

MASHREQ GLOBAL DIGEST

US

May 25 – May 31



This edition of Market Digest focuses on US's key macroeconomic indicators alongside recent financial and corporate news, providing valuable insights into current economic trends.

Macroeconomic News

US GDP Shrinks 0.2% in Q1 Amid Tariffs and Inflation

The US economy shrank by an annualized 0.2% in the first quarter of 2025, marking its first contraction since 2022. The decline was driven by a surge in imports, as companies rushed to buy foreign goods ahead of Donald Trump's new tariffs, but this was not matched by growth in consumer spending or inventories. Spending slowed, particularly in services and housing, as Americans faced high inflation—over 25% since 2019—and growing uncertainty from the trade war. The IMF has cut its US growth forecast for the year to 1.8%.

Reference: [Financial Times](#)



Fed Warns of Inflation and Job Risks, Holds Rates Steady



At its May meeting, the Federal Reserve held interest rates steady at 4.25% to 4.5% while warning of rising risks to both inflation and employment. The unemployment rate was 4.2% in April, below the Fed's long-term sustainable level of 4.6%, but staff projected it could rise above that by the end of the year and stay elevated for two years. Inflation remains above the 2% target, partly due to tariff impacts. With Trump's tariffs paused but still uncertain, the Fed chose a cautious approach amid market volatility and recession concerns, and in March, policymakers anticipated two quarter-point rate cuts by the end of 2025.

Reference: [Reuters](#)

Jobless Claims Hit 5-Week High, But Layoffs Remain Low

U.S. jobless claims rose to a five-week high of 240,000, but the increase is largely due to seasonal factors like school closings and the Memorial Day holiday, not a rise in layoffs. Businesses are still holding on to workers despite ongoing trade tensions and the highest tariff levels since World War II. While hiring is slower and it's taking longer for unemployed individuals to find new jobs—reflected in a steady rise in continuing claims to 1.92 million—there is no significant sign of widespread job cuts. A recent court ruling limiting some Trump-era tariffs has offered businesses a bit of relief.

Reference: [Market Watch](#)



US-China Trade Talks Slow Down



According to the US Treasury Secretary Scott Bessent, trade talks between the US and China have slowed down since their agreement in Geneva to reduce some tariffs temporarily. He said a call between Presidents Trump and Xi might help restart talks because these issues are very important. Despite the agreement, the US has tightened restrictions on selling advanced technology like AI chips and semiconductor software to China, indicating both countries may be preparing for a long and complex trade conflict. Meanwhile, President Trump has publicly accused China of violating the Geneva agreement, escalating tensions and casting doubt on the future of the trade negotiations.

The Cost of Losing International Students

Reference: [Financial Times](#), [BBC](#)

International students contributed nearly \$44 billion and supported over 378,000 jobs in the U.S. economy during the 2023-2024 school year by spending on tuition, housing, and local businesses. The Trump administration's pause on new student visas threatens this impact, risking losses for universities, local real estate markets, restaurants, and other businesses that rely on student spending. Experts also warn of long-term effects, including fewer international entrepreneurs and harm to the U.S.'s reputation as a top destination for global talent. At the same time, The U.S. Supreme Court recently allowed the Trump administration to end temporary legal protections for many migrants but stressed the need for due process, requiring fair notice and hearings before deportation.

Reference: [Washington Post](#), [Reuters](#)



Tourism Revenue Expected to Drop by \$8.5 Billion

According to Oxford Economics, international visitor spending in the U.S. will fall by \$8.5 billion this year because fewer tourists are coming, partly due to negative views on U.S. trade and immigration policies. The U.S. Travel Association estimates the total loss in travel-related revenue could be \$21 billion, which includes spending on hotels, restaurants, and transportation. The stronger dollar and worries about the global economy also make visiting the U.S. more expensive and less attractive.

Reference: [CNBC](#)

US Consumer Confidence Rises in May Despite Tariff Concerns

US consumer confidence improved in May after five months of decline, thanks in part to a temporary easing of trade tensions with China. The Conference Board's index rose to 98.0, far above expectations. While the improvement began before the May 12 trade deal, confidence grew stronger afterward. Still, many consumers remain concerned about tariffs and their impact on prices and the broader economy.

Reference: [Reuters](#)

Rise every day

Financial/Corporate News

Tariff Uncertainty Weighs on S&P 500 Outlook



Amid growing fears over Donald Trump’s tariff policies, analysts now expect the S&P 500 to end 2025 near current levels, according to a Reuters poll. The index’s year-end target has been cut to 5,900 from 6,500 in February, reflecting market jitters after Trump’s sweeping tariff threats. Earnings growth is forecast to slow to 8.4% in 2025, down from earlier 14% estimates. Although tech stocks have struggled this year, some strategists remain optimistic, viewing dips as buying opportunities. Others favor sectors like energy, financials, and communication services. Overall, market volatility is expected to persist due to the unpredictable trade and fiscal policy environment.

