Weekly Market Recap

February 18th, 2025

	Price	Price Returns	
Index	**Close**	**Week**	**YTD**
S&P 500® Index	6,115	1.5%	4.0%
Dow Jones Industrial Average	44,546	0.5%	4.7%
NASDAQ	20,027	2.6%	3.7%
Russell 2000® Index	2,280	0.1%	2.2%
MSCI EAFE Index	2,435	2.1%	7.7%
Ten-Year Treasury Yield	4.48%	0.0%	0.6%
Oil WTI[1] ($/bbl[2])	$70.67	-0.5%	-1.5%
Bonds[3]	$97.70	0.2%	0.8%

[1]WTI = West Texas Intermediate Oil. [2]bbl = Barrel. [3]Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

Last Week:

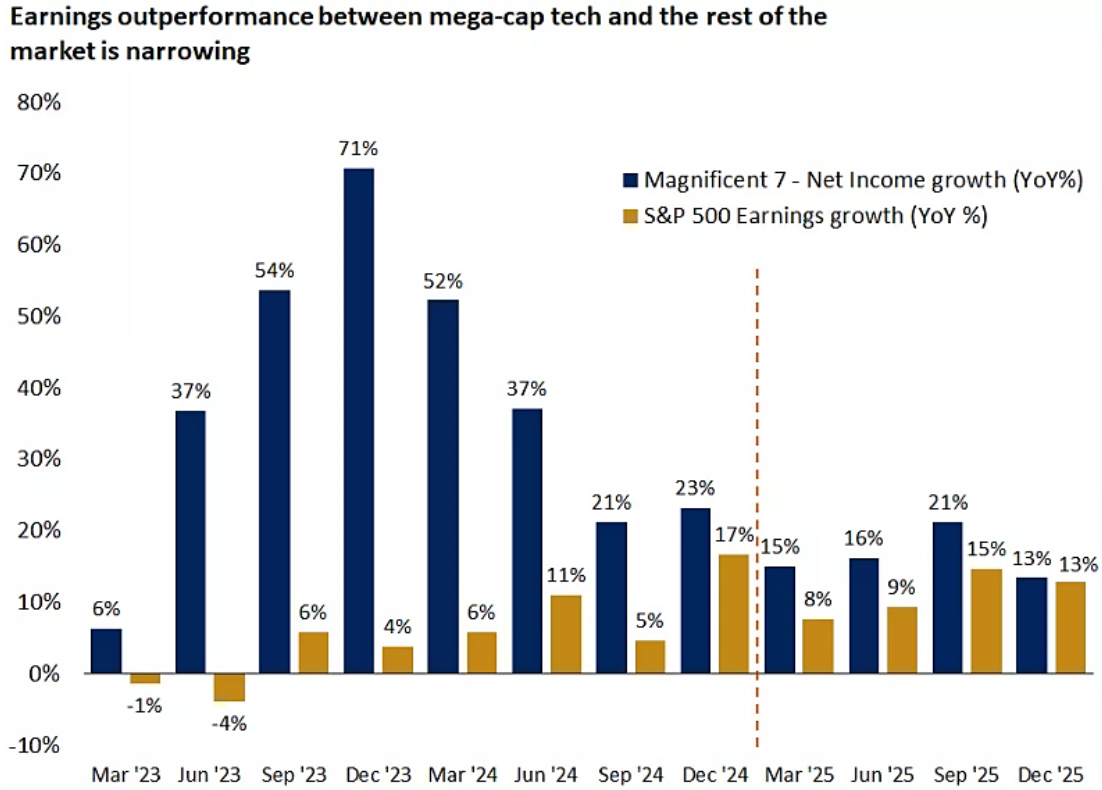
U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) rose +1.5% as investor sentiment appeared to benefit from a broadening in earnings growth, steady interest rates, continued artificial intelligence (AI) optimism, and clarification on the extent of U.S. tariffs, with President Trump outlining a plan for reciprocal tariffs on each U.S. trading partner. Investor optimism was somewhat offset by inflation concerns driven by the core January Consumer Price Index (CPI) (shelter remains sticky), which led to the futures market expecting only one or two interest rate cuts from the Federal Reserve (Fed) towards the second half of 2025. During Fed Chair Jerome Powell's testimony in front of Senate Banking Committee, Powell said the Fed has more work to do on inflation and that while it's too soon to consider the impact of tariffs on inflation, the tariffs could put upward pressure on it. The 10-year Treasury yield moderated to 4.48% from 4.49%. The U.S. dollar fell -1.2%, gold was up +0.5%, and oil (WTI) was down -0.5%.

