WEEKLY MARKET UPDATE | MARCH 7, 2025

A tariff tiff leads to a market rift.

The economy

- Major U.S. equity market indexes moved lower during the week ending March 7 in response to the Trump administration's implementation of tariffs on imported goods from Canada and Mexico, as well additional tariffs on Chinese goods. Investors feared that the tariffs would reignite inflation and weigh on the U.S. economy. By the end of the week, the broad-market S&P 500 Index had slipped into negative territory for the year to date. The tech-heavy Nasdaq Composite Index briefly entered correction territory (a decline of at least 10% from its recent peak) on Friday.
- After the 25% tariffs on Canadian and Mexican imports took effect on Tuesday, the leaders of the respective countries announced plans to levy retaliatory tariffs on U.S. imports. On Wednesday, the Trump administration granted a one-month delay on tariffs for motor vehicles imported from Canada and Mexico following a meeting with executives from the "Big Three" U.S.-based automakers (Ford, GM, and Stellantis). However, he noted that tariffs on cars imported from other countries will take effect on April 2. The following day, Trump announced an exemption through April 2 for tariffs on imported goods from Mexico that are covered by the United States-Mexico-Canada Agreement (USMCA).
- During an appearance at the University of Chicago Booth School of Business U.S. Monetary Policy Forum in New York on Friday, Federal Reserve (Fed) Chair Jerome Powell indicated that the uncertainty surrounding the tariffs will not immediately alter the central bank's "wait-and-see" approach on monetary policy. Powell said that the Fed is focused on "separating the signal from the noise as the outlook evolves. We do not need to be in a hurry, and are well positioned to wait for greater clarity." However, Powell acknowledged that the "net effect" of the Trump administration's changes in trade, immigration, regulation, taxes, and spending policies that will have an impact on the Fed's outlook for interest rates.
- There was notable news this week regarding the U.S. labor market. According to the Department of Labor, U.S. payrolls expanded by a lower-than-expected total of 151,000 jobs in February—up from the 125,000 positions added in January, which represented a downward adjustment of 18,000 from the government's initial tally last month. The unemployment rate edged up 0.1 percentage point to 4.1%. The health care, financial, and transportation and warehousing sectors added 52,000, 21,000, and 18,000 positions, respectively, during the month. In contrast, employment in the federal government and the retail trade sectors declined by corresponding totals of 10,000 and 6,000. Average hourly earnings rose 0.3% and 4.0% in February and year-over-year, respectively.
- The Institute for Supply Management's (ISM) Manufacturing Purchasing Managers' Index (PMI) dipped 0.6 percentage point to 50.3% in February—indicating modest expansion in the U.S. manufacturing sector for the second month in a row following 26 consecutive months of contraction. (A PMI reading above 50% denotes an increase in manufacturing activity.) The ISM's Employment Index fell 2.7 percentage points to 47.6% in February, while the New Orders Index declined 6.5 percentage points to 48.6%—slipping into contraction territory after three consecutive months of expansion. The ISM Services PMI rose 0.7 percentage point to 53.5% in February, indicating expansion in the services sector in 54 of the 57 months since the recovery from the COVID-19-induced recession that began in June 2020. The Business Activity Index dipped 0.1 percentage point to 54.4% during the month—expanding for the 57th straight month.

Stocks

- Global equities ended mixed for the week. Developed markets outperformed emerging markets.
- U.S. equities sold off during the week. Health care and materials were the top-performing sectors, while financials and discretionary were the primary market laggards.
- Value stocks led growth, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield rose to 4.31% over the week.
- Global bond markets saw mixed performance during the week.
- Government bonds led the markets, followed by corporate bonds and high-yield bonds.

The Numbers as of March 7, 2025	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-1.5%	1.1%	10.0%	850.4
MSCI EAFE ($)	3.5%	10.9%	7.0%	2508.0
MSCI Emerging Mkts ($)	3.1%	5.2%	9.8%	1131.3
US & Canadian Equities				
Dow Jones Industrials ($)	-2.4%	0.6%	10.3%	42801.7
S&P 500 ($)	-3.1%	-1.9%	11.9%	5770.2
NASDAQ ($)	-3.5%	-5.8%	11.8%	18196.2
S&P/ TSX Composite (C$)	-2.5%	0.1%	13.6%	24758.8
UK & European Equities				
FTSE All-Share (£)	-1.4%	4.9%	11.4%	4687.8
MSCI Europe ex UK (€)	0.7%	11.3%	9.0%	1965.6
Asian Equities				
Topix (¥)	1.0%	-2.7%	-0.4%	2708.6
Hong Kong Hang Seng ($)	5.6%	20.8%	49.3%	24231.3
MSCI Asia Pac. Ex-Japan ($)	3.1%	4.5%	11.8%	594.8
Latin American Equities				
MSCI EMF Latin America ($)	2.0%	9.0%	-20.0%	2019.3
Mexican Bolsa (peso)	0.8%	6.5%	-4.2%	52755.4
Brazilian Bovespa (real)	1.8%	4.0%	-2.6%	125034.6
Commodities ($)				
West Texas Intermediate Spot	-4.9%	-7.5%	-15.9%	66.4
Gold Spot Price	2.2%	10.8%	34.7%	2908.3
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.4%	2.4%	2.1%	474.4
JPMorgan Emerging Mkt Bond	-0.5%	2.4%	7.7%	919.0
10-Year Yield Change (basis points*)				
US Treasury	10	-27	22	4.31%
UK Gilt	16	8	64	4.64%
German Bund	43	47	53	2.84%
Japan Govt Bond	14	42	79	1.52%
Canada Govt Bond	13	-19	-33	3.03%
Currency Returns**				
US$ per euro	4.5%	4.8%	-0.9%	1.085
Yen per US$	-1.8%	-5.9%	-0.1%	147.90
US$ per £	2.8%	3.3%	0.9%	1.293
C$ per US$	-0.6%	-0.1%	6.8%	1.437

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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