



MARKET MONTH: FEBRUARY 2025

The Markets (as of market close February 28, 2025)

Wall Street saw stocks tumble mostly lower in February after posting strong returns in January. Investors worried about the economic impact of tariffs, inflation, and rising geopolitical tensions. Consumer staples and real estate stocks moved higher last month, while consumer discretionary, industrials, information technology, communication services, and energy underperformed.

The latest data showed inflation remained elevated. The personal consumption expenditures (PCE) price index has risen from a low of 2.1% for the 12 months ended in September to 2.5% for the same period ended in January, which supports the Federal Open Market Committee's assessment that inflation "remains somewhat elevated." Another potential inflationary risk is the impact of looming tariffs threatened by the White House, which gives the Fed ample justification to hold interest rates steady over the next few months.

Growth of the U.S. economy continued at a modest pace. The gross domestic product (GDP) rose 2.3% in the fourth quarter following a 3.1% increase in the third quarter (see below). For 2024, GDP rose 2.8%, 0.1 percentage point less than the 2023 rate. In the fourth quarter, personal consumption expenditures, the largest contributor in the calculation of GDP, rose 4.2% in January. Spending rose 12.1% on durable goods, possibly reflecting consumers' concerns about future prices and availability of big-ticket imports such as motor vehicles. Spending on nondurables increased 3.0%, while consumer spending on services advanced 3.3%. For 2024, consumer spending rose 2.8%.

Job growth rose by 143,000 in January after averaging a monthly gain of 186,000 in 2024. The unemployment rate remained steady at 4.0%. Wages rose 4.1% over the past 12 months. The number of job openings fell by 556,000 in December (latest information available) to 7.6 million (8.1 million jobs in November), which was below expectations. Job openings were down 548,000 in the private sector and 9,000 in government. However, this data does not reflect the layoffs and cuts sanctioned by the Trump administration. The latest unemployment data showed total claims paid at the end of January increased from a year earlier (see below).

According to FactSet, the S&P 500 reported earnings growth of 17.8% in the fourth quarter, the highest growth since the fourth quarter of 2021. However, during earnings conference calls, 221 of the S&P 500 companies mentioned "tariffs." The financial sector reported the highest fourth-quarter earnings growth at 56.9%. Of the S&P 500 companies



reporting earnings, 77.0% exceeded earnings per share above expectations, equal to the five-year average. However, 72 S&P 500 companies reported a decline in earnings per share.

The real estate sector saw residential sales decline in January. Mortgage rates decreased somewhat but remained elevated. According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.76% as of February 27. That's down from 6.95% one month ago and lower than 6.94% a year ago.

Industrial production expanded for the third consecutive month in January (see below), although manufacturing output slid marginally. Last month saw mining decrease, while utilities increased. Over the last 12 months, industrial production, manufacturing, mining, and utilities increased. Purchasing managers reported manufacturing expanded in January as new orders and output increased. The services sector saw growth continue in January but at a slightly slower pace than in December.

Ten-year Treasury yields closed the month falling to the lowest rate in over two months due to concerns that tariffs and government spending cuts may hurt the economy. The two-year note closed February at 4.00%, down roughly 22.0 basis points from a month earlier. The dollar index dipped lower from a month earlier. Gold prices rose in February, despite trending lower during the latter part of the month. Crude oil prices settled at about \$70.00 per barrel, marking the first monthly decline since November 2024. The retail price of regular gasoline was \$3.125 per gallon on February 24, \$0.022 above the price a month earlier but \$0.124 lower than the price a year ago.

Stock Market Indexes

Market/Index	2024 Close	Prior Month	As of 2/28	Monthly Change	YTD Change
DJIA	42,544.22	44,544.66	43,840.91	-1.58%	3.05%
NASDAQ	19,310.79	19,627.44	18,847.27	-3.97%	-2.40%
S&P 500	5,881.63	6,040.53	5,954.50	-1.42%	1.24%
Russell 2000	2,230.16	2,287.69	2,163.06	-5.45%	-3.01%



Global Dow	4,863.01	5,094.27	5,215.57	2.38%	7.25%
fed. funds target rate	4.25%-4.50%	4.25%-4.50%	4.25%-4.50%	0 bps	0 bps
10-year Treasuries	4.57%	4.56%	4.20%	-36 bps	-37 bps
US Dollar-DXY	108.44	108.49	107.56	-0.86%	-1.66%
Crude Oil-CL=F	\$71.76	\$73.61	\$69.95	-4.97%	-2.52%
Gold-GC=F	\$2,638.50	\$2,833.20	\$2,867.30	1.20%	8.69%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark the performance of specific investments.