Reference: [Reuters](#)

Trump's Tariffs Cost Firms \$34B+ and Rising

Trump’s trade war has already cost global companies over \$34 billion in lost sales and higher costs, based on disclosures from 32 S&P 500, 3 STOXX 600, and 21 Nikkei 225 firms — a figure economists say could easily double or triple. At least 42 companies have slashed profit forecasts, while 16 withdrew them entirely due to rising uncertainty. Tariffs are hitting sectors like automakers, airlines, and consumer goods hardest, raising input costs and paralyzing decision-making. This uncertainty contributed to a sharp \$118 billion drop in U.S. corporate profits in the first quarter of 2025, following a \$205 billion gain in the previous quarter. Despite some easing of tensions, the unpredictability is forcing firms to raise prices, shift supply chains, and cut spending — deepening the global economic strain.

Reference: [Reuters](#), [Reuters](#)

US Banks Cautiously Enter Crypto Space Amid Easing Regulations

Major US banks are slowly exploring cryptocurrency ventures as regulatory attitudes begin to shift under the Trump administration. Institutions like Charles Schwab and Bank of America are planning limited crypto offerings, including stablecoins and custody services, while JPMorgan remains skeptical due to concerns over money laundering and systemic risk. Banks are launching pilot programs and partnerships but remain hesitant to scale until clear, consistent guidelines are established across regulatory bodies. The cautious approach reflects both the promise of digital assets and the need for regulatory clarity before deeper involvement.

Reference: [Economic Times](#)

Elon Musk Leaves His White House Post, Refocuses on Business

Elon Musk has left his role as a special government employee in the Trump administration after a difficult stint trying to cut federal spending, falling short of his \$2 trillion savings goal and facing criticism for costly agency closures and firings. He often clashed with former President Trump on budgets and tariffs and was frustrated by the slow federal bureaucracy. While Musk will continue advising Trump informally, his time in government hurt his public image and Tesla’s stock, prompting him to shift focus back to the private sector.

Reference: [NBC News](#)

Markets

Market Dashboard

- The S&P 500 ended the week higher and posted a strong 6.2% gain for May—its best monthly performance since November 2023—bringing it to less than 4% below its February record high. The Nasdaq also jumped 9.6% for the month. Market sentiment was shaped by easing tariff tensions from Trump, solid earnings, and moderate inflation, but volatility remained due to ongoing legal battles over tariffs. Investors are now focused on the upcoming May jobs report, expected to show slower growth, and a major tax-and-spending bill that could increase the national debt by \$3.8 trillion. The market’s next moves will likely hinge on economic data and policy decisions in the weeks ahead.
- Bitcoin ended Friday, May 30, 2025, at \$103,998.57, down over 2% for the day and about 6.8% below its all-time high set on May 22. The crypto market saw heavy selling pressure, with \$841 million in liquidations—mostly long positions—wiping out gains across Bitcoin and major altcoins like Ethereum, XRP, and Solana. Despite higher trading volumes, the market remains volatile and uncertain as traders adjust to this sharp pullback.
- Gold prices slipped recently despite softer-than-expected U.S. inflation data, which raised hopes for an interest rate cut by the Federal Reserve later this year. The U.S. dollar gained slightly, making gold more expensive for buyers using other currencies, which weighed on prices. Meanwhile, ongoing uncertainty around tariffs adds complexity, but hasn’t pushed gold higher this time. Physical gold demand in India has also cooled as prices rise and the wedding season winds down. Overall, gold is in a cautious consolidation phase as investors balance these mixed factors.
- Oil prices fell as traders anticipate that OPEC+ will approve a larger-than-expected increase in oil output for July, adding to a global supply surplus of 2.2 million barrels per day. Additional pressure came from renewed U.S. tariffs on Chinese imports following a court ruling, which increased trade uncertainty.
- The dollar was mixed, slipping slightly against the euro and yen, but still headed for a small monthly gain against the yen. Trade tariff uncertainty and easing inflation influenced markets.

Indicators	23-May-25	30-May-25	% Change
S&P 500	5,802.82	5,911.69	1.88%
Bitcoin	107,287.80	103,998.57	-3.07%
Gold	3,357.42	3,289.40	-2.03%
Crude Oil	64.78	62.69	-3.23%
EUR/USD	1.1282	1.1351	0.61%