



The Weekly Market Update – 2/24/25: Policy Whiplash and Potential Growth Score

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,013.13	-1.66%	2.24%	2.24%	24.09%	6,144.15	2.2%
Dow Jones Industrial Average	43,428.02	-2.51%	2.08%	2.08%	13.83%	45,014.04	3.7%
NASDAQ Composite	19,524.01	-2.51%	1.10%	1.10%	28.75%	20,173.89	3.3%
Russell 2000	2,195.35	-3.71%	-1.56%	-1.56%	12.74%	2,442.74	11.3%
MSCI EAFE (USD)	2,443.30	-0.18%	8.02%	8.02%	8.68%	2,506.69	2.6%
MSCI Emerging Markets (USD)	1,147.30	1.96%	6.68%	6.68%	17.58%	1,444.93	25.9%
Bloomberg Commodity Index	106.83	0.89%	8.17%	8.17%	8.39%	237.95	122.7%
Barclays U.S. Aggregate Bond	91.41	0.35%	1.08%	1.08%	0.10%	112.07	22.6%

Source: FactSet

S&P 500 reaches all-time high just last week. The S&P 500 index closed at an all-time high of 6,144 last Wednesday before selling off the next two days and ended the week down -1.7%. For the week, defensive sectors like Utilities (+1.4%), Health Care (+1.1%), and Consumer Staples (+1.0%) were positive while more cyclical sectors like Consumer Discretionary (-4.3%), Communication Services (-3.7%), Industrials (-2.1%), Materials (-2.0%), Financials (-2.0%), and Technology (-1.8%) all declined. We believe multiple factors contributed to the market pullback at the end of the week. On Thursday morning, Walmart, Inc. (WMT) reported quarterly earnings and issued a cautious outlook for fiscal 2026 that highlighted tariffs as a potential headwind to discretionary spending. Other discretionary spending-related companies and retailers declined in sympathy with Walmart's outlook. This morning, the Wall Street Journal ([link](#)) highlighted the increasing reliance on spending of the top 10% of income earners. This group is now estimated to account for 50% of all spending, a record going back to 1989. High stock and home prices have left this group flush with spending power. The bottom 80% of earners have only increased spending by +25% over the past four years compared to a +58% increase of the top 10%. Over the same period, inflation-driven prices are up +21%. Meanwhile, the possibility of retaliatory tariffs weighed on some industrial, steel, aluminum, and copper company stocks last week. Increasing concerns about federal spending cuts were evident over the weekend at a number of townhall meetings held in Republican districts.

Is there a policy backlash taking shape? Over the weekend, 14 different Republican-represented districts held townhall meetings in 11 states that suggest increasing voter concern over the handling of fiscal spending cuts. While coverage of the events is interpreted differently across the range of media outlets, the townhall meetings highlight the fact that one person's waste is another person's essential spending. Perhaps the most contentious townhall meeting of the weekend was held in Georgia's 7th congressional district where Republican Rich McCormick won by a 29% margin over his Democratic competition. McCormick's district, like some others, were more evenly split at the presidential vote level. The townhall meetings, nevertheless, highlight the challenge of cutting federal spending enough to extend the Trump tax cuts and potentially expand other stimulative tax cuts that we believe equity markets were beginning to price in after Trump won the election. The narrow 4 seat majority in the House and 3 seat majority in the Senate leaves little room to lose Republican votes on a reconciliation bill that is likely to largely follow party lines. After the weak retail sales reading in January, soft housing data last week, and still soft -0.3% decline in the LEI, concerns that tax cuts or fiscal efficiency gains might not materialize soon enough to offset tariff headwinds could set the stock market up for a growth scare. As long as credit spreads remain tight and the 10-year Treasury yields are stable, we feel good about the economy weathering near-term market volatility.

Earnings reports are still in focus. This week, investors will closely watch NVIDIA Corp.'s (NVDA) F4Q24 earnings release on Wednesday after the close. AI investment spending is a major theme driving equity markets. Investors will be on the look for any indication that breakthroughs in open-source models will impact the growth of investment spending on data center buildouts. We also expect a lot of focus on Discretionary earnings reports to understand more about any future risks to U.S. consumer spending.

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today, the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric. The forward S&P 500 price-to-earnings ratio (P/E) is a valuation measure, calculated by dividing the price of the S&P 500 index over the weighted average earnings per share (EPS) estimate of each company in the index. Earnings estimates are based on "forward" consensus estimates expected over the next 12 months (NTM), using quarterly analyst estimates as provided by FactSet.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at <https://www.bea.gov/data/gdp/gross-domestic-product>.

The consumer price index (CPI) is a measure of average change over time in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics. PCE inflation is the percentage rates of change in the price index for personal consumption expenditures (PCE). The index is published monthly by the U.S. Bureau of Economic Analysis.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members--the seven members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and four of the remaining eleven Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and in this way alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

Volatility is how much and how quickly prices move over a given span of time. In the stock market, increased volatility, in the form of rapidly falling prices, is often a sign of rising uncertainty.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

2024 Election Day was 11/5/24. On the national level, voters selected the next president of the U.S. and state elections determined the party control (Democratic or Republican) of Congress, both the U.S. House of Representatives and the U.S. Senate. Since Inauguration Day on 1/20/25, President Trump has proposed the use of widespread (global) tariffs to counter tariffs on U.S. goods in other countries, as well as to incentivize more U.S. manufacturing.