orders for volatile transportation goods. Core orders, which remove the impact of transportation, were flat.

- Expected/prior month durable goods orders monthly change: +2.0%/+0.9%
- Actual durable goods orders monthly change: +9.2%



**Existing Home Sales**  
March (Thursday)

Existing home sales experienced their largest monthly decline since early 2022, bringing the pace of existing home sales to its lowest March reading in 16 years.

- Expected/prior month existing home sales monthly change: -3.1%/+4.4%
- Actual existing home sales monthly change: -5.9%



>> The Takeaway

- The S&P Global US Composite PMI for April was lower than expected because of a softer services figure.
- Although new home sales beat expectations, existing home sales dropped considerably.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	4.60%	−1.47%	−5.68%	10.91%
Nasdaq Composite	6.74%	0.51%	−9.80%	12.16%
DJIA	2.52%	−4.40%	−5.23%	7.22%
MSCI EAFE	2.91%	2.91%	10.15%	12.16%
MSCI Emerging Markets	2.71%	−0.15%	2.82%	9.78%
Russell 2000	4.10%	−2.65%	−11.88%	0.15%

Source: Bloomberg, as of April 25, 2025

U.S. equities moved higher as trade tensions with China eased. Earnings featured strong beats from communication services companies Alphabet and Netflix. Health care also posted strong earnings surprises. Bristol Myers Squibb and Gilead Sciences posted strong earnings results against soft 2024 numbers. The week started with news that President Trump was pressuring Federal Reserve (Fed) Chair Jerome Powell to cut rates, along with continued trade tensions with China. Both issues improved as the week progressed, with China offering tariff exemptions Friday.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.40%	2.68%	7.67%
U.S. Treasury	0.65%	2.95%	7.21%
U.S. Mortgages	0.30%	2.83%	8.50%
Municipal Bond	−1.60%	−1.62%	1.14%

Source: Bloomberg, as of April 25, 2025

The Treasury yield curve flattened in a reversal of recent bear steepening. The 5-year fell 5 basis points (bps) to 3.89 percent, the 10-year dropped 6 bps to 4.27 percent, and the 30-year dipped 7 bps to 4.74 percent.

>> The Takeaway

- Equities moved higher on easing trade tensions and a strong week of earnings.
- The Treasury yield curve flattened; short-to-intermediate yields fell and long-term yields rose.



## Looking Ahead

The focus this week will be consumer confidence, U.S. economic growth, and the April jobs report.

- On Tuesday, the week kicks off with the **Conference Board Consumer Confidence Index** release for April. Consumer confidence is expected to decline for the fifth consecutive month.
- On Wednesday, we'll see the **advance estimate of gross domestic product (GDP)** for the first quarter of 2025. It's expected to show a significant slowdown in growth. Nonetheless, economists expect to see modest growth during the quarter. Also on Wednesday, the **personal income and spending report** for March will be released. Both are set to rise.
- Finally, on Friday, the much-anticipated **employment report** for April will be released. Hiring is expected to slow, with calls for 130,000 additional jobs versus 228,000 in March.







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Authored by the Investment Research team at Commonwealth Financial Network®

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