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# Weekly Investment Insights



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In a week that was light on economic data releases, US trade policy continued to drive market sentiment. Midweek, the US Court of International Trade delivered a surprise ruling, deeming President Trump's trade tariffs unlawful. However, by Thursday, a US federal appeals court paused that judgement, meaning sweeping trade tariffs could remain in place "until further notice". The White House accused judges of "judicial over-reach", and vowed to go to the Supreme Court to try to overturn the decision.

With regard to ongoing negotiations, US Treasury Secretary said that talks between the US and China are "a bit stalled" and that a call between Donald Trump and Chinese leader Xi Jinping may be necessary. On Friday, Donald Trump did not strike a conciliatory tone, accusing China of violating its two-week-old tariff truce with the US.

Freshly released data showed that US goods imports tumbled 20% in April as tariffs disrupt trade.

## Weekly Highlights

### US consumer confidence jumped in May thanks to the pause in US-China tariffs

After five consecutive months of decline, the Conference Board's consumer confidence index surged to 98 in May, up from 85.7 in April. This was the biggest monthly increase in four years and was largely attributed to President Trump's agreement with China to pause 'reciprocal' tariffs for 90 days.

Consumers showed greater optimism regarding both current and future situations, and expectations regarding the stock market improved, with 44% of investors anticipating higher stock prices over the next 12 months. Consumers were also more optimistic about the job market and their incomes and more plan to purchase homes and cars and take vacations compared with last month.

While this is positive, given that consumption drives around two-thirds of overall economic activity in the US, sentiment is fickle and could turn quickly, depending on how trade talks progress. Until the outcome of the tariff pause is known after 9 July, volatility is likely to remain.

### German consumer expectations brighten, but households still see plenty reason to “keep a good cushion”

Consumer sentiment also rose slightly in the Eurozone's largest economy. Germany's GfK Consumer Climate Indicator rose to -19.9 heading into June, up from -20.8, and marking the third consecutive month of improvement and the highest reading since November 2024.

The rise was primarily driven by a sharp rise in economic expectations, which reached a two-year high (13.1 vs 7.2 in May), and a notable increase in income expectations (10.4 vs 4.3). However, it may be that consumers are not yet willing to put their money where their mouth is. The willingness to buy declined (-6.4 vs -4.9), while the propensity to save increased (10.0 vs 8.4), suggesting ongoing prudence given the uncertain macroeconomic landscape. Unanswered questions around global trade, stock market volatility and warnings from policymakers that Germany potentially faces a third year of no growth are giving households plenty reason for “ein gutes Polster haben”.

### Lights, camera and action for US consumer services

In last week's newsletter, we flagged an encouraging development in the US services sector: the S&P Services PMI rose to 52.3 in May, up from 50.8 in April – a 17-month low. While service firms with exposure to foreign markets continue to struggle - foreign new orders dropped at the sharpest pace on record outside the pandemic years – domestically focused firms are faring notably better.

That's no small detail. Services make up the lion's share of consumer spending in the US, meaning its resilience has broad implications. If service sector output was to slow meaningfully, it would pose a genuine threat to overall economic momentum.

Fortunately, recent data supports a more optimistic view. If we look at April Retail Sales, of the thirteen components, it was the one services-related category (food services and drinking places) that posted the biggest gains, having risen for a second month in a row. This suggests that consumers are tilting towards experiences and services, even as goods spending shows signs of cooling.

Further anecdotal support came from the entertainment sector last week, with US movie theatres enjoying a historic Memorial Day weekend. Box office revenues reached an estimated USD 326 million, led by strong performances from *Lilo & Stitch* and *Mission Impossible – The Final Reckoning*. That's more than double last year's USD 132 million haul for the same holiday weekend.

AMC CEO Adem Aron commented, "Finally it would appear that our industry has turned a corner... Since early April, weekend after weekend, moviegoers have been demonstrating their preference for theatrical moviegoing. A record-setting Memorial Day holiday is yet another sign of the continued strength and relevance of moviegoing in 2025."

This box office surge aligns with broader spending data. US consumers increased their spending on services by USD 55.8 billion in April 2025, reflecting strong demand for services like healthcare, entertainment, and transportation. At the same time, spending on goods declined by USD 8 billion.

Not all services are sharing in this momentum, however. Business-to-business (B2B) services firms, particularly in consulting, are seeing headwinds. Many have begun trimming staff in response to US Federal budget cuts driven by the Department of Government Efficiency (DOGE). The ripple effects of these cuts have strained government agencies and their private-sector contractors alike, leading to reduced or canceled contracts and a visible retrenchment in consulting and advisory headcounts.

#### Calendar for the week ahead

**Monday** – Switzerland Retail Sales (April), GDP Growth Rate (Q1), Manufacturing PMI (May). US and Eurozone Final Manufacturing PMI data for May. **US ISM Manufacturing PMI**.

**Tuesday** – China Caixin Manufacturing PMI (May). Switzerland Inflation Rate (May). **Eurozone Inflation** (Flash, May). US JOLTs Job Openings and Factory Orders (April).

**Wednesday** – Japan Final PMI data for May. US, UK and Eurozone Final Services PMI data for May. **US ISM Services PMI**. Fed Beige Book.

**Thursday** – China Caixin Services PMI (May). Switzerland Unemployment Rate (May). Eurozone PPI. Italy Retail Sales. Eurozone Construction PMI. **ECB Monetary Policy Meeting**. US Balance of Trade (April), Jobless Claims, Challenger Job Cuts (May).

**Friday** – Germany & France Balance of Trade (April). Eurozone Retail Sales (April). US Non Farm Payrolls, Unemployment Rate (May).

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