



OBSERVATIONS

- Markets traded higher last week as muted economic data suggested a cooling economy. The S&P 500 notched a new record last Wednesday and gained +1.6% on the week, while small caps (Russell 2000 Index) gained +1.8% and the yield on a 10-year Treasury fell -8 basis points to 4.42%.¹
- Small business optimism inched higher in April with the index rising to 89.7 from March's 88.5 figure. April marks the first increase in this index in 2024, but the index has now been below its 50-year average (98) for 28 consecutive months.¹
- Last week's Producer Price Index report was mixed. In April PPI came in higher than expectations increasing +0.5% month-over-month (MoM) and +2.2 year-over-year (YoY), but March's data was revised lower. Core-PPI, which excludes food and energy, also came in higher than expectations +2.4% YoY, but March's data was also revised lower.¹
- Meanwhile inflation came in largely as expected last week. Headline CPI fell to +3.4% YoY in April from March's +3.5% YoY rate. Core-CPI, which excludes food and energy, decreased to +3.6% YoY, which was also lower than March's 3.8% YoY rate.¹
- Retail sales, however, came in below expectations in April, showing no increase (+0.0% MoM) from March. Excluding the volatile auto and gas categories retail sales actually fell -0.1% MoM, while March's retails sales figures were revised lower for both the headline figure as well as retail sales excluding autos and gas.¹
- Housing starts in April rose by +5.7% MoM to 1.36 million units (annualized rate) but this was below expectations and March's new housing starts were revised down. New building permits in April also missed expectations and declined -3.0% MoM and new permits issued in March were also revised lower.¹
- Industrial production showed no gain in April (+0.0% MoM) and capacity utilization was essentially unchanged from the month prior at 78.4%.¹

EXPECTATIONS

- The Conference Board's Leading Economic Indicators index fell by -0.6% MoM in April—about double the decline than had been expected—suggesting softer economic conditions in the months ahead.¹
- The Federal Energy Regulatory Commission approved new rules on electricity transmission last week that made it easier to expand the construction of high-capacity power transition lines, which the Commission noted are needed to meet an unprecedented surge in demand for electricity related to the phase out of fossil fuels and the demands placed on electrical grids by data centers and AI processing.²

ONE MORE THOUGHT: Biden Administration Announces Wide Ranging Tariffs on Chinese Goods³

Last week the White House announced a series of tariffs and other trade restrictions designed to protect select US industries from cheap, and partially subsidized, Chinese imports. Included in the announcement was a 100% tariff on Chinese electric vehicles (EVs), a 50% tariff on Chinese solar cells and solar panels, a 25% tariff on Chinese batteries and battery components, and reimposes a tariff on bifacial solar modules. Tariffs on Chinese produced semiconductors will be increased to 50%. The Biden administration also announced measures to crack-down on the transshipment of Chinese solar technologies, components, and products through other southeast Asian economies to avoid these tariffs. The President's economic team also noted they would continue to keep in place

¹ Bloomberg LP as of 5/17/2024

² https://ferc.gov/news-events/news

³ https://www.whitehouse.gov/briefing-room/speeches-remarks/2024/05/16

former President Trump's tariffs enacted on Chinese steel and aluminum. Also included in the announcement were tariffs on Chinese produced syringes and needles, select personal protective equipment and ship-to-shore cranes. Chinese Commerce Ministry officials immediately announced their opposition to these measures and vowed to take reciprocal actions to defend their economic interests. While recent visits by Treasury Secretary Janet Yellen and US Secretary of State Antony Blinken tried to provide advanced notice to the Chinese of the Biden Administration's intentions vis-à-vis trade relations, the move no doubt has further strained US-China relations. These tariff announcements come on the back of legislation that is designed to force the Chinese firm ByteDance to sell its US Tik-Tok subsidiary to US investors in order to limit China's influence on its US users' media and news feed. The direct impact of some of these tariffs in the short-term is likely to be limited and initial estimates indicate the tariffs cover only about \$20 billion worth of Chinese imports—about 4% of total imports from China. In the case of EVs, the US currently imports only a small number of luxury EVs (Lotus Polestar) from China—so there are few EVs actually subject to the tariff but they represent a barrier to future trade. But in other categories, such as solar panels—as with the steel tariffs under Trump—it will raise prices for the tariffed solar components and may allow several US-based manufacturers to expand their production. However, the full economic impact on the US economy may be more complex as solar installations could actually slow or even fall as the price of the finished solar panel installations become more costly. What is more certain is that our relations with China are set to worsen and the nascent recovery in global trade was dealt another setback.

Biden Enacts New Tariffs on Chinese Imports Trump-era Tariffs-New Tariff Rate Implemented 2024 **New Tariff Rate** 100% Modified & Extended Implemented 2025-2026 80% ≈\$20 Billion under Biden ≈\$3 Billion 60% ≈\$280 Billion 40% 20% 0% Littlinnion non El. Lithunnon Elbetteries Respirators Face masts other chitca minerals Med SHINESS Needles Pernanentmagnets Seel & auninium. Seniconductors TUMPERALISE Trumperalist3 Tumperalistaa Bater Patsnon. Eectic vehicles Natural Baphie TUMPERIST solarcells Medicaleoves

CHART OF THE WEEK

Previous Tariff Rate
New Tariff Rate

Source: Clearstead, WhiteHouse.gov, USTR, TaxFoundation.org

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