The Weekly Market Update – 4/14/25: A Concerning Spike in Interest Rates

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	5,363.36	5.70%	-4.43%	-8.81%	2.07%	6,144.15	14.6%
Dow Jones Industrial Average	40,212.71	4.95%	-4.26%	-5.48%	1.02%	45,014.04	11.9%
NASDAQ Composite	16,724.46	7.29%	-3.32%	-13.39%	2.11%	20,173.89	20.6%
Russell 2000	1,860.21	1.82%	-7.54%	-16.59%	-12.44%	2,442.74	31.3%
MSCI EAFE (USD)	2,297.70	0.72%	-4.30%	1.59%	-2.09%	2,511.97	9.3%
MSCI Emerging Markets (USD)	1,045.20	-3.90%	-5.10%	-2.81%	0.46%	1,444.93	38.2%
Bloomberg Commodity Index	101.48	1.81%	-4.63%	2.75%	2.00%	237.95	134.5%
Barclays U.S. Aggregate Bond	90.60	-2.62%	-1.84%	0.19%	0.12%	112.07	23.7%

Source: FactSet

The U.S. Treasury bond market had a rough week as yields surged higher, even as equity volatility spiked. By the end of the week (4/11/25), the 10-year Treasury yield closed at 4.47%, up from 4.01% on 4/4/25. This was the largest one-week yield increase in the 10-year yield in over a decade and added to investor concern about financial markets experiencing significant volatility over the past two weeks. Given worries about headwinds to U.S. economic growth from tariff policies and April declines in widely followed U.S. equity indices (through 4/11/25, the month-to-date decreases for the S&P 500 and Nasdaq Composite indices were -4.4% and -3.3%, respectively), we would expect increased demand for U.S. Treasury securities, pushing prices higher and yields lower. This has often been the pattern during past periods of global economic weakness or uncertainty, with the U.S. bond market earning status as a safe haven for investors. With that past pattern breaking down last week, investors are evaluating where Treasury yields will trend over the near term. The softness in bond prices could reflect a drop in foreign demand for U.S. Treasury securities, a view that is supported by weakness in the U.S. dollar vs. foreign currencies, a sign of near-term capital flows leaving the U.S. This could be caused by a less-than-enthusiastic response to U.S. trade policy as high tariffs and the threat of more tariffs creates uncertainty for near-term capital commitments. Others have suggested that foreign governments, such as China and Japan, could be selling their holdings of U.S. Treasuries to cause disruption as tariff negotiations are expected to begin, although Bloomberg reported that Japanese officials have rejected that strategy. We have also heard reports that large investment firms positioned for lower interest rates were caught on the wrong side of that trade and were forced to liquidate large positions. Despite the huge weekly move, the 10-year Treasury yield remains below its 2024 year-end level of 4.57%, and selling pressure has not continued in Monday trading on 4/14/25. In addition, the auction of newly issued 10- and 30-year Treasury securities last week was a success, indicating that volatility eased by the end of the week. More bond weakness could drive trade deals.

The equity market needed a win. One week after the S&P 500 dropped -9.1% for the week ended 4/4/25, the index gained +5.7% last week ended 4/11/25. Nine of 11 S&P 500 GICS sectors were positive on the week, led by a +9.7% surge for the Technology sector. This was just the second positive week of the past eight but it was a meaningful recovery from a new 2025 closing price low on Tuesday, 4/8, as from there, the gain was nearly +8% to close the week. The rally was attributed to President Trump's 90-day delay on reciprocal tariffs, other than China. But tariff levels remain extreme (a 10% universal tariff remains in place), even removing reciprocal tariffs. We believe that expectations for trade deals rather than trade wars have increased, providing some relief for nervous investors. The uptick in sentiment could be short-lived, however, if progress on trade agreements is not forthcoming.

In a holiday shortened week with markets closed on Good Friday, we are watching data for early reads on tariff policy. The U.S. Census will report March retail sales on Tuesday, and consensus estimates reflect improvement from February. Three months ago (January 2025), retail sales were much lower than expected, an early warning on the consumer. But February was better than January, and March expectations are even higher. Given much publicized weakness in consumer confidence surveys (soft data), this report will reflect actual spending levels (hard data). Tariff fears have created anxiety, but jobs and personal income reports have remained solidly positive. Happy Easter to all.

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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. Sectors that are called "defensive," are thought to be less exposed to economic cycles compared to "cyclical" sectors, and often attract investor interest during periods of economic weakness.

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 Conference Board conducts a monthly Consumer Confidence Survey design to reflect prevailing business conditions and potential outcomes in the months ahead. It surveys consumer attitudes, buying intent, and expectations stratified by age and income in nine U.S. regions. A second widely followed survey of consumer confidence is conducted monthly by the University of Michigan. Its Survey of Consumers, surveys personal finances, business condition, unemployment and inflation.

The Trump Administration on 2/12/25 announced a framework for its Reciprocal Tariffs, with a link to the memorandum, "Fair and Reciprocal Plan." On 3/26/25 the White House announced tariffs on imported automobiles and certain automobile parts. Here is a link to a Fact Sheet from the President that outlines the action. The President's April 2, 2024 Tariff Announcement is also linked.

The National Bureau of Economic Research (NBER) is a private non-profit research organization. The NBER is widely used as an organization that analyzes U.S. economic data and the business cycle and determines the start dates and end dates of economic recessions. The NBER defines recession as "a significant decline in economic activity that is spread across the economy and that lasts more than a few months;" and also looks at the depth, diffusion, and duration of the downturn.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury bonds, 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 bonds are widely followed barometers of the current U.S. interest rate environment. Treasury bond data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The U.S. Dollar Index measures the value of the U.S. dollar relative to a weighted average of the currencies of major U.S. trade partners. The largest weights as of April 2025 included the Euro, Japanese Yen, British Pound, and Canadian Dollar.

The U.S. Census reports retail sales through its Advance Estimates of U.S. Retail and Food Services. It is a survey that measures monthly sales for companies in the retail trade and food services sectors. This survey covers retail companies with one or more establishments that sell merchandise and related services to final consumers. These firms provide data on dollar value of retail sales for selected establishments.