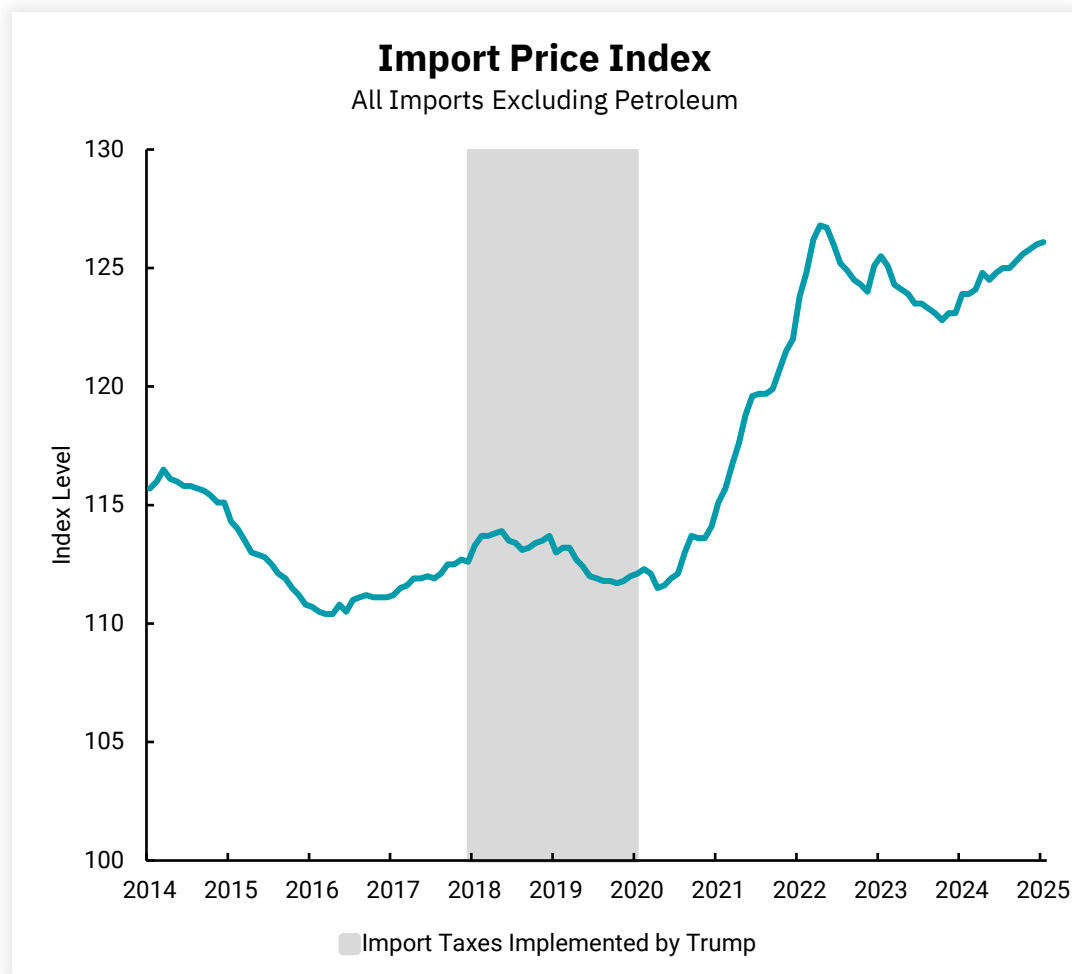


# Weekly market update

## Chart of the week (Feb. 14, 2025)



I know, yet another chart on inflation...and tariffs. These topics are being discussed, and cussed, everywhere. It seems we get additional news stories on tariffs every day. For an economic tool that is not new and in use by many of our trading partners, it is still unclear what the ultimate impact of President Trump's actions on trade policy will be.

