WEEKLY ECONOMIC UPDATE APRIL 28, 2025

Stocks pushed higher last week, spurred by the White House's reassuring comments that progress was being made with trade talks.

The Standard & Poor's 500 Index gained 4.59 percent, while the Nasdaq Composite Index picked up 6.73 percent. The Dow Jones Industrial Average lagged, adding 2.48 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, increased by 2.86 percent.[1,2]

Markets Rally

Markets opened the week lower as investors continued to fret about China trade tensions. But sentiment quickly shifted.3

Stocks rebounded Tuesday following news that the administration intended to de-escalate tensions with China over tariffs. The rally extended through two more consecutive sessions as investors responded favorably to reassuring comments from the administration.

Markets also were encouraged after the president said he had "no intention" of firing the Fed Chair Powell. They also liked hearing Treasury Secretary Scott Bessent's comments that the U.S. had an "opportunity for a big deal" with a key trading partner.[4,5]

Megacap tech stocks, which had been under pressure for several weeks, regained momentum during the week, leading the market's advance.[6,7]

MARKET INSIGHTS

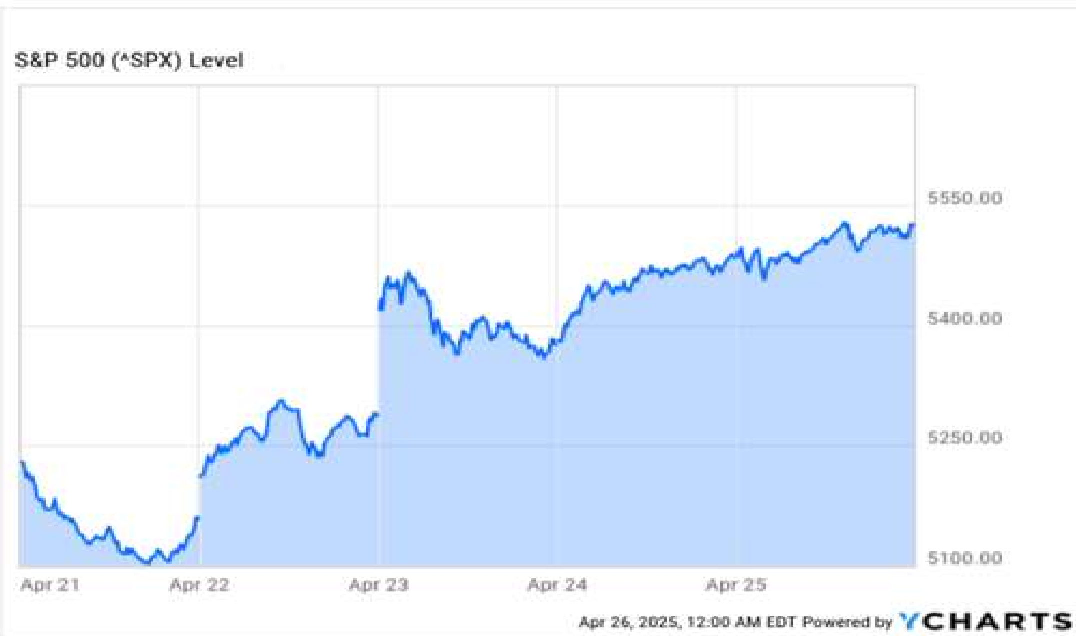
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Dow Jones Industrial Average	-5.75%	-5.28%	6.12%	86.38%
Nasdaq Composite	-5.60%	-10.94%	10.03%	106.6%
S&P 500	-4.82%	-6.37%	9.62%	108.8%
MSCI EAFE	-0.02%	9.73%	10.90%	79.73%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 04/25/25	4.29%	4.31% 4.63% 4.70%	-0.46% -7.34% -8.72%

Housing Market Update

Fresh housing data released last week showed the median price for a newly constructed home ($403,600) and an existing home ($403,700) were virtually identical in March.

This is unusual.

Typically, the average new home costs more than the average existing home. But last month, the median new-home price while the median existing-home price rose and hit a new all-time high.[8]

This Week: Key Economic Data

Tuesday: Trade Balance in Goods. Retail & Wholesale Inventories. Case-Shiller Home Price Index. Consumer Confidence. Job Openings.

Wednesday: Gross Domestic Product (GDP). ADP Employment Report. Pending Home Sales. Personal Consumption & Expenditures (PCE) Index.

Thursday: ISM Manufacturing. Construction Spending. Auto Sales.

Friday: Employment Report. Factory Orders.

“Among the calamities of war may be jointly numbered the diminution of the love of truth, by the falsehoods which interest dictates, and credulity encourages.”

Samuel Johnson, 1758

Chat GPT’s explanation:

“This quote is saying that during times of war, people often lose their commitment to honesty and truth. This happens because:

1. Falsehoods are spread deliberately: People or groups with specific interests (like governments, military leaders, or political factions) spread lies to serve their purposes. These lies can be about the progress of the war, the actions of the enemy, or even the reasons for going to war.

2. People are more likely to believe these lies: During war, people are often more willing to believe these falsehoods due to fear, patriotism, or a desire for simple explanations. This willingness to believe is called "credulity."

The point of the quote is to highlight that war can erode the general public's commitment to truth and make them more susceptible to propaganda and misinformation. This can have lasting effects on society, even after the war ends.”

