March 14, 2025

Weekly Viewpoint

Tariff Tantrum Continues

Performance for Week Ending 3.14.2025

The Dow Jones Industrial Average (Dow) fell 3.1 percent, the Standard & Poor's 500 Index (S&P 500) lost 2.3 percent and the Nasdaq Composite Index (NASDAQ) finished down 2.4 percent. Sector breadth was negative with 9 of the 11 S&P sector groups closing lower. The Consumer Staples sector (-4.3 percent) was the weakest performer while Energy (+2.6 percent) was the strongest.

Index*	Closing Price 3.14.2025	Percentage Change for Week Ending 3.14.2025	Year-to-Date Percentage Change Through 3.14.2025
Dow	41,488.19	-3.1%	-2.5%
S&P 500	5,638.94	-2.3%	-4.1%
Nasdaq	17,754.09	-2.4%	-8.1%

Market Observations: 3.10.2025–3.14.2025

The S&P 500 finished the week lower and has now declined in six of the past seven weeks as tariff related uncertainty, federal government layoffs, and funding cuts have rattled sentiment and ignited worries over a potential recession. This week's drawdown pushed the S&P 500 into technical correction territory (defined by a 10 percent plus pullback from a recent high), the first such pullback since October 2023. According to Bloomberg it was the seventh-fastest correction in data back to 1929, taking just 16 trading days for it to happen.

Economic Roundup: Despite consumer and producer prices indices indicating a larger-than-expected moderation in inflation during February, the markets mostly shrugged off the report. This is because the components from both readings that feed into Personal Consumption Expenditures (PCE) price index, the Fed's preferred measure of inflation, were relatively strong, raising concerns about the Fed's ability to meaningfully cut rates this year. Meanwhile, small-business optimism hit a four-month low, and uncertainty approached record levels as tariff concerns grew. More businesses paused investments to evaluate Trump administration policies, while the share of firms raising prices saw its largest increase since April 2021. On a positive note, job openings rose in January, layoffs fell, and quits increased, signaling labor market resilience. This was underscored by the weekly jobless claims data, which showed unemployment applications fell by 2,000 to 220,000 in the week ending March 8.

Market Viewpoint: Despite recent market turbulence, driven more by fear than fundamentals, our favorable outlook on the equity market is unchanged, and we believe there is still money to be made this year. While near-term headline uncertainty may pose some downside risk, over the intermediate to longer-term, fundamental drivers, like the economy, earnings, and interest rates, drive stock prices. The macro environment is expected to remain supportive, with the U.S. economy on firm footing, albeit with slowing growth. The Fed is expected to continue easing policy, and while the path could prove uneven, rates are likely to drift lower over the next year. Importantly, the earnings growth outlook remains strong. Bloomberg consensus projects S&P 500 earnings growth of around 10.0 percent in 2025 and 14.2 percent in 2026. The combination of an accommodative Fed and brisk earnings growth creates a favorable backdrop for risk assets and should support the bull market. Still, with valuations elevated, earnings growth will likely be the main driver of performance, suggesting more modest gains compared to the past two years.

The Week Ahead: The focal point this week will be the two-day Federal Open Market Committee (FOMC) on Tuesday and Wednesday. While the Fed is expected to leave rates unchanged for a second straight meeting, investors are expected to parse the after-meeting communique and updated Summary of Economic Projections (SEP) for clues on the forward interest rate path. According to Bloomberg's World Interest Rate Probability (WIRP) tool, the Fed's next rate cut is expected to come at the June FOMC meeting. The WIRP is also projecting a total reduction of 68 basis points by year-end. On the data front, the key release will come on Monday when the February retail sales report will be released. According to Bloomberg, sales are expected to grow 0.7 percent after falling 0.9 percent in January. Other reports of interest include housing starts, import/export prices, industrial production, and existing home sales. Earnings season will continue to wind down with 9 members of the S&P 500 left to report results. Amongst this group will be Nike, FedEx, and Micron Technology. Aside from the Fed meeting it will be a relatively quiet week of Fed Speak, with just NY Fed President John Williams scheduled to speak on Friday.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.