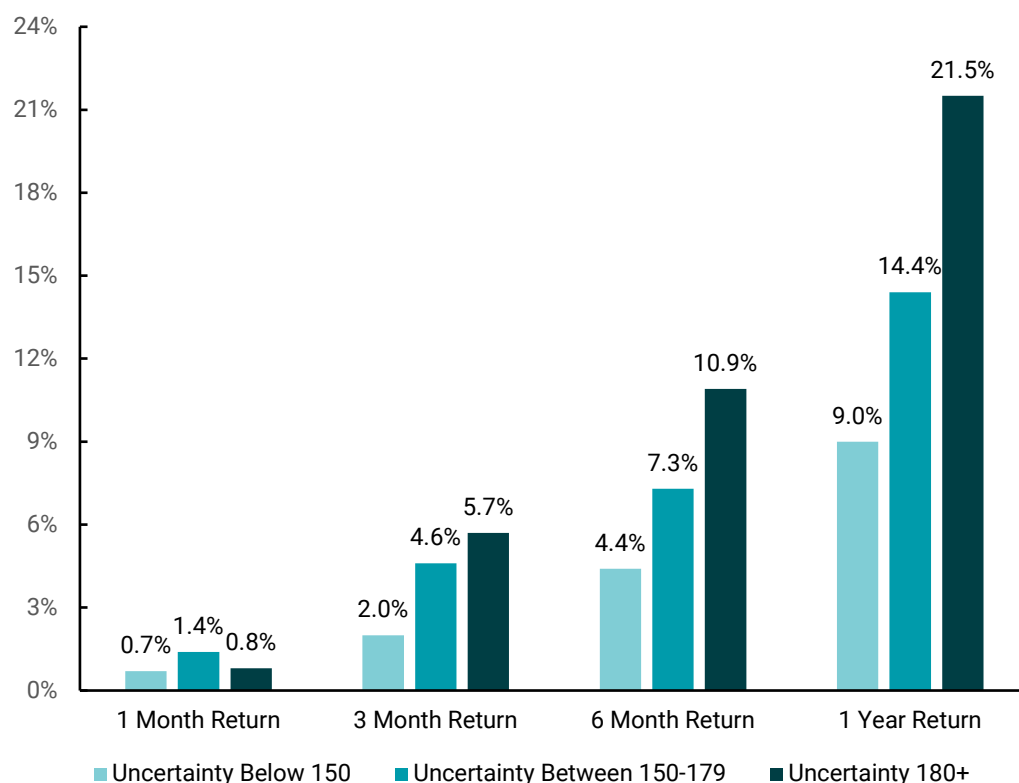


Weekly market update

Chart of the week (Mar. 14, 2025)



**Average S&P 500 Returns
Following Spikes in U.S. Policy Uncertainty**
(1985-Feb. 2025, Monthly)



It's one thing to know that the stock market can be --and is-- volatile. It's another thing to be able to stay calm and use periods like this as opportunities for future growth as opposed to selling. One can never know for certain when periods of volatility will end, and the reasons for volatility always seem worse than past periods from which we have recovered.

Our most recent Weekly Market Update was a chart of our [current level of policy uncertainty](#), which showed levels are now higher than at any time since the worst of the pandemic. Even worse than during the depths of the Financial Crisis. Put into numbers, our current reading sits at 233. And why not? Daily headlines on tariffs and their potential impact on growth and inflation, but also policy changes around immigration, regulatory and energy policy, and the growing threat of a government shutdown all combine to create an environment where clarity is sorely lacking. Within this environment, sellers of stocks become more motivated than buyers, resulting in falling prices. And when business owners and consumers do nothing, economic activity slows. Not a good combination.

Yet, we also know periods like this pass, so we wanted to provide a chart showing the forward returns from past periods of policy uncertainty. This week's chart shows returns for one month ahead, three months ahead, six months ahead and 12 months ahead when the uncertainty index is below 150, between 150 and 179, and above 180. We would note that one-month forward returns are a bit mixed, although still positive, as the highest levels of policy uncertainty had lower returns than 150-179 and about equal to below 150. This might reflect the fact that higher levels of policy uncertainty can take a bit longer to resolve themselves.

However, look at what happens as we move further out from the uncertainty period. Forward returns begin to show materially higher levels for investors willing to buy during high levels of policy uncertainty. As always, past performance is no guarantee of future returns, but this is a reminder that equity price declines triggered by an increase in policy uncertainty have historically resolved themselves and rewarded investors.

