

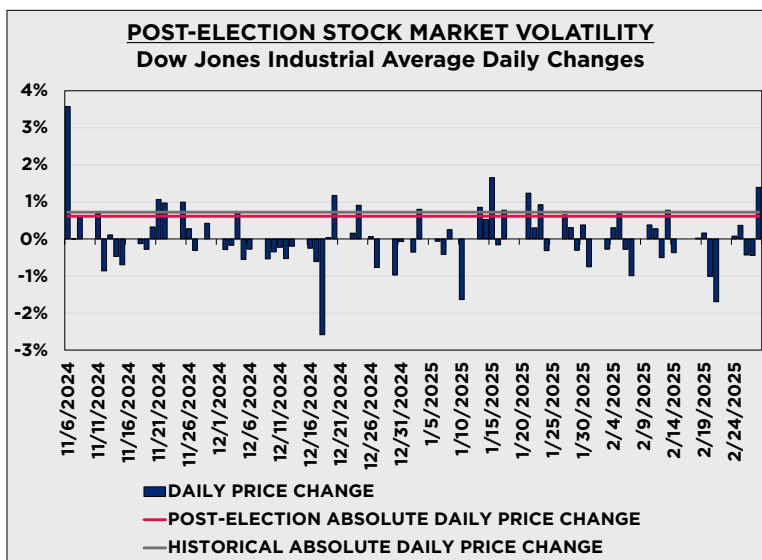
Market update

March 4, 2025

In spite of a sizeable gain on the last day of the month, U.S. stocks posted a loss for February. Foreign stock market gains stood out as much recent performance has lagged that of the U.S. Within the U.S. market, mid-cap and small-cap stock losses out-paced large-cap losses. Foreign market gains occurred in both Asia and Europe. Bond markets performed well in February as overall yields declined. While no near-term changes in policy rates are expected, bond markets seemed to be reacting to some economic measures signaling slower growth.

	February	Y-T-D
• U.S. Taxable Bonds	+2.2%	+2.7%
• U.S. Stocks	-1.9%	+1.1%
• Foreign Stocks	+1.4%	+5.5%

Investors are confronted with reports that inflation may be sticky to the upside while economic data has softened. The consensus outlook puts the odds of a recession in the next twelve months at less than 24%. At the same time, models at the Federal Reserve Bank of Atlanta now indicate a contraction in real growth for the first quarter. The consensus outlook still is for real growth of +2.3% in the quarter. At hand is implementation of tariffs on both Canada and Mexico. A headline indicated a resulting increase in some car prices of as much as \$12,000. Any such comparable impact on other sectors is bound to slow growth and reduce investor sentiment.



News headlines, particularly those of a political nature, would suggest we have been living in a more uncertain time since the U.S. elections in November. Certainly, much has been put forth with respect to potential changes in government policies. Such changes could impact the course of economic activity and resultant market direction. The chart here indicates that investors perhaps have been either less concerned about such changes or so uncertain as to be frozen in place with existing portfolio positions. Over the whole of its 128-year history, the absolute daily price change of the Dow Jones Industrial Average (“DJIA”) has been 0.72%. Since November 5, the absolute daily price change of the DJIA has been 0.61%. However, the bias has been to days with losses (37 of 77) versus a history of more days of gains. As headline uncertainty likely continues, markets may adjust.