

Markets End April Mixed as U.S. GDP Contracts, Tariff Turmoil Fuels Recession Fears Despite Cooling Inflation.

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The U.S. and European stock markets closed the month mostly up, the Dow gained 141 points, the S&P 500 edged 8.23 points, and the Nasdaq fell 14.98 points.

The session turned negative early as recession fears grew after data showed the U.S. economy contracted in Q1 to -0.30%, reversing a strong Q4, mainly due to a 41% surge in imports as companies rushed to avoid President Trump's tariffs, and late in the session, it mostly closed up. For the month, the Dow Jones fell -.315%, the S&P 500 -1.14%, the Nasdaq Composite -0.02%, the Birling Puerto Rico Stock Index rose 0.25%, and the Birling U.S. Bank Index fell -0.78%.

However, President Trump explained the GDP Contraction while deep in his reality distortion field narrative, stating in "Truth Social", he blamed a lingering "Biden Overhang" and urged patience.

Consumer spending slowed to its weakest pace since 2023, and government spending also fell. Still, March retail data surprised on the upside, with a 0.7% gain beating forecasts.

The contracting GDP, which was highly expected, undercut April's market rebound, sparked by Trump's rollback of aggressive tariff threats that initially sent the S&P 500 down nearly 20% from February highs. Some percolating optimism is brewing about a potential trade deal with India teased by Trump and Commerce Secretary Howard Lutnick.

But investors remain concerned about the constant policy shifts, which have heightened uncertainty, and to most, the GDP data may be the first real warning".

The other metric that was published today is the Fed's preferred inflation readings, the PCE, which fell to 2.29%, below last month's 2.69% reading, and Core PCE, which fell to 2.29%. The recent rally had lifted the indexes out or near correction territory. However, further upside will likely require more than rhetoric; concrete agreements with key trading partners may be needed to maintain investor momentum.

U.S. GDP Shrinks in Q1 as Imports Surge

Preliminary data for the first quarter revealed the first contraction in U.S. GDP since 2022, with the economy declining at an annualized rate of -0.3%. This marks a sharp reversal from the two prior quarters' 2.4% and 3.1% expansions. The drag came primarily from a surge in imports, which outpaced exports and subtracted a record 4.8% from GDP, as firms accelerated purchases ahead of looming tariffs. Consumer spending, which drives nearly 70% of the economy, slowed to 1.8% growth—its weakest performance since mid-2023. Government expenditure declined for the first time in almost three years, while business investment saw its most substantial increase since 2020. Despite the headline contraction, we view this as a temporary distortion. As trade imbalances normalize, growth should rebound in Q2. Looking forward, we expect economic momentum to moderate, not

collapse. A softer labor market and slower growth may prompt the Fed to resume rate cuts by midyear—potentially in June or July. We anticipate two to three cuts before year-end.

Earnings Season Beats Expectations, but Guidance Takes Center Stage

After today's close, roughly one-third of S&P 500 companies will report earnings this week, including tech giants Meta and Microsoft. So far, results have been stronger than expected: 76% of reporting companies have exceeded earnings estimates, delivering an average surprise of 9%, above the 10-year norm of 7%. However, these earnings do not reflect the full impact of tariff-related pressures. Investors are, therefore, focusing on forward guidance, particularly from consumer-facing firms. Some have already flagged weakening demand and are withholding full-year forecasts. As a result, consensus earnings growth expectations for 2025 have dropped from 14% in January to 9.5%.

GDPNow:

- The initial **GDPNow** for the second quarter was published on April 30 with a 2.40% GDP.

Economic Update:

- **U.S. Real GDP QoQ:** fell to -0.30%, compared to 2.40% last quarter, decreasing 112.50%.
- **U.S. PCE Price Index YoY:** fell to 2.29%, compared to 2.69% last month.
- **U.S. Core PCE Price Index YoY:** fell to 2.65%, compared to 2.96% last month.
- **ADP Employment Change:** fell to 62,000, down from 147,000 last month, decreasing -57.82%.
- **U.S. Total Vehicle Sales:** rose to 18.17 million, up from 16.45 million last month, increasing 10.47%.
- **U.S. Pending Home Sales YoY:** is at -0.65%, compared to -3.48% last month.
- **U.S. Personal Income MoM:** fell to 0.46%, compared to 0.75% last month.
- **U.S. Personal Spending MoM:** rose to 0.66%, compared to 0.55% last month.
- **Germany Real GDP QoQ:** fell to -0.20%, compared to 0.10% last quarter.
- **Germany Real Retail Sales YoY:** rose to 0.30%, compared to 0.00% last month.
- **Germany Consumer Price Index YoY:** fell by 2.10%, compared to 2.20% last month.
- **Japan Business Conditions Composite Coincident Index:** rose to 117.30, up from 116.40 last month.
- **Japan Housing Starts YoY:** rose to 39.07%, compared to 2.39% last month.
- **Japan Consumer Confidence Index:** fell to 34.10, down from 34.80 last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 527.48, up 2.39 points or 0.46%.
- **FTSE 100:** Closed at 8,494.85, up 31.39 or 0.37%.
- **DAX Index:** Closed at 22,496.98, up 71.15 or 0.32%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 40,669.36, up 141.74 points or 0.35%.
- **S&P 500:** closed at 5,569.06, up 8.23 points or 0.15%.
- **Nasdaq Composite:** closed at 17,446.34, down 14.98 points or 0.09%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,685.48, up 51.98 points or 1.43%.
- **Birling Capital U.S. Bank Index:** closed at 6,105.16, up 51.91 points or 0.86%.
- **U.S. Treasury 10-year note:** closed at 4.17%.
- **U.S. Treasury 2-year note:** closed at 3.60%.

