Week in Review

Equity Markets:
The major US stock markets were mixed last week following multiple weeks of positive gains. The S&P 500 gained 0.17% last week, its seventh consecutive positive week. However, the Dow Jones Industrial Average came down by -0.11%, alongside a -0.06% decline for the Nasdaq.[1] The Forward 12-Month Price/Earnings Ratio for the S&P 500 stands at 21.4, above both its 5-year average [19.9] and its 10-year average [18.9].[2] Beyond the Large Cap stocks of the S&P 500 are the Small Cap stocks of the Russell 2000 Index, which notably declined by -2.34% last week.

This quarter's Earnings Season has recognized significantly robust growth. Through this past Friday, the component companies of the S&P 500 have delivered an earnings growth rate of 27.7%, which is the strongest that rate has been since the Fourth Quarter of 2021. Concurrently, their revenue growth rate recognized appreciation of 11.4%.[3] Earnings growth has been a primary impetus to recent broader stock market growth.

Fixed Income Markets:
Yields on Treasurys rose last week with the 10-year expanding by 24 basis points to 4.59%, the highest they've been since May 2025. The Bloomberg Aggregate Bond Index surrendered by -1.14% last week. Investment-Grade Corporates came down by -1.04% while High-Yield Bonds gave up -0.49%.[4]

These broad bond market declines were driven by hotter inflation readings and rising oil prices, all of which culminated in price declines for bonds across styles and duration. This was furthered by a major bond selloff in the United Kingdom; facing heavy inflation, yields on the 30-year gilt rose to their highest levels since 1998.[5]

Economic Updates:
Two metrics indicated inflation remain a prominent concern. The Consumer Price Index increased by 0.6% in April following March's 0.9% increase. Headline CPI shows that, on a year/year basis, prices for most goods have risen by 3.8%. The Producer Price Index, which measures wholesale prices, has likewise recognized 1.4% growth last month, culminating in a 6.0% year/year spike. Both metrics have recognized very sharp Energy price increases, led by rising oil prices and furthering this inflation higher.[6]

Looking Ahead

Equity Markets:
The current Earnings Season continues next week with prominent announcements scheduled for certain Technology and Retail companies. These announcements will help determine broader market performance, recognizing the narrowing of last week's broader market performance following multiple weeks of significant expansion.

Investor attention is broadening to other issues as the bulk of this quarter's Earnings Season is concluding. Specifically, considerations are being given to geopolitical issues, with the greatest interest being our continued conflict with Iran and the closure of the Strait of Hormuz, which has spurred the greatest energy crisis in modern history. Indeed, US President Trump sought the intervention of Chinese President Xi to further peace between the US and Iran when these leaders held their summit in Beijing last week. This, unfortunately, was denied.[7]

Fixed Income Market
Kevin Warsh was named the new Chairman of the Federal Reserve last week, succeeding Jerome Powell. He will be sworn into the office at the end of this week. Warsh's first meeting of the Federal Open Market Committee, which sets US interest rates, will take place next month. The CME Group's FedWatch tool anticipates no interest rate changes will take place at that meeting.[8]

Looking at the rest of this year, FedWatch reflects the consideration that the FOMC is more likely to increase rates rather than to lower them. Last week saw a 50% consideration that they could go up this year; less than a month ago, it was a consideration of less than 1%.[9]

Economic Updates:
Minutes from the FOMC's April meeting will be released this upcoming Wednesday, providing insight into the Committee's latest vote that notably saw 4 dissents from the majority.

Other major announcements this coming week include S&P Global US Manufacturing, Services, and Composite Purchasing Managers Indexes. We also will learn more about residential housing, with updates on Pending Home Sales; the NAHB Housing Market Index; Housing Starts; and Building Permits.

**** *See Important Disclosures on following page*

Sources:

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4) Nuveen, LLC
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5) LPL Research
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9) Charles Schwab
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