One could reasonably look at the [current period of policy uncertainty](#) and think it might last a bit longer based on the number of policies in a state of change. One could also reasonably look at the speed at which we are moving on several policy fronts and conclude the risk of a mistake is high. One might even consider current actions and raise the possibility of a recession. Yet, history would also indicate we should consider the possibility of opportunities for the longer term. We remain more optimistic than pessimistic.

Weekly market update



Commentary (Mar. 14, 2025)

Domestic Equities

- U.S. stocks saw some relief Friday after three weeks of decline that took major indices into correction territory. The S&P 500 Index fell 10% from Feb. 19 to intraday Thursday. Small-caps and growth stocks underperformed during this time, while value stocks outperformed, but also saw losses.
- The rally came on the heels of Democrats taking the threat of a government shutdown off the table by agreeing to advance a Republican measure to fund the government through the end of the year.
- Friday morning, the University of Michigan's closely watched consumer sentiment index fell sharply from last month to its lowest level since 2022, with consumers citing high uncertainty around government policies and other economic factors such as inflation and high interest rates.

Bonds

- U.S Treasury yields were marginally higher for the week over concerns that tariffs will be inflationary.
- Credit spreads continued to widen, with the Option-Adjusted Spread (OAS) on the Bloomberg US Corporate High Yield Index briefly breaking above the September wides.
- Short-term U.S. Treasury breakevens were essentially unchanged for the week despite softer CPI and PPI data..
- Municipal bonds continue to lag U.S. Treasuries, especially at the long end, with a flood of new supply hitting the market as municipalities rush to bring new deals to market ahead of potential policy changes. So far this year, around \$100 billion in new issuance has come to market, which is about 27% higher than this time last year.
- Internationally, the Bank of Canada cut its main policy rate by 0.25% to 2.75%, down 2.25% from the 2024 highs.

International Equities

- Foreign stock markets are on a roller-coaster ride amid uncertainty around the U.S. administration's tariff policies. Tariffs on steel and aluminum imports began Wednesday, triggering multiple retaliatory tariff threats from U.S. trade partners.
- Developed markets fell, led by weakness across European markets, as trade tensions continued to build. In economic news, the Bank of Canada cut its policy rate by 0.25% to help offset the damage from the U.S.-Canada trade conflict. Japan's gross domestic product (GDP) grew by 2.2% over the last year, higher than the 1.2% rise in the third quarter.
- Emerging markets relinquished some of last week's gains as weakness across Asian markets sent the index lower. Chinese stocks rallied on Friday amid renewed optimism that policymakers will announce new initiatives to boost consumer spending after the government set an ambitious economic growth target of 5% for this year.

Economics

- On Wednesday, year-over-year CPI came in at 2.8%. This was below consensus estimates of 2.9% and below last month's reading of 3.0%. Core CPI, which excludes food and energy, also came in lower than expected, at 3.1%. The better-than-expected reading signaled that the Federal Reserve could possibly resume its interest rate cuts later this year.
- On Thursday, jobless claims also came in slightly lower than anticipated at 220,000, below estimates of 230,000 and last week's revised reading of 222,000.
- The Federal Reserve will conclude its March meeting on Wednesday, March 19, and announce its decision on interest rates. Although the recent CPI report is encouraging, the Fed has expressed concern about increasing inflation following the implementation of tariffs.

Weekly Market Update

For Week Ending March 14, 2025

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	41,488.19	-3.0%	-2.1%	8.5%
S&P 500 Index	5,638.94	-2.2%	-3.9%	10.9%
NASDAQ Composite	17,754.09	-2.4%	-7.9%	10.9%
S&P 400 Midcap Index	2,927.15	-1.9%	-5.9%	1.5%
S&P 600 Smallcap Index	1,279.85	-2.6%	-8.8%	1.6%
MSCI EAFE	8,841.89	-1.1%	9.4%	8.4%
MSCI Emerging Markets	599.46	-0.7%	4.5%	9.3%
Bloomberg US Agg	2,234.58	-0.1%	2.1%	5.1%
Bloomberg Municipal 5 Yr	499.74	-0.3%	1.0%	2.3%
Bloomberg US Corporate	3,343.99	-0.3%	1.7%	5.3%
Bloomberg Glb Agg ex US Hdg	588.07	-0.2%	-0.8%	4.2%
Bloomberg High Yield	2,712.14	-0.7%	1.1%	8.4%
MSCI US REIT Index	2,299.07	-2.9%	-0.5%	10.0%
Bloomberg Commodity Index	255.66	0.2%	7.1%	11.2%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	4.50%	4.50%	4.50%	5.50%
3-Month Treasury	4.29%	4.30%	4.31%	5.39%
1-Year Treasury	4.07%	4.04%	4.14%	5.06%
2-Year Treasury	4.02%	4.00%	4.24%	4.69%
5-Year Treasury	4.09%	4.09%	4.38%	4.29%
7-Year Treasury	4.20%	4.20%	4.48%	4.30%
10-Year Treasury	4.31%	4.30%	4.57%	4.29%
30-Year Treasury	4.62%	4.60%	4.78%	4.43%