This week we got measures of inflation at the retail level, [Consumer Price Index \(CPI\)](#), and the wholesale level, [Producer Price Index \(PPI\)](#). Then, on Friday, we got the monthly reading on [import prices](#). Import prices, like CPI and PPI, are reported monthly but generally are not followed as closely as the domestic measures of inflation, including the Federal Reserve's preferred measure, the [Personal Consumption Expenditures Price Index \(PCE\)](#). However, with the blizzard of tariff announcements and, apparently, a fundamental difference in strategy around tariffs, we will be watching the level of import prices more closely. Looking backwards, the increasing level of economic globalization led to lower inflation in the U.S. as import prices were flat or even declining. We can see this in the pre-2018 period on the chart. The ability of producers to seek out low-cost areas of production meant overall product prices were a source of disinflation.

The gray bar on the chart indicates when additional tariffs were levied during President Trump's first term. There was some run-up going into the tariff announcements, but we can see that post-imposition, overall import prices (excluding petroleum) were flat to down slightly. The chart also shows the massive increase in import prices as overall inflation increased, but just as importantly, this was the impact of the tangled supply chain issues. The pandemic laid bare the risk of having material parts of our production overseas, as import price inflation exceeded that of domestic inflation.

This administration's trade policy actions are at least partly an effort to lessen or mitigate this risk going forward. However, in doing so, we risk higher prices and lower production levels, as it will take time to move production and construct new facilities. Furthermore, as we think about our domestic labor force, unemployment is already at a low 4%, with some risks from immigration policy reducing the size of our labor force.

It may be that the rhetoric around tariffs is more of a negotiating tool than a policy to be implemented. Still, the uncertainty caused during the process will keep us keenly focused on measures like import prices along with domestic measures of inflation.

# Weekly market update



## Commentary (Feb. 14, 2025)

### Domestic Equities

- The S&P 500 Index reached a new all-time high on Friday despite reports of rising inflation and disappointing retail sales. Trump's decision to stop short of immediately imposing new tariffs and hopes of a resolution to the Ukraine war helped lift stocks at the end of the week.
- Earnings reports continue to come in strong for 2024. Guidance for 2025 and beyond has, on average, been below expectations, and forward estimates have come down slightly but remain on pace for double-digit growth across the S&P 1500 Index.
- The Nasdaq Composite Index outperformed this week, boosted by strong earnings reports. Airbnb swung to a profit in the fourth quarter with revenue that topped expectations. Other Nasdaq holdings—including Coca-Cola, Gilead Sciences, Marriott International, Biogen and Cisco Systems—all had solid earnings beats this week.

### Bonds

- U.S. Treasury yields initially moved higher on a hotter-than-expected CPI print for January but moved lower by the end of the week on softer economic data and the delay in reciprocal tariffs.
- The broad investment-grade market was positive for the week, with shorter-term and lower-quality credit leading the market higher.
- Municipal bonds lagged U.S. Treasuries, with investors assessing the potential for tax code changes at the year's end. The Department of Government Efficiencies' (DOGE) push to cancel federal leases has already negatively affected municipal bonds backed by U.S. government payments over concerns that contracts won't be renewed.
- Inflation expectations made new highs this week, with the two-year U.S. breakeven inflation rate reaching its highest level since March 2023.
- Global bonds outperformed domestic markets as tariff delays sent the U.S. dollar lower.

### International Equities

- Global investors looked past some trade policy volatility to send stock markets higher. Investors continue to grapple with the economic outlook after the U.S. administration announced plans for reciprocal tariffs.
- Developed markets continued to advance as nearly every market and region moved higher. European stocks reacted positively to corporate earnings news and the prospect of a peace deal to end the war in Ukraine. After consultations with Ukrainian and Russian government officials, the U.S. administration announced the beginning of the peace process to end the war.
- Emerging markets continued to climb higher, led by gains in markets across Latin America, Asia and Eastern Europe. India's consumer price inflation rose a lower-than-expected 4.3% over the last year to reach a five-month low in January. This outcome reinforced expectations that the Reserve Bank of India will reduce interest rates further.

