

## U.S. Retail Sales Decline for Second Consecutive Month Amid Tariff Concerns

U.S. consumers pulled back on spending for the second month in a row, following a surge in purchases earlier this year driven by concerns over rising tariffs. Retail sales fell by -0.9% in May, a sharper drop than the -0.6% median forecast and a notable slowdown from April's revised -0.1% decline. Spending fell in seven of the 13 major categories, with the steepest drops seen in:

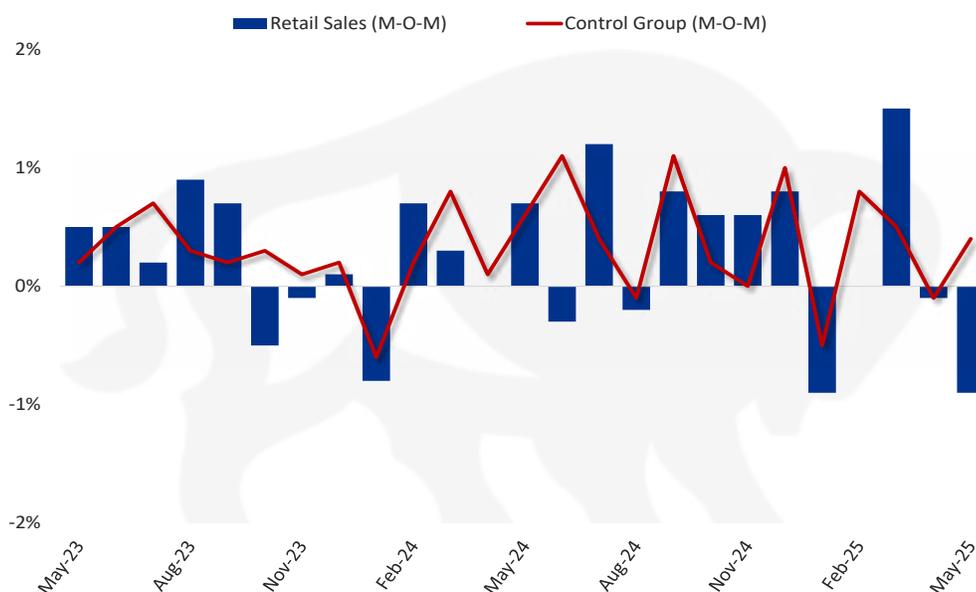
- Motor vehicles and parts: -3.5%
- Building materials: -2.7%
- Gasoline stations: -2.0%
- Restaurants and bars: -0.9%

The downturn in auto-related spending alone shaved nearly 0.7 percentage points off the overall May figure. In contrast, this category had added a full percentage point in March, when consumers rushed to buy ahead of anticipated price hikes.

Despite the weak headline number, the retail sales control group—which excludes volatile categories like autos, gas, building materials, and food services—rose +0.4%, beating expectations of a +0.3% increase. This measure, which feeds directly into GDP calculations, *suggests underlying consumer demand remains more resilient than the headline implies*. The strength in the control group supports the case for a Q2 GDP rebound, following a contraction in the first quarter. While recession risks linger, the latest data suggest the economy hasn't tipped into one just yet.

As the Federal Reserve begins its two-day policy meeting, today's mixed retail sales report is unlikely to shift the central bank's cautious stance. Despite pressure from the Administration, Fed officials appear content to remain in wait-and-see mode.

### Retail Sales (Month-over-Month Percent Change)



Source: US Census Bureau

Please see disclosure starting on page 2.

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## Market Indications as of 9:04 A.M. Central Time

DOW	Down -100 to 42,415 (HIGH: 45,014)
NASDAQ	Down -80 to 19,621 (HIGH: 20,174)
S&P 500	Down -23 to 6,010 (HIGH: 6,144)
1-Yr T-bill	current yield 4.10%; opening yield 4.08%
2-Yr T-note	current yield 3.97%; opening yield 3.95%
3-Yr T-note	current yield 3.93%; opening yield 3.91%
5-Yr T-note	current yield 4.03%; opening yield 4.01%
10-Yr T-note	current yield 4.44%; opening yield 4.43%
30-Yr T-bond	current yield 4.94%; opening yield 4.95%

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