Latest Economic Reports

- Employment:** Job growth was slightly below expectations in January, with the addition of 143,000 new jobs after an upward revision of 100,000 new jobs in the prior two months. In January, the unemployment rate decreased 0.1 percentage point to 4.0%. The number of unemployed persons changed little at 6.8 million in January. The number of long-term unemployed (those jobless for 27 weeks or more) was 1.4 million, a decline of about 100,000 from the December figure. These individuals accounted for 21.1% of all unemployed persons. The labor force participation rate in January was 62.6%, up 0.1 percentage point from the previous month. The employment-population ratio increased 0.1 percentage point to 60.1% in January. Average hourly earnings increased by \$0.17, or 0.5%, to \$35.87 in January. Since January 2024, average hourly earnings rose by 4.1% (3.9% for the 12 months ended in December 2024). The average workweek edged down by 0.1 hour to 34.1 hours in January.
- There were 242,000 initial claims for unemployment insurance for the week ended February 22, 2025. During the same period, the total number of workers receiving unemployment insurance was 1,862,000. A year ago, there were 213,000 initial claims, while the total number of workers receiving unemployment insurance was 1,805,000.



- **FOMC/interest rates:** The Federal Open Market Committee did not meet in February after maintaining the federal funds rate at the current 4.25%-4.50% following its meeting in January. The Committee next meets during the second week of March.
- **GDP/budget:** The economy, as measured by gross domestic product, accelerated at an annualized rate of 2.3% in the fourth quarter following an increase of 3.1% in the third quarter. GDP expanded at an annualized rate of 2.8% in 2024, compared with an annual increase of 2.9% in 2023. Consumer spending, as measured by the PCE index, rose 4.2% in the fourth quarter following a 3.7% rise in the third quarter. Spending on services rose 3.3% in the fourth quarter, compared with a 2.8% increase in the third quarter. Consumer spending on goods increased 6.1% in the fourth quarter (5.6% in the third quarter). Fixed investment declined 1.4% in the fourth quarter after increasing 2.1% in the third quarter. Nonresidential (business) fixed investment declined 3.2% in the fourth quarter after climbing 4.0% in the previous quarter. Residential fixed investment rose 5.4% in the fourth quarter following a 4.3% decrease in the third quarter. Exports fell 0.5% in the fourth quarter, compared with a 9.6% increase in the previous quarter. Imports, which are a negative in the calculation of GDP, also decreased 1.2% in the fourth quarter after rising 10.7% in the third quarter. Consumer prices increased 2.4% in the fourth quarter (1.5% in the third quarter). Excluding food and energy, consumer prices advanced 2.7% in the fourth quarter (2.2% in the third quarter). The increase in GDP in 2024 reflected increases in consumer spending, investment, government spending, and exports, while imports increased. The price index for gross domestic purchases increased 2.4% in 2024, compared with an increase of 3.3% in 2023. The PCE price index increased 2.5% in 2024, compared with an increase of 3.8% in 2023. Excluding food and energy prices, the PCE price index increased 2.8% last year, compared with a 2023 increase of 4.1%.
- January saw the federal budget deficit come in at \$129.0 billion, \$42.0 billion above the December monthly deficit and \$106.0 billion above the January 2024 deficit. The deficit for the first four months of fiscal year 2025, at \$840.0 billion, is roughly \$300.0 billion higher than the first four months of the previous fiscal year. So far in fiscal year 2025, government receipts totaled \$1,596.0 trillion, while government outlays totaled \$2,436.0 trillion. Through the first four months of fiscal year 2025, individual income tax receipts added up to \$823.0 billion, while outlays for Social Security totaled \$502.0 billion.
- **Inflation/consumer spending:** According to the latest Personal Income and Outlays report, personal income and disposable personal income each rose 0.9% in January after both increased 0.4% in December. Consumer spending decreased 0.2% in January after increasing 0.8% the previous month. Consumers spent 29.0% on housing and utilities in January, while spending on motor vehicles and parts fell 41.1%. Consumer prices inched up 0.3% in January, the same increase as in December. Excluding food and energy (core prices), prices rose 0.3% in January. Consumer prices rose 2.5% since January 2024, while core prices increased 2.6%. Over the last 12 months, prices for food rose 1.6%, while energy prices increased 1.0%.