- S&P 500 Index Sector Returns:
  - Technology (+3.8%) rose, led by select software stocks.
  - Communication services (+2.0%) rose, led by telecom, streaming, and social media stocks.
  - Materials (+1.8%) rose, led by chemical companies.
  - Consumer staples (+1.7%) and utilities (+1.1%) rose, as investors appeared to favor more-defensive stocks.
  - Energy (+1.1%) rose, despite the price of oil declining -0.5%.
  - Consumer discretionary (+0.3%) rose, led by gaming and autos.
  - Real Estate (+0.2%) rose, led by office and cell towers.
  - Industrials (+0.2%) rose, led by logistics, transports, and aerospace and defense stocks.
  - Financials (-0.1%) fell, led lower by banks.
  - Healthcare (-1.1%) fell, led lower by pharmaceutical stocks.

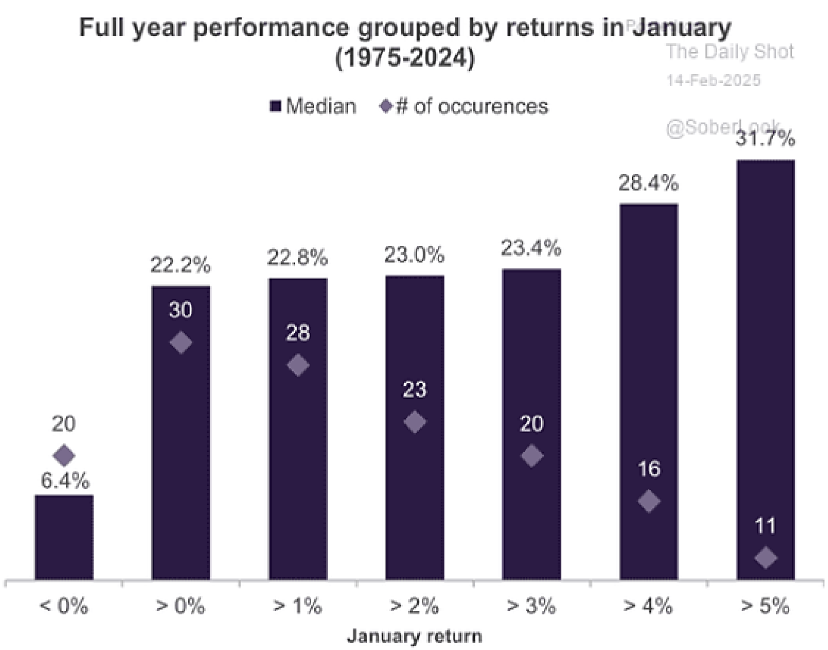
Please reference important disclosures on pages 6-7.

- The S&P 493 may experience a broadening out of returns as it appears the “Magnificent 7” earnings growth rate may decelerate while the S&P 493 earnings growth rate may accelerate in 2025.



The S&P 493 is an abbreviation for the S&P 500 Index minus the M7 and is not an official index. The “Magnificent Seven” stocks represent the seven largest tech companies in the S&P 500: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla. The dotted line marks the beginning of 2025 returns. Sources: FactSet; Edward Jones; The Daily Shot.