GDPNow

Date	GDPNow 2Q25	Change
4/30/2025	2.40%	Initial Forecast

Inflation Nowcasting PCE & Core PCE

Inflation Nowcasting	PCE Forecast	PCE Actual	Change	Core PCE Forecast	Core PCE Actual	Change
March	2.19%	2.29%	4.57%	2.65%	2.54%	-4.15%

ADP Employment Net Change, PCE & Core PCE

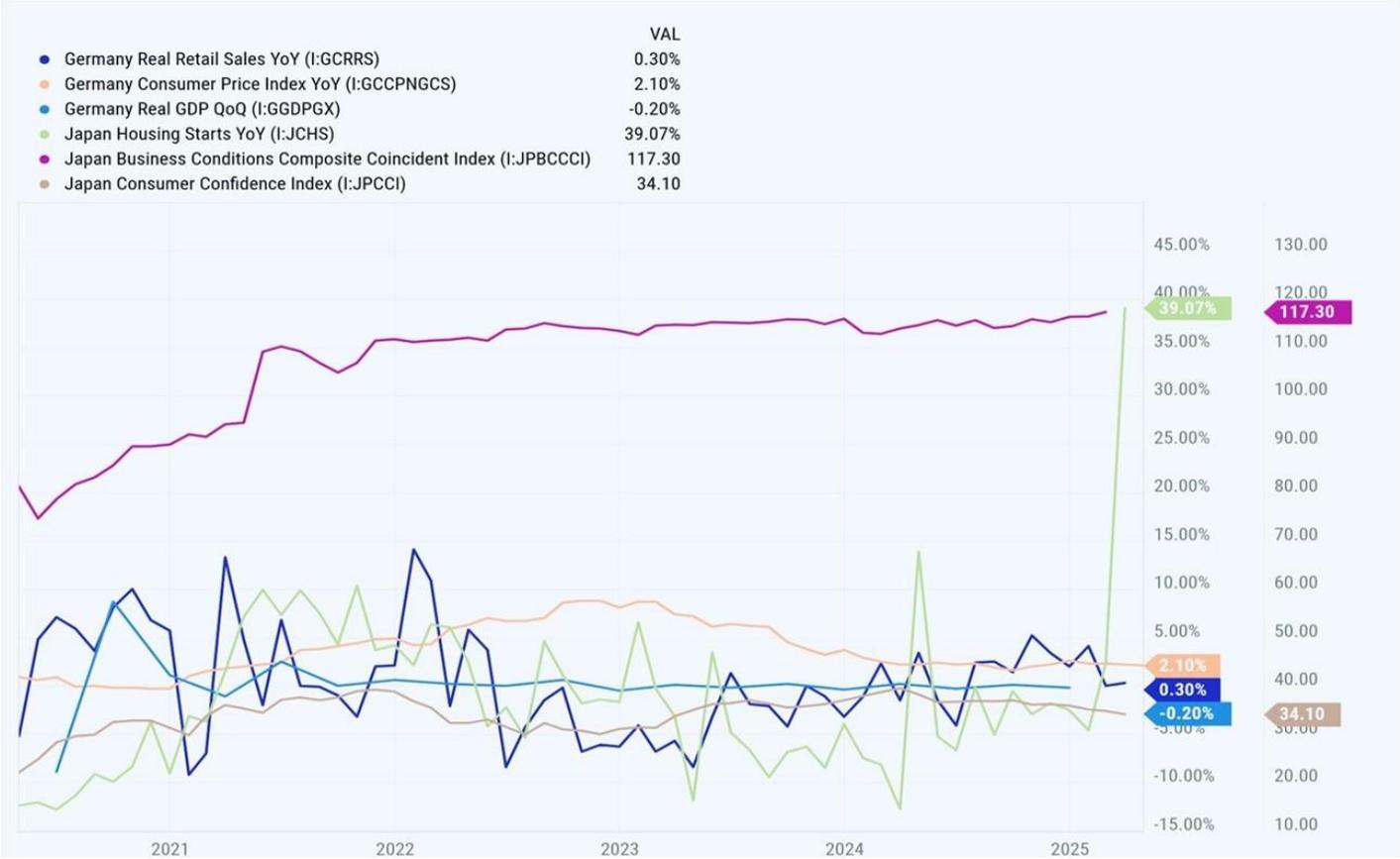


US Real GDP, US Total Vehicle Sales, US Pending Home Sales, US Personal Income & US Personal Spending





Germany Retail Sales, Germany CPI, Germany GDP, Japan Housing Starts, Japan Business Conditions Index & Japan Consumer Confidence Index





Wall Street Recap

April 30, 2025



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