Ameriprise Financial

Weekly Market Perspectives

May 27, 2025

Anthony Saglimbene
Chief Market Strategist
Ameriprise Financial

"Consumers, businesses, and governments are continuing to grapple with an operating environment that is very challenging to navigate and where rules, processes, and previously well-established structures are in a state of constant flux."

Stocks Hit The Brakes As Visibility Declines and Obstacles Appear In The Road Ahead.

Stocks slid lower on the week, with the S&P 500 Index slipping back into a year-to-date loss. The Russell 2000 Index closed lower for the first time in six weeks, and Apple weighed down the NASDAQ Composite. Retail earnings reports, Moody's U.S. creditworthiness downgrade, and concerns about large deficit spending within House Republican's *One Big Beautiful Bill Act* all contributed to weighing down the market last week.

U.S. markets were closed on Monday for the Memorial Day holiday. Over the shortened trading week, the economic calendar includes a second look at Q1 U.S. GDP and reads on the economy that are unlikely to move the dial on stock prices. However, NVIDIA's earnings report for the previous quarter and its outlook on artificial intelligence on Wednesday is very likely to influence market direction, particularly for stocks inside the AI ecosystem.

Last week in review:

- The S&P 500 Index and NASDAQ Composite dropped roughly 2.5%. Each Index was weighed down by its heavy exposure to Apple, which lost 7.6% last week.
- The Dow Jones Industrials Average dropped almost 2.5%, while the Russell 2000 Index lost nearly 3.5%.
- All eleven S&P 500 sectors closed the week lower. Consumer Staples (-0.4%) helped mitigate the selling pressure, while Energy (-4.1%) faced added headwinds with oil prices moving lower.
- U.S. Treasury prices were mostly weaker across the curve, particularly at the long end. The 30-year U.S. Treasury yield jumped 14 basis points, ending the week above 5.0%.
- Gold jumped 4.8%, West Texas Intermediate (WTI) crude moved lower on possible OPEC+ production hikes, and the U.S. Dollar Index ended lower following four weeks of consecutive gains.
- House Republicans advanced a sweeping bill that would make permanent existing individual tax rates and preserve the 21% corporate rate. The bill includes several other provisions across business, state, and local tax deductions (SALT), reforms around Medicaid and student loans, and phases out or repeals key provisions of the 2022 *Inflation Reduction Act*. Several Washington watchers believe a version of the bill can pass through the Senate in July before the U.S. debt ceiling is breached.
- Retail earnings and updates on the consumer provided a mix of takeaways. Home Depot, Lowe's, TJX, Ross Stores, and Target all finished the week lower after reporting profit results and outlooks. Some withdrew full-year guidance due to tariff uncertainties, others reaffirmed guidance, and all provided a generally guarded assessment of the operating environment moving forward.

Stocks hit the brakes as visibility declines and obstacles in the road appear.

Following weeks of aggressive gains since April's steep declines, the rollercoaster ride in markets may be starting to finally take a toll on traders' willingness to keep bidding stocks higher. Earnings reports from Walmart, Home Depot, and Target didn't exactly impress investors, with Target, for example, reporting disappointing results, cutting full-year guidance, and pointing to tariff headwinds as a reason for some of the company's uncertainty. In addition, Walmart said it would need to raise prices on some of its product offerings based on tariffs, which immediately drew ire from President Trump. Unfortunately, the message to other retailers that reported after Walmart was to be less transparent on earnings calls about tariff impacts. That's not a great result for investors attempting to see around the bend.

Importantly, overall catalysts to push stock prices higher appear lacking at the moment. Market-moving economic releases are currently thin, the Q1 earnings season is mostly in the rearview mirror (sans NVIDIA's release on Wednesday), and progress on trade developments has been lacking as of late. In fact, if anything, the trade picture is beginning to darken again. President Trump on Friday, in a social media post, threatened Apple with 25% tariffs or more on iPhones made outside the U.S. He then followed up less than 30 minutes later with another post "recommending a straight 50% tariff on the European Union" beginning June 1 because he believes trade negotiations with the block have stalled. After the President signed an executive order to overhaul the Nuclear Regulatory Commission to speed reactor development (a win for helping boost and diversify U.S. energy sources), Trump said the 25% tariff comment on iPhones would include all smartphones not made in the U.S. However, over the weekend, Trump decided to extend the EU tariff deadline from June 1 to July 9.

