



The Weekly Market Update – 3/31/25: Investors Fear Eroding Data

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	5,580.94	-1.53%	-5.11%	-5.11%	9.51%	6,144.15	10.1%
Dow Jones Industrial Average	41,583.90	-0.96%	-2.26%	-2.26%	6.64%	45,014.04	8.2%
NASDAQ Composite	17,322.99	-2.59%	-10.29%	-10.29%	7.65%	20,173.89	16.5%
Russell 2000	2,023.27	-1.64%	-9.28%	-9.28%	-1.54%	2,442.74	20.7%
MSCI EAFE (USD)	2,451.37	-1.35%	8.38%	8.38%	7.24%	2,511.97	2.5%
MSCI Emerging Markets (USD)	1,120.72	-0.94%	4.21%	4.21%	9.77%	1,444.93	28.9%
Bloomberg Commodity Index	105.79	0.45%	7.12%	7.12%	9.41%	237.95	124.9%
Barclays U.S. Aggregate Bond	92.11	-0.11%	1.86%	1.86%	2.51%	112.07	21.7%

Source: FactSet

Negative data points are building, confirming weak investor sentiment as equities slip and test 2025 lows. The 2025 S&P 500 correction (we define as a peak-to-trough decline of at least -10%) has now continued more than five weeks from the index's all-time high of 6,144 on 2/19/25. The peak-to-trough closing low so far was down -10.1% on 3/13. A mini rally ensued from the low (+4.6%), but that gave way last week as the selling resumed. At the 3/28/25 closing price of 5,581, the index was just +1.1% above the mid-March low. Investor sentiment for U.S. equities has soured in recent weeks due to tariff uncertainty and consumer spending weakness. Last week, President Trump announced a 25% tariff on all imported cars and light trucks, plus foreign-made parts. These new tariffs will likely disrupt (at least initially) vehicle supply chains. In addition, the President's comprehensive "Fair and Reciprocal" tariffs are set to begin on 4/2/25. While the announcement can reduce tariff-related uncertainty from the U.S., we anticipate retaliation from affected trade partners, and a possible trade war. While the Administration appears committed to keeping tariffs in place, we believe that trade negotiations and deals are possible in the weeks ahead. Trade uncertainty has weighed on consumer sentiment as the widely followed University of Michigan Survey of Consumers dropped for the third consecutive month in March, to its lowest level since November 2022. Wages and income data (from the Bureau of Economic Analysis, or BEA) remained solid in January and February, which supports a return to more robust spending if sentiment improves. In February and March, several high-profile companies have warned of soft consumer trends to start the year. The soft trends comments have spanned multiple consumer-dependent industries including retail, apparel and footwear, airlines, and package delivery. As markets retest recent lows, we believe that investors should remain diversified across sectors.

Stubborn inflation continues as the Federal Reserve Bank's (Fed) favored consumer inflation indicator climbed in February. The personal consumption expenditures (PCE) price index (PI) increased +2.5% in February year-over-year (Y/Y), slightly higher than the +2.4% FactSet consensus estimate. On the surface, the inflation number remains close to the Fed's +2.0% target, but progress has stalled in recent months as the monthly PCE PI was at +2.1% in September last year. In addition, the core PCE PI, which excludes volatile food and energy prices, moved to +2.8% in February, up from +2.6% in January. The month-to-month (M/M) increase was even higher, increasing +0.4% from January to February. The annualized M/M core PCE PI over the past six months moved above +3.0% for the first time since May of 2024. The lack of lower inflation progress in recent months could inhibit the Fed's willingness to lower its overnight fed funds interest rate targets if needed in a slowing economy. This could become an even greater constraint if tariff policies create more upward inflation pressure, a risk that has entered market expectations.

U.S. equity markets are lower in March and on-track to deliver the worst monthly return since September of 2022. On the last day of March, the S&P 500 was down -6.3% for the month-to-date (and down again in early trading on 3/31), the second consecutive monthly decline following a -1.4% drop in February. The first quarter (1Q25) is tracking lower as well, down -5.1% through Friday. Poor 1Q25 performance has seen a rotation out of growth stocks, with the Consumer Discretionary and Technology sectors leading the market lower. However, 7 of the 11 macro sectors were positive in 1Q25 and the Equal Weight S&P 500 was down just -1.8% as of 3/28/25, an indication that the average S&P 500 stock has outperformed the broader index.

James D. Ragan, CFA
Co-CIO, Director of Investment Management & Research
(206) 389-4070
jragan@dadco.com

Important Disclosure: The information contained herein has been obtained by sources we consider reliable, but is not guaranteed and we are not soliciting any action based upon it. Any opinions expressed are based on our interpretation of data available to us at the time of the original publication of the report. Assumptions, opinions, and estimates constitute our judgment as of the date of this report and are subject to change without notice. Investors must bear in mind that inherent in investments are the risks of fluctuating prices and the uncertainties of dividends, rates of return and yield, as well as broader market and macroeconomic fluctuations and unforeseen changes in the fundamentals or business trends affecting the securities referred to in this report. Investors should also remember that past performance is not indicative of future performance and D.A. Davidson & Co. makes no guarantee, express or implied, as to future performance. The information is not intended to be used as the primary basis of investment decisions. Because of individual client requirements, it should not be construed as advice designed to meet the particular investment needs of any investor. It is not a representation by us, or an offer, or the solicitation of an offer, to sell or buy any security. Further, a security described in a report may not be eligible for solicitation in the states in which a client resides. D.A. Davidson & Co. does not provide tax advice and investors should consult with their tax professional before investing. Further information and elaboration is available upon request.

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 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. 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.

We define a "market correction" as a peak-to-trough decline exceeding 10%, but less than 20% (a decline exceeding 20% would be a bear market). In 2025 the S&P 500 closed at 6,144 on 2/19/25, at the time the closing high price for the year-to-date. On 3/13/25, the index closed at 5,522, a decline of -10.1% from the closing high price.

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. Personal Consumption Expenditures (PCE) is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis (BEA).

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 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. An alternative measure of consumer inflation is the Personal Consumption Expenditure (PCE) price index. 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 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.

Personal Income and Savings is reported monthly by the Bureau of Economic Analysis for individuals and is defined as personal income less personal outlays and taxes. The personal savings rate is personal savings as a percentage of disposable personal income. Personal income is derived from wages and salaries, business ownership and investment income. It does not include capital gains on investment.

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.