

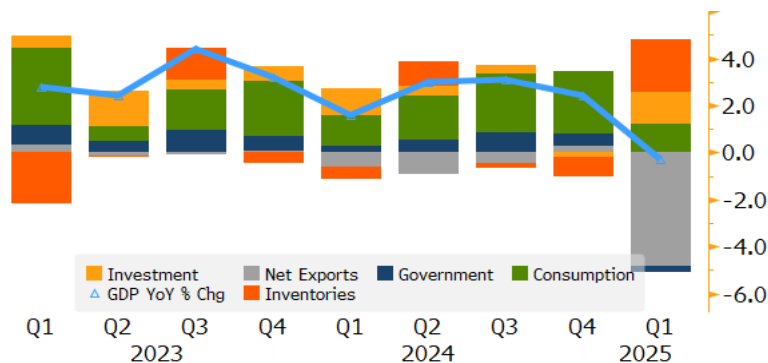
Reading the Tea Leaves of GDP

This morning's report on Q1 GDP offers some clues about what might unfold for the rest of the year. The reading of -0.3% (annual rate, seasonally adjusted) came in lower than most economists expected. The primary drag last quarter was a deep trade deficit, driven by a surge in imports over the past three months. To put that surge into perspective: from November 1, 2022, through November 1, 2024, the U.S. imported an average of \$262 billion in goods per month. Since November 1, 2024, that average has risen to \$306 billion per month, with imports accelerating as the quarter progressed. In March, for example, the U.S. imported \$342 billion in goods.

This import surge was not offset by a comparable rise in exports, pushing the net trade balance—and GDP—further into negative territory.

The spike in imports reflects U.S. companies rushing to secure goods ahead of broad tariffs set to take effect this spring. That suggests two things: (1) goods imported in Q1 will likely enter inventories or be consumed in Q2; and, (2) imports should slow in the coming months, easing pressure on the trade deficit. Both effects would support Q2 GDP, suggesting that economic growth could resume. What happens in the second half of the year, however, remains far less certain.

**Contributions to U.S. GDP
Quarter-over-Quarter, Annual Rate**



GDP%FIXI Index (Contribs to Real GDP Fixed Invest Chain Prices) GDP (No Now) Quarterly 31MAR2023-30APR2025
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Bloomberg, Bureau of Economic Analysis, through March 31, 2025.

Economy

Last Week

- **Leading Economic Indicators (Mar.):** -0.7% MoM vs. -0.3% one month prior.

- **S&P Flash PMIs (Apr.):** Manufacturing 50.7 Services 51.2. Services decelerated from 54.4 in March.

- **Durable Goods (Mar.):** +9.2% MoM ex transportation 0.0%

- **Existing Home Sales (Mar.):** -5.9% MoM from +4.2% one month prior.

This Week

- **GDP (Q1):** 4/30

- **PCE Price Index (Apr.):** 4/30

- **ISM Manufacturing (Apr.):** 5/1

- **Payrolls & Unemployment (Apr.):** 5/2

Equities

Index	Level	1 Week	Returns (%)				
			QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	5569	3.60	-0.68	-4.93	12.07	12.12	16.24
Russell 1000 Growth	3697	5.03	1.77	-8.38	14.52	15.55	17.86
Russell 1000 Value	1794	2.09	-3.05	-0.98	8.53	7.56	13.66
FTSE High Dividend Yield*	445	2.04	-3.50	-1.81	10.09	8.31	13.95
S&P Small and Mid Cap	15658	2.34	-2.86	-9.67	0.17	4.85	13.51
MSCI EAFE	2501	2.72	4.68	12.05	13.20	10.71	12.31
MSCI EM	1113	1.61	1.34	4.37	9.54	4.25	6.92

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD									
				YTD (%)									
S&P 500	18.8	15.3	1.5	10	Staples	Utilities	Health Care	Real Estate	Financials	Materials	Industrials	Energy	Comm. Serv.
Russell 1000 Growth	23.3	17.8	0.7	5									
Russell 1000 Value	15.1	13.4	2.4	0									
FTSE High Dividend Yield*	12.3	13.0	4.1	-5									
S&P Small and Mid Cap	12.8	15.5	2.1	-10									
MSCI EAFE	13.8	13.4	3.2	-15									
MSCI EM	11.1	11.1	2.9	-20									

* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income

Index	Yield	1 Week	Returns (%)				
			QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.51	1.36	0.39	3.18	8.02	1.95	-0.65
U.S. Int. Gov/Credit	4.08	1.07	0.93	3.37	8.09	3.18	0.78
U.S. Corporates	5.14	1.34	-0.03	2.27	7.60	3.04	0.54
High Yield	7.90	0.45	-0.02	0.98	8.69	6.23	6.38
Municipals (1-10)	3.59	0.57	-0.56	0.14	2.31	2.42	1.20

		Levels (%)						
Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago	
2-yr Treasury	3.60	3.80	3.89	4.24	4.88	2.73	0.19	
10-yr Treasury	4.16	4.32	4.21	4.57	4.58	2.99	0.61	
30-yr Treasury	4.68	4.78	4.57	4.78	4.73	3.04	1.25	
SOFR	4.41	4.29	4.41	4.49	5.31	0.30	0.03	
6-mo. CD rate	4.36	4.29	4.25	4.33	5.39	1.83	0.46	
Prime Rate	7.50	7.50	7.50	7.50	8.50	3.50	3.25	
30-yr fixed mortgage	6.85	6.90	6.77	7.28	7.44	5.41	3.52	