Here are some real-world points to consider. The ecosystem that supports Apple and Samsung's efforts to make and assemble smartphones, for example, is enormous, entrenched across Asia, and took over a decade to build. The cost of moving that ecosystem here to the U.S. would likely push the price of smartphones up to levels that would be simply unaffordable for most U.S. consumers. Notably, the scale at which Apple, for example, uses facilities and surrounding communities across Asia to build iPhones is incomprehensive to most people outside Asia. A former Apple manufacturing engineer framed the scale well last week using the example that it would take every person in Boston (roughly 500,000 people) to stop what they were doing and begin assembling iPhones to match what is accomplished in Asia today. From a business perspective, it makes far more sense for Apple to take the 3.0% to 3.5% hit on iPhone margins than undertake the massive, costly, and disruptive effort to move its iPhone production to the U.S.

As for the tariffs on the EU, *Bloomberg* estimates that the 50% tariffs would hit roughly $321 billion worth of U.S./EU trade, potentially shaving GDP by close to 0.6% and boost prices by more than +0.3%. **Bottom line: Consumers, businesses, and governments are continuing to grapple with an operating environment that is very challenging to navigate and where rules, processes, and previously well-established structures are in a state of constant flux.** It's not surprising that stocks have started to walk back from their recent run to new highs, given the current macroeconomic backdrop and after already aggressive gains from the April lows.

In addition, the GOP *One Big Beautiful Bill Act* that passed in the House last week, which included several last-minute changes, has also stalled stock momentum. Following Moody's downgrade of the creditworthiness of the U.S., the GOP's proposed bill and its impacts on longer-term debt and deficits are now front and center with investors.

Notably, the Congressional Budget Office (CBO) said the House's plan (before last week's changes) would increase the deficit by $2.3 trillion over ten years. The Joint Committee on Taxation projects the bill will add $3.8 trillion to the deficit over the same period. **Bottom line: The *One Big Beautiful Bill Act* still needs to move through the Senate, and changes to its final draft are very likely. However, based on what is being proposed in Congress, investors should expect the fiscal situation of the U.S. to likely worsen over time based on the cost of maintaining the current tax policy, accounting for the additional measures included (e.g., SALT adjustments) and without making more significant cuts to spending.** Notably, government bond yields have moved higher in response to what is likely increased deficit spending in future years, and while the U.S. government has lost its triple-A rating status across all major credit rating agencies. Higher government bond yields, to some extent, are also beginning to dampen stock momentum.

All that said, major U.S. stock indexes remain on track for gains in May. After a roller coaster ride in April and May, stocks could use a chance to catch their breath before a new batch of economic data pops up in June, and the next round of earnings releases begins in July. And did we mention the 90-day reciprocal tariff reprieve ends in early July**? Bottom line: A little consolidation around current levels for a period wouldn't necessarily be a bad development in our book.**

The week ahead:

This week's calendar should help fill in a little color on the economic environment, with looks at April durable goods, a second look at Q1 GDP, April PCE data, and May consumer confidence. As mentioned in our opening, NVIDIA's earnings report will be the market highlight of the week.

- Last week, NVIDIA snapped a four-week winning streak. In Wednesday's earnings report, investors will be looking for additional impacts on profits from President Trump's April announcement banning NVIDIA from selling its H20 chips to Chinese customers, which the company said it expected to take a hit of up to $5.5 billion in the April quarter, as a result. Profit margin trends, uptake of its most advanced AI chip (Blackwell), and a general assessment of the AI environment and the company's overall solution set will likely be key areas of focus in the earnings call.
- Other earnings of note this week include reports from Salesforce, HP, Dell, Costco Wholesale, and AutoZone.

Stock Market Recap

Benchmark	Total Returns			LTM PE		Yield %	
	Weekly	MTD	YTD	Current	5-Year Median	Current	5-Year Median
S&P 500 Index: 5,803	-2.6%	4.3%	-0.8%	25.4	24.8	1.3	1.5
Dow Jones Industrial Average: 41,603	-2.4%	2.4%	-1.6%	22.4	21.5	1.7	1.9
Russell 2000 Index: 5,070	-3.4%	4.0%	-8.1%	59.7	39.8	1.4	1.3
NASDAQ Composite: 18,737	-2.5%	7.5%	-2.7%	36.8	38.4	0.7	0.7
Best Performing Sector (weekly): Consumer Staples	-0.4%	0.0%	6.5%	25.2	22.8	2.4	2.5
Worst Performing Sector (weekly): Energy	-4.1%	1.4%	-3.5%	14.4	11.0	3.6	3.8