Consumer Rates				
30-Year Mortgage	6.71%	6.70%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.30%	4.34%	4.49%	5.31%

Commodities				
Gold (spot)	2,984.16	2,909.10	2,624.50	2,162.19
Crude Oil WTI	67.18	67.04	71.72	81.26
Gasoline	3.08	3.10	3.06	3.44
Natural Gas	4.10	4.40	3.63	1.74
Copper	4.87	4.68	4.03	4.04

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	19.30	20.88	5.33	1.75
S&P 500	20.46	22.90	4.84	1.45
S&P 500 Value	17.20	18.79	3.26	2.20
S&P 500 Growth	23.86	27.74	8.61	0.77
NASDAQ	25.18	30.88	6.39	0.82
S&P Midcap 400	15.13	16.29	2.40	1.87
S&P Smallcap 600	14.48	15.07	1.71	2.63
MSCI EAFE	14.50	15.80	2.00	3.24
MSCI Emerging Markets	12.03	13.93	1.74	2.63

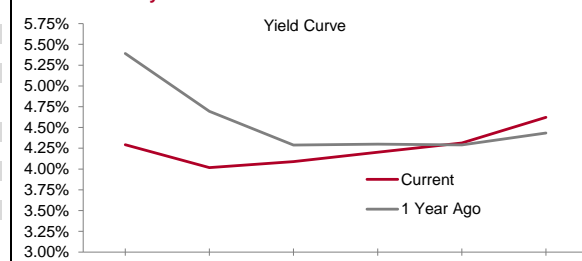
Equity Style



1 Month*			Year to Date*		
Value	Core	Growth	Value	Core	Growth
Large					
-3.96	-7.65	-11.01	-1.00	-3.86	-6.50
Mid					
-6.18	-8.33	-10.35	-3.80	-5.94	-7.95
Small					
-9.74	-10.31	-10.86	-9.42	-8.82	-8.26

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*		
Short	Interm.	Long	Short	Interm.	Long
Govt					
0.72	1.09	1.49	1.23	1.82	3.62
Corp					
0.48	0.54	0.04	1.16	1.56	1.86
HY					
0.00	-0.55	0.32	1.47	1.07	2.02

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.8%	3.2%
CPI Core Inflation	3.1%	3.8%
Personal Consumption Exp (PCE) Core	2.6%	3.1%

Jobs		
Unemployment Rate (U3)	4.1%	3.9%
Broader Unemployment Rate (U6)	8.0%	7.3%
JOLT Survey (in millions)	7.74	8.47
Jobless Claims (000's)	220	212
Change in Non-Farm Payroll (000's)	151	222
Average Hourly Earnings (Y/Y % Change)	4.0%	4.2%

Consumer & Spending		
Consumer Confidence (Conf Board)	98.3	104.8
Consumer Spending (\$ Bil)	20,382	19,308
Consumer Credit (\$ Bil)	5,007	5,039
Retail Sales (\$ Bil)	724	695

Housing		
Housing Starts (000's)	1,366	1,376
Case-Shiller Home Price Index	323.22	311.02

U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	23,536	22,961
Quarter over Quarter Change	2.3%	3.2%
Year Over Year Change	2.5%	3.2%
ISM Manufacturing	50.30	47.60
Capacity Utilization	77.77	77.19
Markit US Composite PMI	51.60	52.50

U.S. General		
Leading Economic Indicators	101.5	104.2
Trade Weighted Dollar Index	126.2	120.6
EUR / USD	1.09	1.09
JPY / USD	148.64	148.33
CAD / USD	0.70	0.74
AUD / USD	0.63	0.66

S&P 500 Sector Returns

	1 Month	YTD
Health Care	0.10%	5.44%
Energy	0.03%	4.85%
Utilities	-0.27%	4.21%
Materials	-4.29%	2.28%
Real Estate	-1.37%	1.97%
Consumer Staples	-3.39%	1.92%
Financials	-6.29%	0.48%
Industrials	-4.64%	-0.43%
Communication Services	-11.14%	-3.21%
Information Technology	-10.77%	-9.33%
Consumer Discretionary	-14.50%	-13.67%

Source: Bloomberg

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