

Preview of the Week Ahead

Treasury Secretary Bessent announced a 90-day reduction of the tariff rate on most imports from China to 30% from 145%; Chinese retaliatory tariffs on U.S. imports will fall to 10% and China will suspend nontariff retaliation against U.S. businesses and industries. Businesses are likely to ramp up imports of Chinese goods during the 90-day window to hedge against tariff rates potentially rising again. Consumer prices likely rebounded in April after March's mild decline on higher durable goods prices; retailers started passing on the tariffs last month. Producer prices likely rose as well, as futures prices of many commonly used manufacturing inputs rose. The federal government likely posted its first monthly surplus of the current fiscal year in April as Americans paid personal income tax bills. The budget statement will show the impact of DOGE's spending cuts at the end of the government's first 100 days in office. Tariff revenues likely jumped in the month, too. Retail sales likely tumbled in April following a one-off jump in purchases of autos and other big ticket durable goods in March, before the tariff hikes. Industrial production and capacity utilization probably eased as an uncertain outlook and supply chain disruptions snarled production. Mining output likely fell on lower oil prices. Housing data were likely mixed. Consumer sentiment likely edged higher in the University of Michigan's initial survey for May, with inflation expectations receding, as the U.S. partially rolled back tariff increases enacted in April.

The Week in Review

In addition to the China deal, the U.S. reached a trade deal with the U.K. that lowers tariffs on imports of British primary metals and autos; tariffs on most goods imports from the UK will be 10%. The deal opens some incremental access to British markets for U.S. agricultural exporters of beef and ethanol.

As expected, the FOMC held the fed funds target unchanged at a range of 4.25% to 4.50% at its May 7th decision. The Committee noted "uncertainty about the economic outlook has increased further," and thinks the "risks of higher unemployment and higher inflation have risen." At the post-decision press conference, Chair Powell explained that FOMC members feel no rush to change interest rates now, since "There is so much uncertainty about the scale, scope, timing, and the persistence of tariffs."

The U.S. international trade deficit in goods and services widened to an all-time high of \$140.5 billion in March on a \$163.5 record shortfall in the goods trade balance, partially offset by a \$23.0 billion surplus in services. The services trade surplus, however, shrank for a fourth consecutive month and was down 7.8% from a year earlier, mostly due to foreign tourists spending less in the U.S.

The ISM Services PMI rose to 51.6 in April, beating the 50.2 consensus, helped along by a pickup in new orders. Other details of the report were less upbeat: Business activity rose at a slower pace; employment contracted for a second month in a row; and prices paid registered the highest increase since January 2023. Consumer credit rose by \$10.2 billion in March on a \$8.3 billion increase in nonrevolving credit, mostly auto and student loans. Revolving credit, largely credit card loans, rose a more modest \$1.9 billion.

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	Economic Indicator	Prior Release	Consensus Forecast	Comerica Forecast
Mon 12-May	Federal Budget Balance (Apr)	-\$160.5 billion	\$256.0 billion	\$272.0 billion
Tue 13-May	NFIB Small Business Optimism (Apr)	97.4	95.0	95.8
	Consumer Price Index (CPI, Apr)	-0.1% M/M 2.4% Y/Y	0.3% M/M 2.4% Y/Y	0.4% M/M 2.5% Y/Y
	Core CPI Excluding Food and Energy (Apr)	0.1% M/M 2.8% Y/Y	0.3% M/M 2.8% Y/Y	0.3% M/M 2.8% Y/Y
Wed 14-May	No market-moving economic releases	-	-	-
Thu 15-May	Retail Sales (Apr)	1.4% M/M	0.1% M/M	-0.4% M/M
	Core Retail Sales Excluding Auto and Gas (Apr)	0.9% M/M	0.3% M/M	-0.2% M/M
	Producer Price Index - Final Demand (PPI, Apr)	-0.4% M/M 2.7% Y/Y	0.2% M/M 2.5% Y/Y	0.3% M/M 2.6% Y/Y
	Core PPI Excluding Food & Energy (Apr)	-0.1% M/M 3.3% Y/Y	0.2% M/M 3.1% Y/Y	0.3% M/M 3.1% Y/Y
	Industrial Production (Apr)	-0.3% M/M	0.2% M/M	-0.2% M/M
	Capacity Utilization (Apr)	77.8%	77.9%	77.6%
	NAHB Housing Market Index (May)	40.0	40.0	38.0
	Initial Jobless Claims (Week of 5/10)	227,000	230,000	225,000
Fri 16-May	Continuing Jobless Claims (Week of 5/3)	1,879,000	1,890,000	1,885,000
	Building Permits (Apr Preliminary)	1.467 million 0.5% M/M	1.450 million 0.0% M/M	1.480 million 0.9% M/M
	Housing Starts (Apr)	1.324 million -11.4% M/M	1.368 million 3.3% M/M	1.300 million -1.8% M/M
	Michigan Consumer Sentiment (May Prelim.)	52.2	53.3	54.0
	Mich. 1-Yr Inflation Expectations (May Prelim.)	6.5%	-	6.2%
	Mich. 5-10 Yr Inflation Expect. (May Prelim.)	4.4%	-	4.2%

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