

## Markets Ignore Soft Data to Rally on Renewed Hope for Ceasefire

Despite a flurry of recent data releases suggesting a softening economy and increased price pressure, equity markets have rallied to fresh highs on vague indications of progress in conflict negotiations between the U.S. and Iran.

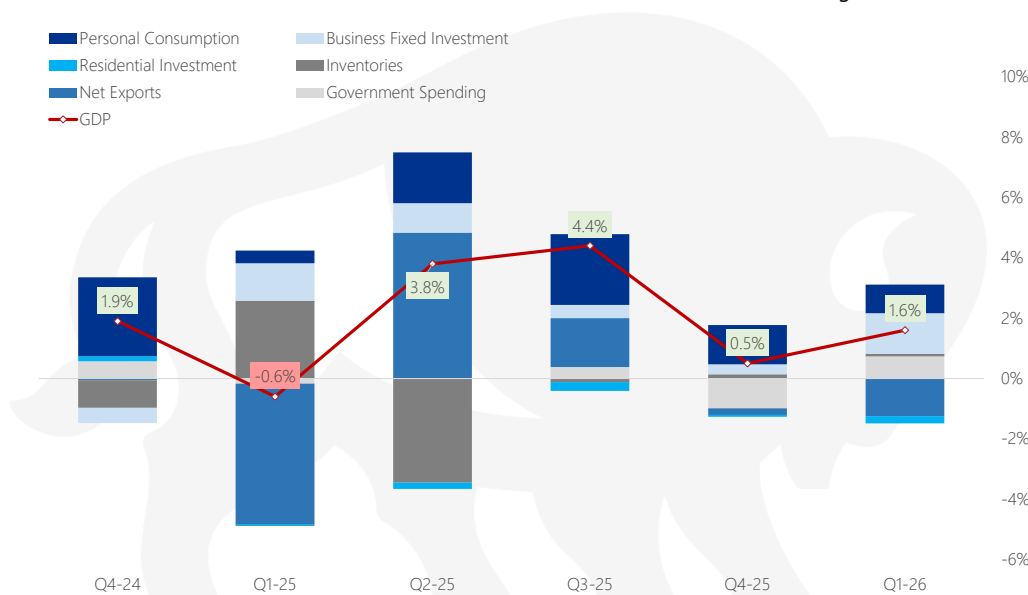
- The first revision of Q1 GDP showed quarterly/annualized economic growth was reduced from +2.0% to +1.6% on slightly lower consumer spending and inventory accumulation. The majority of the gain during the quarter was in net exports, business investment and government spending, while lackluster housing activity continued to weigh on growth. Despite the tepid start to 2026, Q1 was an improvement over the final quarter of 2025 (+0.5%), while the Atlanta Fed's GDPNow real-time growth measure signals further improvement ahead for Q2.

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### Gross Domestic Product (Quarter-over-Quarter Annualized Percent Change)



Source: Bureau of Economic Analysis

- The Fed's preferred inflation measure, Personal Consumption Expenditures (PCE), continued to heat up in April, although both the headline and core came in a tenth below expectations. Headline PCE rose +0.4% for the month, with core PCE up +0.2%. On a year-over-year basis, overall PCE climbed from +3.5% to +3.8%, while the core rose from +3.2% to +3.3%. As long as key inflation measures remain stubbornly above the Fed's +2.0% target, rate cuts are likely shelved.
- Higher prices seemed to have a noticeable effect on consumers last month as personal spending increased +0.5% on a nominal basis, but just +0.1% when adjusted for inflation. At the same time, personal income was flat in April, prompting shoppers to tap into their savings. The personal savings rate fell to a four-year low of +2.6%, well below the +5.5% rate from last year at this time.

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- Durable goods orders *appeared* strong in April, rising +7.9%, but the robust headline gain was driven entirely by volatile aircraft orders. Core capital goods (ex-aircraft) were actually down -1.1% on the month, signaling business uncertainty.
- New single family home sales fell -6.2% in April to an annualized unit sales pace of 622k, down from 701k last April, reflecting higher lending rates. At the same time, the median sales price for a new home actually rose +2.2% to \$422,500, compounding an affordability problem that has plagued the real estate market for years.

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However, U.S. stocks shook off reports of economic weakness to reach new highs Thursday and then again on Friday, choosing instead to focus on news that the U.S. and Iran had reached a tentative agreement to extend their fragile “ceasefire” for an additional 60 days.

President Trump posted this morning on social media that he was nearing a “final determination,” while multiple reports indicate Iran has not yet officially responded to or approved the ceasefire framework. *This gap between rhetoric and operational reality has been a reoccurring theme.*

## Market Indications as of 1:37 P.M. Central Time

DOW	Up 360 to 51,029 (NEW HIGH)
NASDAQ	Up 60 to 26,978 (NEW HIGH)
S&P 500	Up 13 to 7,577 (NEW HIGH)
1-Yr T-bill	current yield 3.78%; opening yield 3.77%
2-Yr T-note	current yield 4.00%; opening yield 4.02%
3-Yr T-note	current yield 4.05%; opening yield 4.07%
5-Yr T-note	current yield 4.13%; opening yield 4.15%
10-Yr T-note	current yield 4.44%; opening yield 4.45%
30-Yr T-bond	current yield 4.98%; opening yield 4.97%

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