

US Market: Promising Signs or Cautious Optimism?

EQUITY STRATEGY TEAM

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TRADING MATTERS SERIES: NEWS FOCUS

*The summary and impact of
a major news event*

A significant portion of this year's declines was contributed by President Donald Trump's global trade tariff announcement on 2 April 2025.¹ The markets responded dramatically to this news, leading to a broad-based sell-off that affected all sectors of the US market.¹ The move has stirred shack-up of confidence in the American economy.¹ Stock prices plummeted, bond yields increased, and the dollar weakened against other currencies.¹ Major US and global indices witnessed huge price volatilities swing, with both bullish and bearish movements occurring within the brief timeframe of April.²



Source: Bloomberg, 26 May 2025

Further upside?

US equities have rebounded from their 2025 lows, but achieving a V-shaped economic recovery³ may require significant monetary stimulus. Historical examples, such as the V-shaped economic recoveries following the 2008 financial crisis and the 2020 COVID-19 pandemic, illustrate the importance of robust economic measures. In response to the 2008 crisis, the American Recovery and Reinvestment Act (ARRA) was implemented, a US\$787 billion spending package that played a crucial role in revitalising the economy.⁴ Similarly, approximately US\$4.6 trillion in total budgetary resources has been allocated in response to the COVID-19 pandemic.⁵ While lowering interest rates may provide some stimulus this time around, existing trade tariffs pose a significant challenge. Tariffs raise costs for consumers and businesses, potentially hindering economic growth.⁷ As such, the likelihood of a V-shaped economic recovery appears challenging.³

Further downside?

The US market needs conviction and positive catalysts to sustain its multi-years upward momentum. However, challenges persist, as earnings are expected to fall short of expectations, growth is likely to weaken, and interest rates remain elevated.⁷ Anticipated earnings are projected to disappoint compared to earlier forecasts, reflecting a cyclical slowdown that began prior to the escalation of tariff disputes.⁸ Recent data reveals that US GDP contracted by 0.3% in the first quarter of 2025, missing market expectations of 0.4% growth and marking the first quarter of negative GDP growth since 2022.⁹ Additionally, Moody's downgraded the US credit rating from Aaa to Aa1 on 16 May 2025, following similar actions by Fitch Ratings and S&P Global Ratings, placing the world's largest economy below the coveted triple-A status.¹⁰ Currently, the markets are absorbing these negative developments with relative resilience. Therefore, unless a recession occurs, the likelihood of downward pressure remains low.^{11, 12}

Consolidation?

After reaching an initial low in April, the S&P 500 has rebounded by 23.44% and is on the verge to retest the psychological resistance level of 6,100. The volatility index continues to trend downward, suggesting that the markets are comfortable with the current level of risk. In the foreseeable near term, the most probable scenario involves a phase of short-term consolidation, during which US market are likely to trade within a tight range following the recent rally. This behaviour is reminiscent of the market dynamics observed during the Asian Financial Crisis in 1998 and the European Debt Crisis in 2011.



United States

Below are stocks based on market capitalisation

Markets remain more focused on evolving tariff news as they update economic growth and inflation expectations based on anticipated tariff levels. Recent market performance reflects falling recession odds and pressure on earnings growth.^{11, 12} Traders should continue to keep a close watch over US economic data in the coming weeks and months, especially labour market and inflation data. Moreover, traders should continue to stay invested through a diversified portfolio and manage risk through a dollar-cost averaging strategy.