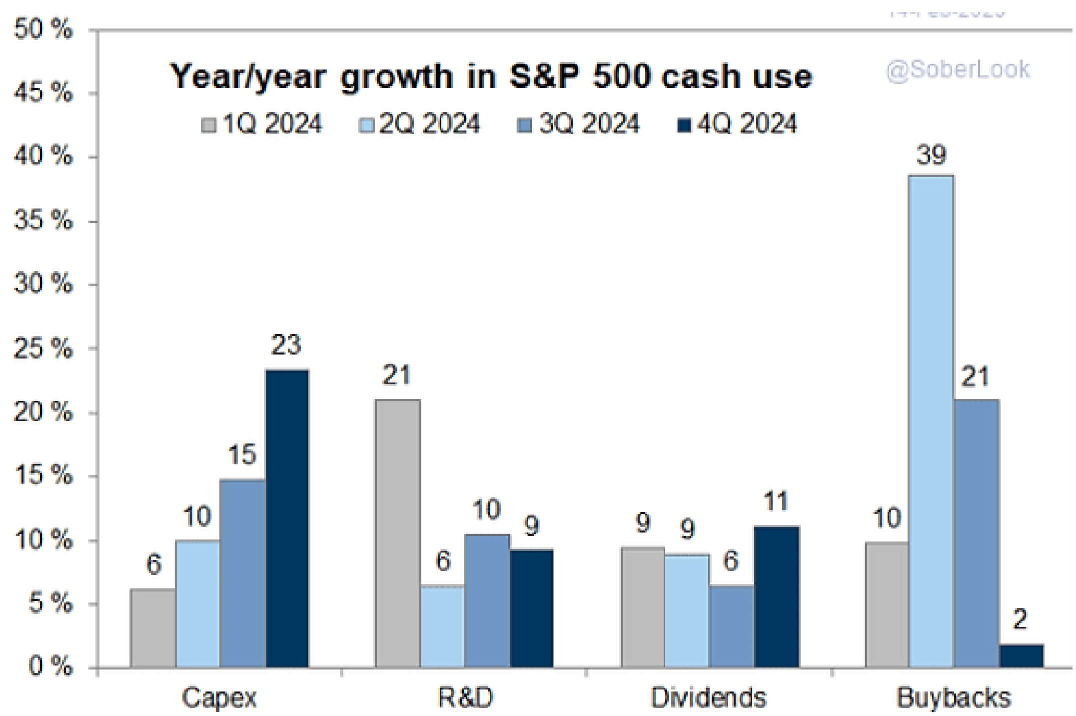
- A positive January for the S&P 500 Index has historically led to attractive returns for the year.



Sources: Truist; FactSet; The Daily Shot.

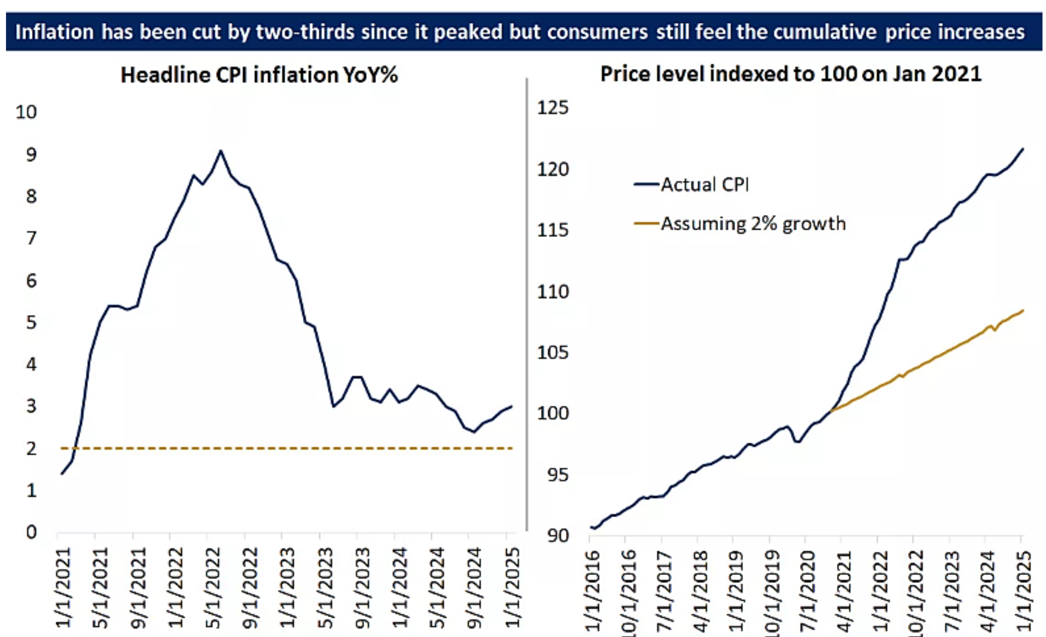
Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on pages 6-7.