### Economics

- Investors heard from Fed Chair Jerome Powell twice during the week. On Tuesday, Powell noted that the economy remained strong and that the Fed was not in a hurry to lower interest rates. On Wednesday, following the CPI release, Chairman Powell stated that while "we have made great progress [on bringing down inflation], we are not there yet."
- Wednesday's CPI report showed that year-over-year inflation increased to 3.0%. This was slightly higher than last month's reading and the consensus estimate of 2.9%. Core CPI, excluding food and energy, increased 3.3% over the same timeframe. The CPI rose by 0.5% for the month, which was the largest monthly increase since August 2023. Investors and the Fed will continue to monitor the path of inflation, especially as Washington considers possible tariffs.
- On Wednesday, the Fed will meet for its February meeting, where we will learn more about the path of interest rates.

## Weekly Market Update

For Week Ending February 14, 2025

### Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
<b>Capital Markets</b>				
Dow Jones Industrial Avg	44,546.08	0.6%	4.9%	18.1%
S&P 500 Index	6,114.63	1.5%	4.1%	23.9%
NASDAQ Composite	20,026.77	2.6%	3.8%	27.2%
S&P 400 Midcap Index	3,198.61	-0.2%	2.6%	15.8%
S&P 600 Smallcap Index	1,429.84	-0.1%	1.7%	12.8%
MSCI EAFE	8,752.67	2.7%	8.3%	13.4%
MSCI Emerging Markets	601.39	1.5%	4.8%	15.4%
Bloomberg US Agg	2,213.44	0.2%	1.1%	4.4%
Bloomberg Municipal 5 Yr	499.02	-0.1%	0.9%	2.6%
Bloomberg US Corporate	3,331.44	0.3%	1.3%	5.5%
Bloomberg Glb Agg ex US Hdq	595.52	-0.2%	0.4%	6.2%
Bloomberg High Yield	2,726.80	0.3%	1.6%	10.2%
MSCI US REIT Index	2,367.08	0.3%	2.5%	15.5%
Bloomberg Commodity Index	257.18	1.7%	7.8%	16.6%

### Key Rates

	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	4.50%	4.50%	4.50%	5.50%
3-Month Treasury	4.31%	4.33%	4.31%	5.38%
1-Year Treasury	4.21%	4.22%	4.14%	4.93%
2-Year Treasury	4.26%	4.29%	4.24%	4.58%
5-Year Treasury	4.33%	4.35%	4.38%	4.24%
7-Year Treasury	4.40%	4.42%	4.48%	4.26%
10-Year Treasury	4.48%	4.49%	4.57%	4.26%
30-Year Treasury	4.70%	4.69%	4.78%	4.43%

### Consumer Rates

30-Year Mortgage	6.93%	6.94%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.33%	4.35%	4.49%	5.30%

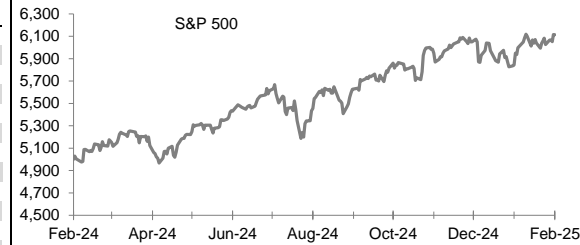
### Commodities

Gold (spot)	2,882.53	2,861.07	2,624.50	1,992.33
Crude Oil WTI	70.74	71.00	71.72	76.64
Gasoline	3.16	3.14	3.06	3.28
Natural Gas	3.73	3.31	3.63	1.61
Copper	4.66	4.59	4.03	3.70

