WEEKLY MARKET UPDATE | MAY 23, 2025

U.S. rating downgrade and resurfacing tariff worries weigh on the market.

The economy

- Major U.S. equity market indexes moved sharply lower during the week ending May 23. The slide began on the previous Friday, May 16, when credit-rating agency Moody's Ratings cut the U.S. government's credit rating one notch from Aaa to Aa1. Moody's is the last of the three major credit-rating agencies to reduce the U.S. government's rating from its highest grade. S&P Global Ratings and Fitch Ratings downgraded the U.S. rating in 2011 and 2023, respectively. Moody's noted that the rating downgrade "reflects the increase over more than a decade in government debt and interest payment ratios to levels that are significantly higher than similarly rated sovereigns." However, the agency raised the U.S. outlook from negative from stable, citing the nation's "exceptional credit strengths such as the size, resilience and dynamism of its economy and the role of the U.S. dollar as global reserve currency." The U.S. equity market initially declined modestly in response to the rating action, and long-term U.S. Treasures yields moved higher (bond prices move inversely to yields). Yields on 20- and 30-year U.S. Treasury bonds traded on the secondary market rose above 5% for the first time since January of this year and October 2023, respectively. The slide continued through this week amid concerns about investors' lukewarm response to the auction of 20-year U.S. Treasury bonds on Wednesday.
- Stocks declined further on Friday in reaction to a social media post in which President Trump said that he was considering the assessment of a 50% tariff on imported goods from the EU beginning on June 1, because trade policy talks were "going nowhere." He also expressed his view that the EU "was formed for the primary purpose of taking advantage of the United States on TRADE." In a separate post, Trump noted that he told Apple CEO Tim Cook that he expected the company to manufacture its iPhones in the U.S. "If that is not the case, a Tariff of at least 25% must be paid by Apple to the U.S.," he wrote. Apple previously announced that it will shift the manufacturing of its devices from China to India after the Trump administration imposed tariffs on Chinese imports.
- The U.S. fixed-income market lost more ground on Wednesday after the U.S. Treasury Department saw weaker-than-expected demand for its auction of $16 billion in 20-year bonds, which were sold at a yield of 5.047%.
- The Conference Board Leading Economic Index® (LEI), which is designed to signal peaks and troughs in the U.S. business cycle, fell 1.0% to 99.4% in April—its largest monthly downturn since March 2023. The LEI was down 2.0% for the six-month period ending October 31, matching the decline over the previous six-month period. Seven of the 10 leading indicators within the LEI moved lower in April, more than offsetting marginal gains in credit, manufacturers' new orders for nondefense capital goods excluding aircraft, and manufacturers' new orders for consumer goods and materials.
- It appears that prospective homebuyers remain hesitant to enter the real estate market amid economic uncertainty and high mortgage rates. The National Association of Realtors (NAR) reported that sales of existing homes dipped 0.5% in April—the second consecutive monthly decline—to an annualized rate of 4.00 million, and decreased 2.0% year-over-year. (Home sales are viewed as an indicator of housing market trends, and, by extension, the health of the broader economy.) The inventory of unsold existing homes jumped 9.0% to 1.45 million as of April 30..

- **Stocks**

- Global equities declined during the week. Emerging markets outperformed developed markets.
- U.S. equities recorded losses during the week. Consumer staples and communication services were the top-performing sectors, while energy and information technology were the primary market laggards.
- Value stocks outperformed growth, while large caps outpaced small caps.

Bonds

- The 10-year U.S. Treasury note yield rose to 4.51% during the week.
- Global bond markets gained ground for the week.
- Government bonds led the markets, followed by corporate bonds and high-yield bonds.

The Numbers as of May 23, 2025	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-1.1%	3.5%	10.4%	871.0
MSCI EAFE ($)	1.0%	13.9%	8.9%	2575.2
MSCI Emerging Mkts ($)	-0.6%	8.4%	6.8%	1165.4
US & Canadian Equities				
Dow Jones Industrials ($)	-2.5%	-2.2%	6.5%	41603.1
S&P 500 ($)	-2.6%	-1.3%	10.2%	5802.8
NASDAQ ($)	-2.5%	-3.0%	12.0%	18737.2
S&P/ TSX Composite (C$)	-0.4%	4.7%	16.6%	25880.0
UK & European Equities				
FTSE All-Share (£)	0.2%	5.7%	4.0%	4724.0
MSCI Europe ex UK (€)	0.0%	8.9%	3.6%	1922.9
Asian Equities				
Topix (¥)	-0.2%	-1.8%	-0.7%	2735.5
Hong Kong Hang Seng ($)	1.1%	17.7%	25.1%	23601.3
MSCI Asia Pac. Ex-Japan ($)	-0.5%	7.3%	7.7%	610.8
Latin American Equities				
MSCI EMF Latin America ($)	-0.5%	21.2%	-7.2%	2245.2
Mexican Bolsa (peso)	0.7%	18.0%	4.5%	58410.4
Brazilian Bovespa (real)	-1.0%	14.6%	10.5%	137824.3
Commodities ($)				
West Texas Intermediate Spot	-1.0%	-13.8%	-20.3%	61.8
Gold Spot Price	5.3%	28.0%	43.5%	3359.1
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.5%	4.7%	6.5%	485.4
JPMorgan Emerging Mkt Bond	-0.5%	2.5%	7.0%	919.4
10-Year Yield Change (basis points*)				
US Treasury	3	-6	4	4.51%
UK Gilt	3	12	42	4.68%
German Bund	-2	20	-3	2.57%
Japan Govt Bond	8	44	54	1.54%
Canada Govt Bond	18	13	-27	3.35%
Currency Returns**				
US$ per euro	1.8%	9.8%	5.1%	1.137
Yen per US$	-2.2%	-9.3%	-9.2%	142.56
US$ per £	1.9%	8.1%	6.6%	1.354
C$ per US$	-1.7%	-4.5%	0.0%	1.373

Source: Bloomberg. Equity-index returns are price only, others are total returns.
*100 basis points = 1 percentage point.
**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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