

# Week in Review

Chaos subsiding

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Disclaimer: I am not a certified financial analyst.  
Any trading decisions you make are your responsibility

# Summary of Events

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- Warren Buffett announces his retirement
  - “Trade should not be used as a weapon”
- US – China tariff negotiations starting
- Russia – Ukraine peace deal elusive
- Other tariff “deals” in the works, but none announced
- Fed Chief Powell to speak today at 2 PM
- China cutting interest rates
- India-Pakistan military conflict heating up
- Trump declares a truce with Houthi / Yemen

# Economic Commentary

## A mixed bag

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- GDP negative 0.3% for Q1 caused by trade disruptions
- Imports dramatically increased, up 41% QoQ.
- Consumer spending rose 1.8%
- Government spending down 5%
- Unemployment steady at 4.2%
- Non-farm payrolls increased 177,000
- Container shipments from China to US are down 60%; containers in ports staying shut
- March existing home sales down 5.9%, worst since 2009
- Restaurant spending up 2% (Barrons)
- Household balance sheets healthy: Up 15% over 2019 (Barrons)
- Personal savings rate steady at 3.9% (FRED)
- Credit card delinquencies down slightly, MoM (FRED)

# Market Commentary

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- 75% of companies reported Q1 results thus far, earnings have been up strongly at 13% YoY. (Reuters)
- Very strong earnings reported by both Microsoft and Meta
- S&P500 up 9 days in a row as of Friday (10.2%); best since 2004
- Forward 12-month PE ratio for the S&P 500 stands at 22.0, which is above both the 5-year average of 19.8 and the 10-year average of 18.2. (FactSet)
- Q2 earnings more cautious: 6.9% YoY forecasted (Reuters)
- CNN fear gauge @ 58; greed has returned
- Many companies have pulled their profit guidance due to tariff uncertainty
- Disney reported strong results: raised guidance; expanded profit margins
- Apple, Amazon, Meta and Microsoft beat estimates

# What happened to the AI stock frenzy?

- AI stock frenzy peaked in November, 2024, but has died down – why?
- Trade constraints placed on NVDA, AMD, ASML et al
- \$1T committed to infrastructure by May 7; no profits yet
- Most companies have AI-related efforts in pilot programs
- Competition in semi conductors and LLMs, ie DeepSeek
- Supply constraints with memory chips
- Stock market chaos leads investors to safer stocks

# Now what?

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- US economy remains resilient
- Stock market chaos is subsiding
- Tariff effects not fully realized – be cautious
- Tariff negotiations in progress