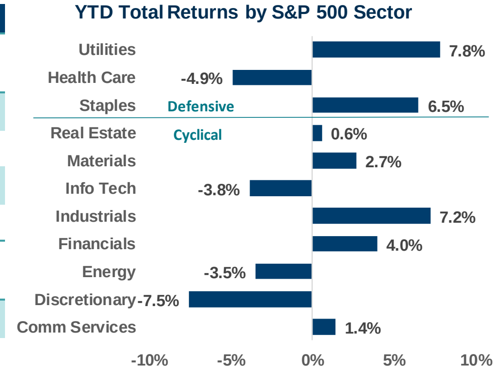
Source: Factset. Data as of 05/23/2025

Bond/Commodity/Currency Recap

Benchmark	Total Returns		
	Weekly	MTD	YTD
Bloomberg U.S. Universal	-0.4%	-1.3%	1.6%
West Texas Intermediate (WTI) Oil: $61.54	-3.6%	3.3%	-15.0%
Spot Gold: $3,358.13	4.8%	2.1%	28.0%
U.S. Dollar Index: 99.11	-2.0%	-0.4%	-8.6%
Government Bond Yields	Yield Chg		
	Weekly	MTD	YTD
2-year U.S. Treasury Yield: 3.98%	-1 bps chg	39 bps chg	-26 bps chg
10-year U.S. Treasury Yield: 4.51%	6 bps chg	35 bps chg	-7 bps chg

Source: Factset. Data as of 05/23/2025. bps = basis points

YTD Total Returns by S&P 500 Sector



Source: S&P Global, Factset. Data as of 05/23/2025

These figures are shown for illustrative purposes only and are not guaranteed. They do not reflect taxes or investment/product fees or expenses, which would reduce the figures shown here. An index is a statistical composite that is not managed. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

Important Disclosures

Sources: FactSet and Bloomberg. FactSet and Bloomberg are independent investment research companies that compile and provide financial data and analytics to firms and investment professionals such as Ameriprise Financial and its analysts. They are not affiliated with Ameriprise Financial, Inc.

The views expressed are as of the date given, may change as market or other conditions change, and may differ from views expressed by other Ameriprise Financial associates or affiliates. Actual investments or investment decisions made by Ameriprise Financial and its affiliates, whether for its own account or on behalf of clients, will not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not account for individual investor circumstances.

Some of the opinions, conclusions and forward-looking statements are based on an analysis of information compiled from third-party sources. This information has been obtained from sources believed to be reliable, but accuracy and completeness cannot be guaranteed by Ameriprise Financial. It is given for informational purposes only and is not a solicitation to buy or sell the securities mentioned. The information is not intended to be used as the sole basis for investment decisions, nor should it be construed as advice designed to meet the specific needs of an individual investor.

Credit ratings are subjective opinions, not statements of fact and are subject to change.

Diversification does not assure a profit or protect against loss.

There are risks associated with **fixed-income** investments, including credit (issuer default) risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer term securities.

Investments may not keep pace with inflation, resulting in loss of purchasing power.

International investing involves certain risks and volatility due to potential political, economic, social, or currency instabilities and different financial and accounting standards. These risks are enhanced for **emerging markets**.

Stock investments involve risk, including loss of principal. High-quality stocks may be appropriate for some investment strategies. Ensure that your investment objectives, time horizon and risk tolerance are aligned with investing in stocks, as they can lose value.

The products of **technology** companies may be subject to severe competition and rapid obsolescence, and their stocks may be subject to greater price fluctuations.

Past performance is not a guarantee of future results.

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

Definitions of individual indices and sectors mentioned in this article are available on our website at ameriprise.com/legal/disclosures in the Additional Ameriprise research disclosures section.

The **S&P 500 Index** is a basket of 500 stocks that are considered to be widely held. The S&P 500 index is weighted by market value (shares outstanding times share price), and its performance is thought to be representative of the stock market as a whole. The S&P 500 index was created in 1957 although it has been extrapolated backwards to several decades earlier for performance comparison purposes. This index provides a broad snapshot of the overall US equity market. Over 70% of all US equity value is tracked by the S&P 500. Inclusion in the index is determined by Standard & Poor's and is based upon their market size, liquidity, and sector.

The **NASDAQ Composite** index measures all NASDAQ domestic and international based common type stocks listed on the Nasdaq Stock Market.

The **Dow Jones Industrial Average** (DJIA) is an index containing stocks of 30 Large-Cap corporations in the United States. The index is owned and maintained by Dow Jones & Company.

The **Russell 2000 Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The Russell 2000 includes the smallest 2000 securities in the Russell 3000.

The **US Dollar Index** (USDX) indicates the general international value of the USD. The USDX does this by averaging the exchange rates between the USD and major world currencies. This is computed by using rates supplied by approximately 500 banks.

West Texas Intermediate (WTI) is a grade of crude oil commonly used as a benchmark for oil prices. WTI is a light grade with low density and sulfur content.

Third party companies mentioned are not affiliated with Ameriprise Financial, Inc.

Investment products are not insured by the FDIC, NCUA or any federal agency, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.

Securities offered by Ameriprise Financial Services, LLC. Member FINRA and SIPC.

© 2025 Ameriprise Financial, Inc. All rights reserved.