- The Consumer Price Index rose 0.5% in January after ticking up 0.4% in December. Over the 12 months ended in January, the CPI rose 3.0%, 0.1 percentage point above the rate for the 12 months ended in December. Core prices (excluding food and energy) rose 0.4% in January and 3.3% since January 2024. Prices for shelter rose 0.4% in January, accounting for nearly 30.0% of the monthly increase. Energy prices rose 1.1% in January, as gasoline prices increased 1.8%. Prices for food also increased in January, rising 0.4%. Over the last 12 months, food prices rose 2.5%, energy prices increased 1.0%, prices for new vehicles fell 0.3%, while prices for shelter advanced 4.4%.
- Prices that producers received for goods and services (wholesale prices) advanced 0.4% in January following a 0.5% increase in December. Producer prices increased 3.5% for the 12 months ended in January, unchanged from the revised estimate for the 12-month period ended in December. The January increase in producer prices was broad-based, with prices for goods moving up 0.6%, while prices for services increased 0.3%. Producer prices less foods, energy, and trade services edged up 0.3% in January following a 0.4% increase in December. Prices less foods, energy, and trade services rose 3.4% since January 2024 after advancing 3.5% for the 12 months ended in December.
- **Housing:** Sales of existing homes decreased 4.9% in January but were up 2.0% from January 2024. The median existing-home price was \$396,900 in January, down from the December price of \$403,700 but 4.8% higher than the January 2024 estimate of \$378,600. Unsold inventory of existing homes represented a 3.5-month supply at the current sales pace, up from December (3.2 months) and above the 3.0-month supply in January 2024. Sales of existing single-family homes decreased 5.2% in January but were 2.2% higher than the estimate from a year earlier. The median existing single-family home price was \$402,000 in January, down from the December figure of \$408,500 but above the January 2024 estimate of \$382,900.
- New single-family home sales fell 10.5% in January and were 1.1% below the January 2024 figure. The median sales price of new single-family houses sold in January was \$446,300 (\$415,000 in December) and higher than the January 2024 estimate of \$430,400. The January average sales price was \$510,000 (\$509,700 in December) but below the January 2024 average sales price of \$527,800. The inventory of new single-family homes for sale in January represented a supply of 9.0 months at the current sales pace, up from December's 8.0-month supply.
- **Manufacturing:** Industrial production increased 0.5% in January following a 1.0% advance in December. Manufacturing output slid 0.1% in January after gaining 0.5% in December. Mining decreased 1.2%, while utilities advanced 7.2%. Over the 12 months ended in January, total industrial production was 2.0% above its year-earlier reading. Since January 2024, manufacturing increased 1.0%, utilities rose 6.9%, while mining increased 3.4%.



- New orders for durable goods increased 3.1% in January after declining 1.8% in the prior month. For the 12 months ended in January, durable goods orders advanced 4.3%. Excluding transportation, new orders were unchanged in January from the prior month. Excluding defense, new orders rose 3.5%. Transportation equipment increased 9.8% in January following two consecutive monthly decreases.
- **Imports and exports:** Import prices rose for the fourth straight month after advancing 0.3% in January, the largest monthly increase since April 2024. Higher fuel and nonfuel prices in January contributed to the overall increase in import prices. Import fuel prices advanced 3.2% in January, also the largest monthly advance since April 2024. Import fuel prices rose 2.4% over the past 12 months. Prices for nonfuel imports ticked up 0.1% in January and advanced 1.8% over the last 12 months. Prices for exports rose 1.3% in January, the largest monthly gain since May 2022. Higher nonagricultural export prices in January more than offset lower agricultural export prices. Export prices rose 2.7% over the past year, the largest 12-month advance since the 12-month period ended December 2022.
- The international trade in goods deficit was \$153.3 billion in January, up \$31.2 billion, or 25.6%, from December. Exports of goods were \$172.2 billion in January, \$3.3 billion, or 2.0%, over December exports. Imports of goods were \$325.4 billion in January, \$34.6 billion, or 11.9%, more than December imports. Over the 12 months ended in January, the goods deficit grew 69.8%. Exports rose 1.8%, while imports increased 25.5%.
- The latest information on international trade in goods and services, released February 5, was for December and revealed that the goods and services trade deficit was \$98.4 billion, an increase of \$19.5 billion, or 24.7%, from the November deficit. December imports were \$364.9 billion, \$12.4 billion, or 3.5%, more than November imports. December exports were \$266.5 billion, \$7.1 billion, or 2.6%, less than November imports. For 2024, the goods and services deficit increased \$133.5 billion, or 17.0%, from 2023. Exports increased \$119.8 billion, or 3.9%. Imports increased \$253.3 billion, or 6.6%.
- **International markets:** In Germany, consumer prices rose 2.3% in February, unchanged from the prior month and in line with expectations. A sharp increase in energy costs helped propel the Eurozone inflation rate to 2.5% in January, the highest it's been since July 2024. Canada's annual inflation rate inched up 0.1 percentage point to 1.9% in January but remained below the Bank of Canada's target rate of 2.0% for the sixth straight month. Many of President Trump's tariffs are proposed as reciprocal in nature, aimed at countries that impose value-added taxes (VAT) on imports. For example, Germany's VAT is 19.0%, France's is 20.0%, Japan imposes a 10.0% VAT, and China has a VAT of 13.0%. At this point, the U.S. does not have a VAT system. In February, the STOXX Europe 600 Index rose 3.0%; the United Kingdom's FTSE advanced 1.4%; Japan's Nikkei 225 Index fell 6.1%; and China's Shanghai Composite Index increased 2.2%.
- **Consumer confidence:** The Conference Board Consumer Confidence Index® decreased in February to 98.3, down 7.0 points from the January reading. The Present Situation Index,



based on consumers' assessment of current business and labor market conditions, dropped 3.4 points to 136.5 in February. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, tumbled 9.3 points to 72.9 in February. For the first time since June 2024, the Expectations Index was below the threshold of 80 that usually signals a recession ahead.

Eye on the Month Ahead

Looking ahead to March, investors will pay particular attention to inflation data as February brought increased concerns that price pressures may be on the rise again.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates).

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