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
<b>Index Characteristics</b>				
Dow Jones Industrial Avg	20.74	23.46	5.88	1.63
S&P 500	22.33	25.80	5.31	1.25
S&P 500 Value	18.38	18.42	2.89	1.96
S&P 500 Growth	27.81	35.53	12.33	0.62
NASDAQ	28.29	38.42	7.36	0.64
S&P Midcap 400	16.64	17.89	2.63	1.60
S&P Smallcap 600	16.31	17.65	1.92	2.02
MSCI EAFE	14.94	14.78	1.90	3.00
MSCI Emerging Markets	12.17	14.08	1.75	2.69

Source: Bloomberg

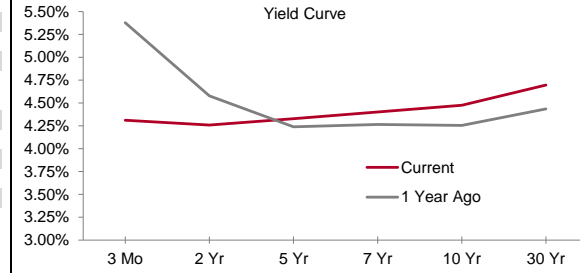
### Equity Style



1 Month*			Year to Date*			
	Value	Core	Growth	Value	Core	Growth
Large	3.36	4.76	6.07	3.08	4.11	5.07
Mid	1.40	1.26	1.13	2.53	2.60	2.68
Small	0.96	1.67	2.33	0.35	1.66	2.91

\*S&P Indices

### Fixed Income Style



1 Month*			Year to Date*			
	Short	Interm.	Long	Short	Interm.	Long
Govt	0.58	1.24	4.82	0.51	0.72	2.10
Corp	0.72	1.71	4.26	0.68	1.01	1.81
HY	1.18	1.65	2.13	1.47	1.63	1.70

1-3 Yrs 1-10 Yrs +10 Yrs

### Economic Data

	Last Release	Year Ago
<b>Inflation</b>		
CPI Headline Inflation	3.0%	3.1%
CPI Core Inflation	3.3%	3.9%
Personal Consumption Exp (PCE) Core	2.8%	3.0%

### Jobs

Unemployment Rate (U3)	4.0%	3.7%
Broader Unemployment Rate (U6)	7.5%	7.2%
JOLT Survey (in millions)	7.60	8.89
Jobless Claims (000's)	213	211
Change in Non-Farm Payroll (000's)	143	119
Average Hourly Earnings (Y/Y % Change)	4.1%	4.3%

### Consumer & Spending

Consumer Confidence (Conf Board)	104.1	110.9
Consumer Spending (\$ Bil)	20,387	19,290
Consumer Credit (\$ Bil)	5,146	5,024
Retail Sales (\$ Bil)	724	695

### Housing

Housing Starts (000's)	1,499	1,568
Case-Shiller Home Price Index	323.91	312.20

### U.S. Productivity

Real Gross Domestic Product (\$ Bil)	23,531	22,961
Quarter over Quarter Change	2.3%	3.2%
Year Over Year Change	2.5%	3.2%
ISM Manufacturing	50.90	48.90
Capacity Utilization	77.77	77.19
Markit US Composite PMI	52.70	52.00

### U.S. General

Leading Economic Indicators	101.6	104.7
Trade Weighted Dollar Index	128.6	121.3
EUR / USD	1.05	1.07
JPY / USD	152.31	150.58
CAD / USD	0.71	0.74
AUD / USD	0.64	0.65

### S&P 500 Sector Returns

	1 Month	YTD
Communication Services	9.58%	8.92%
Financials	7.33%	7.22%
Materials	4.23%	6.86%
Consumer Staples	7.93%	5.50%
Health Care	3.39%	5.33%
Energy	-1.27%	4.82%
Utilities	4.50%	4.49%
Industrials	2.32%	4.41%
Real Estate	5.11%	3.39%
Information Technology	4.40%	1.62%
Consumer Discretionary	2.08%	0.98%

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