Anyone who has delved into the supposedly solid headline figures can clearly see the real weakness of the U.S. economy. An unsustainable increase in government spending and federal debt bloated the official GDP, making gross domestic income significantly weaker than headline GDP. Additionally, the Conference Board and University of Michigan consumer confidence readings, well below 2019 and 2021 levels, indicated a stagnant economy. Significant negative revisions and concerning elements were evident in the recent job reports. The entire improvement of the labor force since 2021 came from foreign workers, and the employment-to-population and labor force participation ratios remained significantly below 2019 levels. Real wages were stagnant in the past four years using official figures. Investment was weak, and the Russell 2000 index, which includes the top small-cap companies generating most of their business in the US, reflected an insignificant 1.8% sales growth and no real earnings growth between 2021 and November 2024.

Professors EJ Antony and Peter St Onge recently published an excellent study, "Recession Since 2022: US Economic Income and Output Have Fallen Overall for Four Years" through the Brownstone Institute. It perfectly summarizes why Americans didn't respond favorably to Bidenomics and his assessment of his economic legacy as the "best economy in the world". The study concludes that adjustments reflecting a more realistic measure of average price increases in the period have understated cumulative inflation by nearly half since 2019. An enormous divergence between reported CPI and adjusted inflation led to an overstatement of cumulative GDP growth by roughly 15%. Furthermore, these adjustments indicate that the American economy has been in recession since 2022.

As the authors rightly say, "Our results are consistent with the perceptions of the American public, of whom a majority believe we are in recession." The study reveals that understating the CPI and GDP deflator measures of inflation has boosted GDP and real disposable income, resulting in figures that no American who pays bills and receives a wage can relate to. Once adjusted, the harsh reality arrives. The U.S. economy has been in recession for years.

Interestingly, Keynesian economists spent these past two years trying to explain why the disaggregated macroeconomic figures did not match the strong headline GDP and disposable income. Despite their numerous justifications, the underlying issue was the government's overstatement of the growth in disposable income and real GDP.

Americans are not stupid. You cannot tell them that the economy is marvelous and stronger than ever when they do not see it in their daily finances. Such ludicrous propaganda may work in France or Spain, but not in America. Thus, the optimism, publicity, and complacency of a government that constantly repeats that the economy is great backfires.

Governments create inflation, a hidden tax that erodes the purchasing power of the currency through increased spending and money printing. People often mistakenly report inflation and CPI as identical. CPI is just a measure of the loss of purchasing power of the currency. Economists often criticize the CPI and GDP deflator measures of inflation for their inadequate reflection of real inflationary pressures. Indeed, there have been numerous studies that show how CPI calculation understates real inflation. "Underweighting of rising food prices and overweighting of falling transport prices are the main causes of the underestimation of inflation," according to the IMF's Marshall Reinsdorf (COVID-19 and the CPI: Is Inflation Underestimated?). Peter Schiff also explains it perfectly: "If you run today's price data through the old formula, you will find that the CPI is nearly double the number the government reports. So, when the Bureau of Labor Statistics reported a 9.2% CPI in June 2021, it was closer to 18% when calculated using the 1970s formula."). Vahan P. Roth also comments that, "One of the most important effects that an inaccurate and possibly biased measure of inflation has on the consumer and taxpayer is that it directly influences and justifies monetary and fiscal policy decisions"

Indeed, "the CPI is a government statistic, and since the government's expansionary monetary policy creates the inflation, officials have an incentive to underestimate it" (Mark Brandly at Mises). According to Professor Joseph Salerno, author of the excellent book "Money, Sound Unsound" (Ludwig von Mises Institute, 2015), the current method of calculating the annual inflation rate is backward-looking, as the previous eleven months' rates significantly outweigh the most recent monthly rate. In contrast, calculating the annual inflation rate by compounding and annualizing the most recent monthly or quarterly rate of change in the CPI gives a better idea of what inflation currently is and how it may be trending." Thus, after the recent figures, no one would declare victory over inflation, and the Federal Reserve's policy would be completely altered.

Bloated government spending has disguised a private sector recession and the real decline in real disposable income, real wages, and margins of SMEs (small and medium enterprises). We can now see that real GDP has been in contraction for the past two years, even after accounting for real inflationary pressures. Furthermore, the temporary and exogenous factor of widespread weaker commodities boosted the external contribution of gross domestic product.

The issue is that attempts to lessen the impact of currency destruction have repeatedly compromised the reliability of official data. As the government's influence in the economy increases, technical recessions may not show up in official data, but they still affect citizens. Furthermore, deficit spending and money printing now result in both higher taxes and lower real wages in the future. Therefore, the unintended consequence of an official recession is an increase in government debt, an increase in taxes, and a decrease in the purchasing power of the currency.

Past administrations believed that strong official headline figures would reward them, leading them to implement an ultra-Keynesian approach: the most aggressive government expenditure and debt increase plan in decades. They also thought that citizens would fall for the trick of blaming corporations and shops for inflation. They were wrong. They engineered a recession, and families and businesses suffered as a result. However, many people mistakenly believe that Bidenomics was a miscalculation that ultimately backfired. The objective was to advance the stealth nationalization of the economy by increasing the public sector size and dissolving the wealth of the private sector, making it impossible for the next administration to undo the damage.

The United States should steer clear of these impoverishing Keynesian policies and instead adopt a private sector-driven pro-growth strategy, coupled with a sound money policy, to stabilize public sector finances and restore prosperity to America. It has successfully achieved this in the past and can continue to do so in the present.[9]

Footnotes and Sources

1. The Wall Street Journal, April 25, 2025
2. Investing.com, April 25, 2025
3. MarketWatch.com, April 21, 2025
4. CNBC.com, April 22, 2025
5. The Wall Street Journal, April 23, 2025
6. CNBC.com, April 24, 2025
7. The Wall Street Journal, April 25, 2025

8. MarketWatch.com, April 24, 2025

9. zerohedge.com/economics/us-has-been-recession-years

Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

The forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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