



Disney reports earnings with revenues of \$23.6 billion, up 7%, US-China trade talks spark optimism, and the Fed leaves rates unchanged.

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The U.S. and European stock markets closed with mixed results. On Wall Street, early trading was positive following the announcement that American and Chinese officials will resume trade negotiations this weekend in Geneva, Switzerland, but as the day progressed, most investors were on the fence, waiting for the Fed's decision.

Following the meeting, the committee released a statement acknowledging growing volatility and its impact on policymaking with a statement that said "Economic uncertainty has intensified, the Committee remains focused on the risks to employment and inflation, noting that the likelihood of rising joblessness and accelerating inflation has increased".

Although expectations for a breakthrough remain cautious, given the complexity and scope of any potential agreement, markets react positively to the possibility of de-escalation. Easing tensions between the world's two largest economies could lift global growth and investor sentiment. Meanwhile, bond markets are reflecting a more cautious tone. Yields are declining, with the 10-year U.S. Treasury note slipping to 4.29%.

Asian equities advanced, helped by China's latest policy measures to cushion the domestic economy against tariff-related headwinds. In contrast, European indices are under pressure despite a stronger-than-expected 1.5% year-over-year rise in eurozone retail sales for March. The U.S. dollar traded higher against major global currencies, while oil prices declined. WTI crude is nearing a four-year low, weighed down by persistent oversupply concerns tied to OPEC+ production levels.

Focus Shifts to Federal Reserve Policy

The Federal Reserve wrapped up its two-day policy meeting and left its benchmark interest rate steady at 4.25%–4.50%. However, investors are keenly awaiting any signals regarding the timing of future rate cuts. The Fed's March "dot plot" projected two cuts by year-end, while futures markets are currently pricing in three, beginning early in July.

With the fed funds rate currently at 4.33% and the core PCE inflation reading at 2.3%, monetary policy remains tight by historical standards. Typically, a neutral stance implies rates roughly one percentage point above inflation. While tariffs may temporarily lift prices, the long-term effect on inflation is expected to be more persistent. In that context, lower interest rates would provide a much-needed tailwind for consumers, businesses, and corporate earnings.

Earnings Season Lifts Outlook as Results Surprise to the Upside

On the corporate front, the earnings season continues to impress. Disney reported stronger-than-expected results this morning, beating forecasts on both the top and bottom lines. With 84% of S&P 500 companies having reported, 77% have exceeded earnings expectations, delivering an average

upside surprise of 8.7%. As a result, first-quarter earnings growth estimates for the index have been revised upward from 6.7% to 12.8%.

Gains are not limited to a few sectors: eight of the S&P's 11 sectors are on track to post positive year-over-year earnings growth. This breadth supports a more balanced market and underscores the value of sector diversification. Earnings growth is projected to moderate but remain positive, with a full-year 2025 forecast of 9.2%. While tariff pressures could temper profit margins in the future, earnings are expected to stay strong enough to support equity valuations.

GDPNow Update:

- The GDPNow for the second quarter was updated on May 6, 2025, to 2.20%, up from 1.10%, a 100% increase.

Corporate Earnings Parade:

- **The Walt Disney Company (DIS)** reported 2Q25 revenues of \$23.6 billion, up 7%, net income of \$3.401 billion, up from a loss, and Earnings Per Share of \$1.81, surpassing estimates. The Stock has a stock price objective of \$121.34.
- View our report on Disney here: [DIS Overview](#)

Economic Update:

- **US Consumer Credit Outstanding MoM:** fell to -809.70 million, down from 8.901 million last month.
- **US Crude Oil Stocks WoW:** fell to -2.032 million, down from -2.696 million last week.
- **Target Federal Funds Rate Upper Limit:** is unchanged 4.50%, compared to 4.50% yesterday. This is higher than the long term average of 2.70%.
- **Eurozone Retail Trade YoY:** rose to 2.30%, compared to 1.80%, last month, increasing 0.92%.
- **Eurozone Retail Trade MoM:** is at 0.30%, compared to 0.00% last month, increasing 0.08%.

Eurozone Summary:

- **Stoxx 600:** Closed at 533.47, down 2.88 points or 0.54%.
- **FTSE 100:** Closed at 8,559.33, down 38.97 or 0.44%.
- **DAX Index:** Closed at 23,115.96, down 133.69 or 0.58%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 41,113.97, up 284.97 points or 0.70%.
- **S&P 500:** closed at 5,631.28, up 24.37 points or 0.43%.
- **Nasdaq Composite:** closed at 17,738.16, up 48.50 points or 0.27%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,751.39, down 16.59 points or 0.44%.
- **Birling Capital U.S. Bank Index:** closed at 6,224.85, down 67.77 points or 1.08%.
- **U.S. Treasury 10-year note:** closed at 4.26%.
- **U.S. Treasury 2-year note:** closed at 3.78%.

Date	GDPNow 2Q25	Change
4/30/25	2.40%	Initial Forecast
5/1/25	1.10%	-54.17%
5/6/25	2.20%	100.00%



Wall Street Recap

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