- S&P 500 Index companies appear to continue to increase capital expenditures (capex), driven by hyperscalers. While dividend growth remains steady, buybacks sharply decelerated in 4Q24.



R&D: research and development. Sources: FactSet; Goldman Sachs; The Daily Shot.

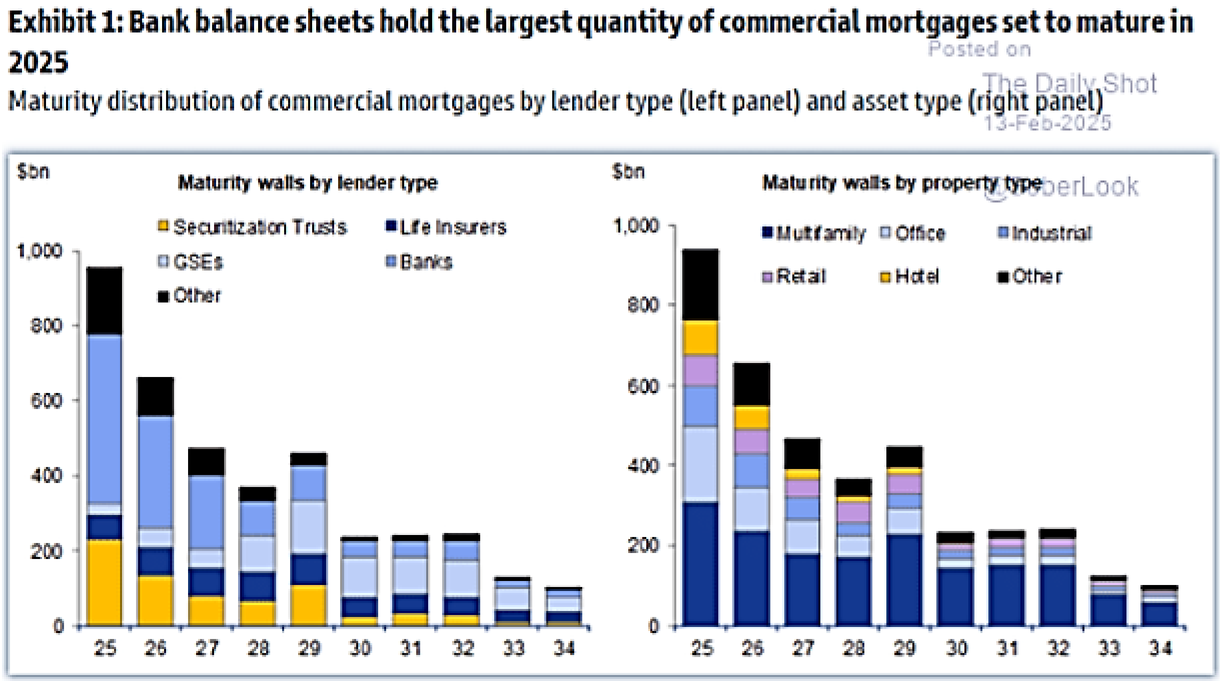
- Consumers, particularly those in the bottom 50% of income levels, are experiencing challenges with elevated prices as year-over-year inflation has fallen. However, actual CPI from 2021 is up approximately 20% in only three years, which is a much faster pace than the historical 2% inflation rate.



