



The Weekly Market Update – 2/10/25: Jobs Growth Slows, Wages Surge, Tariffs Linger

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,025.99	-0.24%	2.45%	2.45%	24.36%	6,118.71	1.5%
Dow Jones Industrial Average	44,303.40	-0.54%	4.13%	4.13%	16.13%	45,014.04	1.6%
NASDAQ Composite	19,523.40	-0.53%	1.10%	1.10%	28.75%	20,173.89	3.3%
Russell 2000	2,279.71	-0.35%	2.22%	2.22%	17.07%	2,442.74	7.2%
MSCI EAFE (USD)	2,385.34	0.23%	5.46%	5.46%	6.10%	2,506.69	5.1%
MSCI Emerging Markets (USD)	1,108.48	1.38%	3.07%	3.07%	13.60%	1,444.93	30.4%
Bloomberg Commodity Index	104.22	1.89%	5.53%	5.53%	5.75%	237.95	128.3%
Barclays U.S. Aggregate Bond	90.94	0.26%	0.56%	0.56%	-0.41%	112.07	23.2%

Source: FactSet

January U.S. nonfarm payrolls (jobs) increased less than expected, but other labor data was expansionary, supporting the Federal Reserve Bank’s (Fed) recent slowing pace of interest rate cuts. According to the Bureau of Labor Statistics (BLS), the U.S. economy created +143 thousand (K) net new jobs in January, falling short of the +170K FactSet consensus estimate, and the lowest monthly increase of the past three months. But the jobs report also included an upward revision of a combined +100K jobs to the November 2024 and December 2024 labor reports, an unemployment rate that dropped to 4.0% (the lowest since May 2024), and wage growth (as measured by average hourly earnings, AHE) of +4.1%. While jobs gains to end 2024 were revised higher, the average monthly increase for all of 2024 was revised lower (now +164K monthly from +196K prior). While January gains were below the 2024 average, over the past three months, new jobs averaged +237K, pushing back on the moderating trend. The complete picture through January, in our view, while mixed, reflects a still-healthy labor market with jobs growth slowing, but supporting wage and consumer spending growth. The Fed guides short-term interest rates by managing its overnight fed funds target range (currently at 4.25% to 4.50%, down from 5.25% to 5.50% in September 2024). When the Fed reduced its fed funds target by -0.50% in September 2024, Fed Chair Jerome Powell said that the labor market had cooled (through August 2024, jobs gains averaged +116K per month over three months) and inflation had eased to +2.2% (using the Fed’s preferred inflation measure, the PCE price index). By year-end, the Fed had reduced the fed funds target by -1.00% in total. But with jobs growth now higher than levels six months ago, and the PCE price index back to +2.6% in December 2024, the Fed paused rate cuts when it met at the end of January. We believe that the Fed sees that inflation gains have stalled, especially with looming tariff uncertainty, and will be more reluctant to lower interest rates at upcoming Fed meetings in March 2025 and May 2025. Justification for rate cuts would be to stimulate the economy, which appears unnecessary given job market vitality.

U.S. stocks traded lower last week, which we attribute to tariff uncertainty. The widely followed S&P 500 equity index decreased -1.2% for the week ended 2/7/25, following two weeks of post-inauguration gains. The week began in the red (a down Monday for the S&P 500) as President Trump floated 25% tariffs on Mexico and Canada, but markets rallied for three straight days when the tariff start date was delayed until March 1st. But a drop on Friday cemented the weekly decline as investors digested the jobs report as well as weak consumer confidence data (University of Michigan). But tariff uncertainty lingers as 10% China tariffs moved ahead, and China responded with targeted tariffs of its own on U.S. goods. This week, on 2/10/25, the president implemented 25% tariffs on all imported steel and aluminum, and promised more tariffs are expected. The administration’s tariff strategy is ambitious, with goals of limiting flows of illegal immigration and drugs, incentivizing U.S. capital investment, and opening foreign markets for U.S. companies.

Earnings growth (4Q24) accelerates and the January consumer inflation report is due this week. Through early Monday (2/10/25), S&P 500 year-over-year (Y/Y) estimated earnings growth was +16.3% with 63% of the index reported. This is tracking well above the pre-quarter +11.4% estimate. The January BLS consumer price index (CPI) due on 2/12/25 is estimated at +2.9% Y/Y, unchanged from December. Inflation has stalled close to +3.0% in recent months.

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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 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>.

U.S. trade data is reported monthly by the Bureau of Economic Analysis' [U.S. International Trade in Goods and Services](#) report. The report measures the value of goods and services, imports and exports, with U.S. trading partners.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics; the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey are drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

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.

We track a measure of wages, average hourly earnings (AHE) of all private employees, which is calculated and reported on a monthly basis by the U.S. Bureau of Labor Statistics. The data measures average hourly earnings of all private employees on a "gross" basis (includes overtime and late shift work, but excludes benefits).

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.

The University of Michigan Index of Consumer Expectations focuses on three areas: how consumers view prospects for their own financial situation, how they view prospects for the general economy over the near term, and their view of prospects for the economy over the long term. Each monthly survey contains approximately 50 core questions, each of which tracks a different aspect of consumer attitudes and expectations.

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. Inauguration Day is 1/20/25, and the Republican party will control the Presidency and both chambers of Congress. On the campaign trail, President Trump had promised 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.