

CHART OF THE MONTH

MAY 2025

S&P 500 11/05/2024 - 05/13/2025



The S&P 500 rose 0.7% on Tuesday, lifting it into positive territory for 2025 in a highly volatile year that has included a 20% plunge from the all-time high on February 19 and a subsequent 22% rebound from its intraday low on April 7. The V-shaped recovery has resulted in an overall market that is essentially flat through the first 4-1/2 months of the calendar year.

Make no mistake, there have been plenty of winning and losing sectors, industries, and individual stocks — many of which, like the market itself, have gone both up and down at various times. For example, Apple (AAPL) started the year at \$250 (within \$10 of its record high five days earlier), then fell to a low of \$169 on April 8 (amid its worst four-day stretch since 2000) over concerns about tariffs on its products imported from China, and recovered to a closing price of \$213 yesterday on the heels of an agreement between the U.S. and China to slash tariffs for 90 days and perhaps avert an economic recession. Alphabet (GOOG/GOOGL), Amazon (AMZN), Broadcom (AVGO), Meta Platforms (META), Microsoft (MSFT), NVIDIA (NVDA), and Tesla (TSLA), all among the largest weightings in the S&P 500, have had similar gyrations over the past few months.

The initial gains after the election were based primarily on the expectations of an improving business climate, led by extending the 2017 tax cuts and less regulation. The focus then shifted toward tariffs on Canada and Mexico, reciprocal tariffs on all trading partners, and even more onerous ones on China. Consumer confidence and investor sentiment waned during the roughly 10% market correction in late February and early March on fears of tariffs leading to stagflation (low or no growth coupled with higher inflation) or recession.

President Trump's Liberation Day on April 2 actually turned out to be a Liquidation Day as the markets suffered their biggest losses since the pandemic (with the S&P 500 falling 5%) as investors chose to sell first and ask questions later. The sell-off was short lived, however, as Trump instituted a 90-day pause on most tariffs to give countries time to negotiate better trade terms.

Better-than-expected employment, inflation, and earnings reports announced in April brightened the near-term outlook and reports out of the White House of a "de-escalation" in the trade war with China "in the very near future" led investors to position for better times ahead. The S&P 500 advanced nine days in a row in late April and early May, the longest winning streak in two decades. A trade agreement with the U.K. last week and progress with China over the weekend buoyed the markets this week while erasing the year-to-date losses for the S&P 500. As shown in the graph above, the index is currently hovering around 5,900, which has become a closely watched level for the time being.