Sources: FactSet; Edward Jones; The Daily Shot.

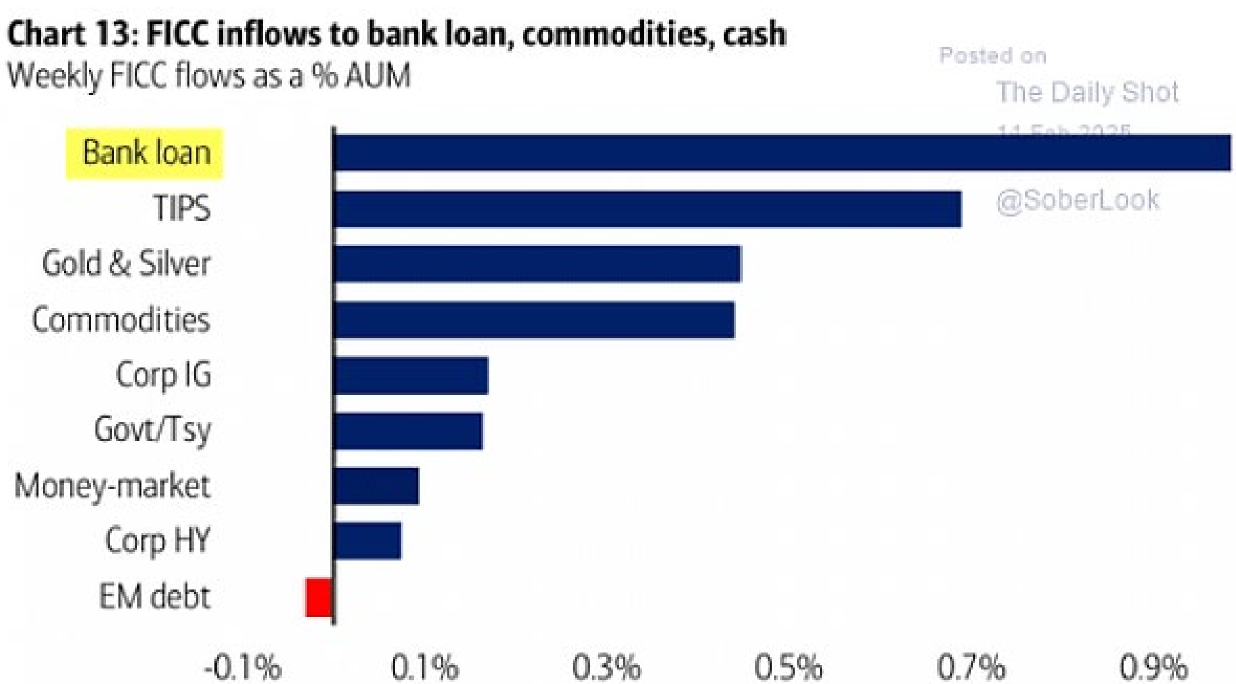
Fixed Income Markets

- U.S. bank balance sheets hold the largest quantity of commercial mortgages set to mature in 2025.



GSE: government-sponsored enterprise. Sources: Mortgage Bankers Association; Goldman Sachs; The Daily Shot.

- Bank loans and TIPS have experienced strong inflows recently.



AUM: assets under management. EM: emerging market. FICC: Fixed Income Clearing Corporation. HY: high yield.
IG: investment grade. TIPS: treasury inflation-protected services. Sources: Bank of America; EPFR; The Daily Shot.

U.S. Economic and Political News

- Jobless claims this week continued to show ongoing labor market resiliency, although initial and continuing claims did fall modestly lower week-over-week.

