

CAPITAL MARKETS REPORT - MAY 5, 2025



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SERVICE BEYOND COMPARISON

Market Movers:

- GDP Contracts for first time since 2022
- Jobs data comes in better than expected
- In the first quarter of 2025, the U.S. economy contracted for the first time since 1Q 2022, decelerating the roughly 3.0% pace of the last two years. Driven by a surge in pre-tariff imports, the GDP came in at -0.3%. Consumer spending, which accounts for 75% of GDP, increased by 1.8% in the first quarter. This was driven in large part by a pull-forward in demand to get ahead of tariffs, increasing imports by 41.3% (annualized) —the most in nearly five years. Many economists are projecting that the sharp widening of the US trade deficit will reverse in the second quarter after imports slow down. Looking further in the future, higher duties could cause a supply shock that may lead to an overall pullback in demand domestically. Retaliatory tariffs will make exports more difficult, which some forecasters posit make the odds of a recession at 50%.
- Major equity indices closed on a positive note last week after Friday's better than expected jobs report was released. The unemployment rate remained unchanged at 4.2% and the Change in Nonfarm Payrolls came in above expectations, adding 177K jobs last month. The data supported the notion that while the labor market may have cooled off some, it remains on solid footing for now.
- The report bolstered sentiment that the Fed sees no compelling reason to hurry and reduce the target rate. Fed fund futures have pushed out the timing of reductions with the first reduction not fully priced in until July 30th.
- Treasury yields are opening modestly lower with yields up a bit. Dow futures are currently down 231. Have a great day and Happy Cinco de' Mayo!

Market Last Week

	4/25/25 Close	5/2/25 4Close	Weekly Change
2 yr. Note	3.75%	3.83%	+8 bps
5 yr. Note	3.87%	3.93%	+6 bps
10 yr. Note	4.25%	4.32%	+7 bps
30 yr. Bond	4.71%	4.80%	+9 bps
SOFR Rate	4.33%	4.39%	+6 bps

Data This Week

Date/Time (ET)	Economic Data	Market Estimate	Prior Report
5/05/2025 9:45 AM	S&P Global US Services PMI (Apr)	51.4	51.4
5/5/2025 10:00 AM	ISM Services Index (Apr)	50.2	50.8
5/6/2025 8:30 AM	Trade Balance (Mar)	-\$124.8b	-\$122.7b
5/7/2025 7:00 AM	MBA Mortgage Apps (May 2)	n/a	-4.20%
5/7/2025 2:00 PM	FOMC Rate Decision (May 7)	4.50%	4.50%
5/7/2025 3:00 PM	Consumer Credit (March)	\$10.000b	-\$0.810b
5/8/2025 8:30 AM	Initial Jobless Claims (May 3)	230k	241k
5/8/2025 8:30 AM	Continuing Claims (Apr 26)	1892K	1916k
5/8/2025 8:30 AM	Nonfarm Produc- tivity (1Q 2025)	-0.50%	1.50%
5/8/2025 8:30 AM	Unit Labor Costs (1Q 2025)	5.40%	2.20%
5/8/2025 10:00 AM	Wholesale Inven- tories MoM (Mar)	0.5%	0.5%

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