WEEKLY MARKET UPDATE FEBRUARY 14, 2025

Stocks rise in a sigh of relief.

The economy

- U.S. stocks posted gains during the week ending February 14, as investors' expressed relief after the Trump administration delayed its proposed reciprocal tariffs pending a study by the Department of Commerce and the U.S. Trade Representative. The market also was bolstered by a rally in the technology sector. These offset concerns about sticky inflation data and Federal Reserve (Fed) Chair Jerome Powell's comments to Congress, dashing hopes that the central bank will resume its rate-cutting cycle in the near term.
- According to the Department of Labor, the consumer-price index (CPI) posted a greater-than-expected advance of 0.5% in January, slightly higher than the 0.4% increase in December. Housing costs comprised more than 30% of the upturn in inflation, gaining 0.4% during the month. The 1.1% rise in energy costs was fueled by a 1.8% increase in gasoline prices. Food costs were up 0.4% In January, led by a 15.2% surge in egg prices. The 3.0% year-over-year advance in the CPI was up marginally from the 2.9% annual rise in December. Costs for transportation services and housing climbed 8.0% and 4.4%, respectively, over the previous 12-month period, while commodity prices dipped 0.1%. Core inflation, as measured by the CPI for all items less food and energy, rose 3.3% year-over-year in January, an uptick from the 3.2% annual increase in December.
- Regarding inflation at the wholesale level, the Department of Labor announced that the producer-price index (PPI), which tracks the average change over time in selling prices received by domestic producers of goods and service providers, rose 0.4% in January, down marginally from the 0.5% upturn in December, and exceeding expectations. The PPI for goods increased 0.6% in January due mainly to a 3.5% jump in energy prices. Services costs were up 0.3%, due mainly to a 0.6% rise in transportation and warehousing prices. The PPI's 3.5% advance over the previous 12-month period was unchanged from the annual gain in December. Core wholesale inflation, as measured by the PPI less food, energy, and trade services, advanced 0.3% in January, slightly lower than the 0.4% rise for the previous month. The index gained 3.4% year-over-year, edging down from the 3.5% annual increase in December.
- During his testimony to the Senate Committee on Banking, Housing, and Urban Affairs at the beginning of the Fed's Semiannual Monetary Policy Report on Tuesday—a day before the January CPI report was released—Fed Chair Jerome Powell said that the central bank will take a more deliberate approach to monetary policy as the U.S. economy remains relatively strong. "We're in a pretty good place with this economy. We want to make more progress on inflation. And we think our policy rate is in a good place, and we don't see any reason to be in a hurry to reduce it further," he commented. In prepared remarks issued prior to his appearance before the Senate Committee, Powell noted, "As the economy evolves, we will adjust our policy stance in a manner that best promotes our maximum-employment and price-stability goals. If the economy remains strong and inflation does not continue to move sustainably toward 2 percent, we can maintain policy restraint for longer."
- In an appearance before the U.S. House of Representatives Committee on Financial Services on Wednesday, Powell acknowledged that the Fed was slow in raising interest rates when inflation began to rise in 2021, but noted, "I don't know how much difference that would have made" in reference to the central bank's rate hikes and the subsequent decline in the inflation rate since its peak of 9.1% in June 2022. He added that the Fed will review its recent monetary policy actions and commented that "we are going to be open to criticism and will make appropriate, discrete adjustments."

Stocks

- Global equities gained ground over the week. Developed markets outperformed emerging markets.
- U.S. equities garnered positive returns during the week. Information technology and communication services were the top-performing sectors, while health care and financials were the primary market laggards.
- Growth stocks led value, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield decreased to 4.48% over the week.
- Global bond markets were virtually flat for the week.
- Corporate bonds led the markets, followed by high-yield bonds and government bonds.

The Numbers as of February 14, 2025	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	1.5%	4.9%	17.6%	882.4
MSCI EAFE ($)	2.1%	7.7%	8.8%	2435.0
MSCI Emerging Mkts ($)	0.4%	3.5%	10.5%	1113.3
US & Canadian Equities				
Dow Jones Industrials ($)	0.5%	4.7%	14.9%	44546.1
S&P 500 ($)	1.5%	4.0%	21.6%	6114.6
NASDAQ ($)	2.6%	3.7%	25.9%	20026.8
S&P/ TSX Composite (C$)	0.2%	3.1%	20.1%	25483.2
UK & European Equities				
FTSE All-Share (£)	0.4%	6.0%	14.1%	4736.6
MSCI Europe ex UK (€)	2.5%	10.3%	12.0%	1947.0
Asian Equities				
Topix (¥)	0.8%	-0.9%	6.5%	2759.2
Hong Kong Hang Seng ($)	7.0%	12.8%	41.9%	22620.3
MSCI Asia Pac. Ex-Japan ($)	0.6%	3.0%	13.5%	586.5
Latin American Equities				
MSCI EMF Latin America ($)	0.9%	12.0%	-18.2%	2075.5
Mexican Bolsa (peso)	2.4%	9.2%	-5.6%	54061.0
Brazilian Bovespa (real)	2.9%	6.6%	0.3%	128173.9
Commodities ($)				
West Texas Intermediate Spot	0.4%	-0.6%	-8.6%	71.3
Gold Spot Price	0.9%	10.0%	44.1%	2887.1
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.0%	1.0%	2.3%	468.2
JPMorgan Emerging Mkt Bond	-0.2%	1.5%	8.6%	910.6
10-Year Yield Change (basis points*)				
US Treasury	-2	-9	25	4.48%
UK Gilt	2	-7	45	4.50%
German Bund	6	7	7	2.43%
Japan Govt Bond	6	26	63	1.36%
Canada Govt Bond	3	-12	-43	3.11%
Currency Returns**				
US$ per euro	1.6%	1.4%	-2.6%	1.049
Yen per US$	0.6%	-3.1%	1.6%	152.26
US$ per £	1.5%	0.6%	-0.1%	1.259
C$ per US$	-0.9%	-1.5%	5.2%	1.417

Source: Bloomberg. Equity-index returns are price only, others are total returns.
*100 basis points = 1 percentage point.
**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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