

Tariffs Return, Trade Tensions Rise and Spending Slows

Earlier this week, a court ruling halted most of President Trump's retaliatory tariffs. However, an appeals court has now temporarily reinstated them. While this abrupt reversal is newsworthy, the rapid back-and-forth may leave trade partners, consumers, businesses and investors hesitant to draw firm conclusions.

In related developments, Treasury Secretary Scott Bessent told Fox News yesterday that trade talks with China have "stalled a bit." Meanwhile, President Trump criticized China on social media this morning, accusing it of violating an agreement with the United States—*though he did not specify which agreement*. These comments suggest that tensions between the two countries are once again on the rise.

Economic data released this morning shows a sharp slowdown in consumer spending. Inflation-adjusted personal spending rose just +0.1% in April, following a +0.7% surge in March. At the same time, personal income increased by +0.8%, pushing the personal savings rate to an 11-month high of 4.9%.

Core personal consumption expenditures (PCE), the Federal Reserve's preferred inflation gauge, rose +0.1% for the second consecutive month in April. This brought the annual core inflation rate down to +2.5%, *its lowest level in four years*. While inflation has remained tame so far this year, many analysts expect it to rise in the coming months as tariffs begin to affect consumer prices.

Despite the flurry of economic and political developments, financial markets appear uncertain. Bond prices are flat, and stocks are down in early trading, capping off what has otherwise been a solid week.

Market Indications as of 9:22 A.M. Central Time

DOW	Up 18 to 42,234 (HIGH: 45,014)
NASDAQ	Down -60 to 19,116 (HIGH: 20,174)
S&P 500	Down -14 to 5,898 (HIGH: 6,144)
1-Yr T-bill	current yield 4.13%; opening yield 4.12%
2-Yr T-note	current yield 3.93%; opening yield 3.94%
3-Yr T-note	current yield 3.89%; opening yield 3.91%
5-Yr T-note	current yield 3.98%; opening yield 4.00%
10-Yr T-note	current yield 4.40%; opening yield 4.42%
30-Yr T-bond	current yield 4.91%; opening yield 4.92%

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