Ticker	Name	Market Cap [USD]	Price [USD]	Analysts' Consensus 12M Target Price [USD]	Potential returns from Analyst Consensus	Dividend Yield
S&P 500 index stocks based on market capitalisation						
MSFT US	MICROSOFT CORP	3.35T	450.18	512.15	13.77%	0.74%
NVDA US	NVIDIA CORP	3.20T	131.29	161.78	23.23%	0.03%
AAPL US	APPLE INC	2.92T	195.27	227.36	16.43%	0.53%
AMZN US	AMAZON.COM INC	2.13T	200.99	238.36	18.59%	N/A
GOOGL US	ALPHABET INC-CL A	2.05T	168.47	200.93	19.27%	0.50%
META US	META PLATFORMS INC-CLASS A	1.58T	627.06	697.22	11.19%	0.33%
TSLA US	TESLA INC	1.09T	339.34	295.71	-12.86%	N/A
BRK/B US	BERKSHIRE HATHAWAY INC-CL B	1.09T	503.46	530.60	5.39%	N/A
AVGO US	BROADCOM INC	1.08T	228.72	240.87	5.31%	1.03%
WMT US	WALMART INC	770.81B	96.34	108.88	13.01%	0.98%
JPM US	JPMORGAN CHASE & CO	724.54B	260.71	265.20	1.72%	2.15%
V US	VISA INC-CLASS A SHARES	700.76B	353.54	383.59	8.50%	0.67%
LLY US	ELI LILLY & CO	676.41B	713.71	965.18	35.23%	0.84%
MA US	MASTERCARD INC - A	511.76B	563.58	623.85	10.69%	0.54%
NFLX US	NETFLIX INC	504.47B	1185.39	1142.48	-3.62%	N/A
COST US	COSTCO WHOLESALE CORP	447.45B	1008.50	1058.50	4.96%	0.52%
XOM US	EXXON MOBIL CORP	444.02B	103.03	122.77	19.16%	3.84%
ORCL US	ORACLE CORP	437.38B	155.97	179.37	15.00%	1.28%
PG US	PROCTER & GAMBLE CO/THE	388.87B	165.86	173.60	4.67%	2.55%
JNJ US	JOHNSON & JOHNSON	367.98B	152.94	171.71	12.27%	3.40%
HD US	HOME DEPOT INC	360.51B	362.71	415.85	14.65%	2.54%
BAC US	BANK OF AMERICA CORP	325.38B	43.20	48.70	12.72%	2.41%
ABBV US	ABBVIE INC	323.71B	183.26	213.39	16.44%	3.58%
KO US	COCA-COLA CO/THE	308.92B	71.77	79.32	10.52%	2.84%
PLTR US	PALANTIR TECHNOLOGIES INC-A	291.00B	123.31	103.20	-16.31%	N/A
PM US	PHILIP MORRIS INTERNATIONAL	277.36B	178.19	179.08	0.50%	3.03%
TMUS US	T-MOBILE US INC	275.78B	242.88	269.95	11.14%	1.45%
UNH US	UNITEDHEALTH GROUP INC	268.12B	295.57	376.00	27.21%	2.84%
CRM US	SALESFORCE INC	262.06B	273.13	364.22	33.35%	0.61%
CSCO US	CISCO SYSTEMS INC	249.92B	63.11	70.81	12.20%	2.60%
GE US	GENERAL ELECTRIC	248.24B	232.79	231.11	-0.72%	0.62%
IBM US	INTL BUSINESS MACHINES CORP	240.37B	258.63	250.59	-3.11%	2.60%
CVX US	CHEVRON CORP	238.45B	136.54	160.96	17.89%	5.01%
WFC US	WELLS FARGO & CO	237.00B	72.83	77.68	6.66%	2.20%
ABT US	ABBOTT LABORATORIES	228.44B	131.30	141.76	7.97%	1.80%
MCD US	MCDONALD'S CORP	224.93B	314.57	335.53	6.66%	2.25%
LIN US	LINDE PLC	216.02B	458.90	496.19	8.13%	1.31%
NOW US	SERVICENOW INC	207.90B	1004.37	1083.21	7.85%	N/A
MS US	MORGAN STANLEY	202.26B	126.07	124.65	-1.12%	2.93%
INTU US	INTUIT INC	200.88B	720.13	784.10	8.88%	0.58%

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