International Markets and News

- European markets (STOXX 600 Index) rose +1.8% as the U.K. economy unexpectedly grew by +0.1% in the final quarter of 2024, but Eurozone industrial production shrank -1.1% in December.
- The Chinese stock market (Shanghai Composite) rose +1.3% as some investors hoped that U.S. tariffs on Chinese imports may be milder than expected and China's CPI rose a higher-than-expected +0.5% in January year-over-year.
- Japanese equities (Nikkei 225 Index) rose +0.9% as the Japanese Yen weakened (potentially helping Japanese exporters) and President Trump refrained from immediately imposing reciprocal tariffs on its trading partners.

This Week:

- The volume of corporate earnings reports will be steady this week.
- Economic data:
  - Monday: Philadelphia Fed President speaking engagement;
  - Tuesday: Empire Manufacturing, National Association of Home Builders (NAHB) Housing Market Index, Treasury International Capital (TIC) Flows, Redbook Chain Store, American Petroleum Institute (API) Crude Inventories;
  - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Building Permits, Housing Starts, Department of Energy (DOE) Crude Inventories;
  - Thursday: Philadelphia Fed Index, Leading Indicators, Weekly Jobless Claims, Energy Information Administration (EIA) Natural Gas Inventories;
  - Friday: Purchasing Managers' Index (PMI) Manufacturing Preliminary, PMI Services Preliminary, Existing Home Sales, Michigan Consumer Sentiment (Final).

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

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Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: **AUM** stands for Assets Under Management, which is the total value of investments that a financial institution manages for its clients. AUM can include real estate, cash, and other non-real estate assets. **Capital expenditures** (Capex) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. The **Consumer Price Index (CPI)** measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending. **The Empire State Manufacturing Index** rates the relative level of general business conditions New York state. A level above 0.0 indicates improving conditions, below indicates worsening conditions. The reading is compiled from a survey of about 200 manufacturers in New York state. The **eurozone**, officially known as the euro area, is a geographic and economic region that consists of all the European Union countries that have fully incorporated the euro as their national currency. The **federal funds rate** is the interest rate at which depository institutions (mainly banks) lend reserve balances to other depository institutions overnight on an uncollateralized basis. In simpler terms, it's the rate banks charge each other for short-term loans to meet their reserve requirements. **A government-sponsored enterprise (GSE)** is a quasi-governmental entity established to enhance the flow of credit to specific sectors of the U.S. economy. Created by acts of Congress, these agencies—although they are privately held—provide public financial services. **The Michigan Consumer Sentiment Index (MCSI)** is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan. The survey is based on telephone interviews that gather information on consumer expectations for the economy. A **money market fund** is a type of mutual fund that invests in short-term debt securities, cash, and cash equivalents. They are designed to be a safe and liquid way to store money, with the goal of maintaining a stable asset value. **The National Association of Home Builders (NAHB) Housing Market Index (HMI)** is a monthly survey of home builders that tracks the health of the single-family housing market in the United States. **The Philadelphia Fed Manufacturing Index**, also known as the Philly Fed Index, is a monthly report that tracks the manufacturing industry in the Third Federal Reserve District. The index is based on a survey of manufacturers in the region. **The Purchasing Managers' Index (PMI)** is a monthly economic indicator that summarizes the activity in the manufacturing sector of the United States. It's based on a survey of manufacturing executives, who are asked to rate activity in several categories, including production, inventories, and new orders. **The Services Purchasing Managers' Index (PMI)** is an economic indicator that provides insight into the services sector of the economy. It's based on a monthly survey of purchasing executives in the private sector service industry. The survey asks about key areas such as employment, prices, inventories, and sales. **Treasury International Capital (TIC) flows** are the movements of money into and out of the United States. The U.S. Treasury compiles and publishes this data in monthly and quarterly reports. **TIPS** stands for Treasury Inflation-Protected Securities, which are a type of bond issued by the US Treasury. TIPS are designed to protect investors from inflation by adjusting the principal amount and interest payments of the bond. (Technical definitions are sourced from Corporate Finance Institute.)

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