

Weekly Update – February 7, 2025

Market Returns Ending 2/7/2025			
Category	1 Week	YTD	1 Year
US			
Large Cap	-0.2%	2.5%	22.2%
Mid Cap	-0.6%	3.0%	16.2%
Small Cap	-0.3%	2.3%	19.6%
International			
Developed	0.7%	6.1%	11.4%
Emerging	0.8%	2.6%	13.7%
Bonds			
Aggregate	0.7%	1.2%	3.9%
High Yield	0.2%	1.5%	9.8%

Key Events: A cacophony of mixed signals

The week commenced with a spike in volatility due to the imposition of tariffs by the Trump administration on Canada, Mexico and China. By early evening on Monday, the 25% tariffs expected to be levied on Canada and Mexico were temporarily postponedⁱ.

The Trump administration did implement a 10% tariff on all goods from China, to which China retaliated in kind with levies on some US productsⁱⁱ. For some observers, “Trump-China Trade War 2.0 is underway”ⁱⁱⁱ.

Market review: International equities higher on the week

Global equities posted mixed performance for the first week of February. International equities made modest progress as US equities fell for the week. Diversification across global equities and market capitalization has proven to be beneficial thus far in 2025.

Investment grade bonds showed modest progress as the 10-year yield fell for the fourth consecutive week.

Outlook: Lingerin g tariff fears temper expectations

“Supply-side disruptions can have a material impact on aggregate inflation...it is dangerous to just ignore them”^{iv} stated Chicago Fed President Austan Goolsbee. Tariffs may impact inflation progress, and the “speed at which rates come down will be slower with more fogginess”^v.

While Fed Governor Goolsbee raised concerns over Fed Funds rate expectations, Treasury Secretary

US Equity Style Returns			
	<u>Weekly</u>		
	Value	Core	Growth
Large	-0.2	-0.2	-0.3
Mid	-0.7	0.0	2.1
Small	-0.3	-0.3	-0.3
	<u>YTD</u>		
	Value	Core	Growth
Large	4.4	2.9	1.7
Mid	2.8	4.3	8.6
Small	1.7	2.3	2.8

Source: Bloomberg

Scott Bessent may have taken pressure off the Fed when he stated that the administration “is not calling for the Fed to lower rates”; they are “focused on the 10-year Treasury”^{vi} yield. Markets focus



on the level and direction of the 10-year yield for asset pricing, but cues from the Fed set intermediate term expectations for risk.

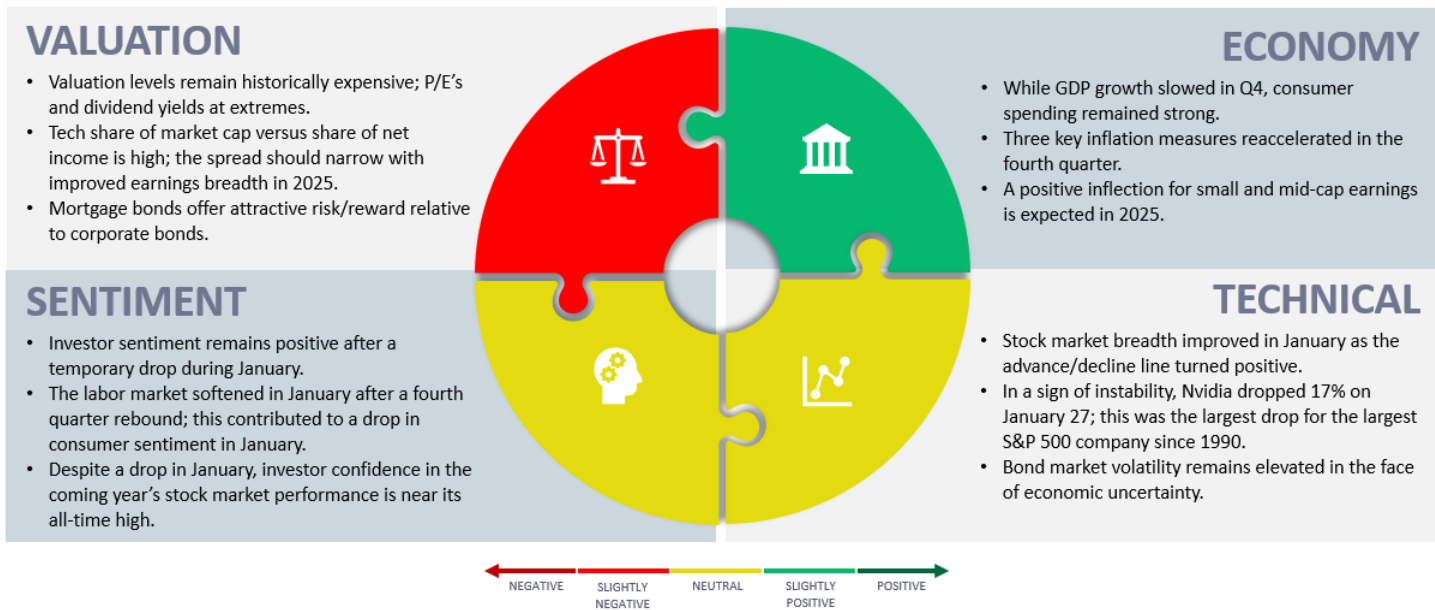
Comments from Government officials are somewhat mixed on current rate concerns, but their long-term *desires* are consistent – they both want to see lower inflation and lower interest rates.

The current conundrum is that mixed signals aren't confined to announcements about tariffs, rates and inflation by government officials. Mixed signals permeate economic data as well. The chart below shows the ISM Manufacturing New Orders series graphed against the ISM Services PMI data^{vii}. The New Orders series is a harbinger for an improved earnings outlook, and it has surged to its highest level since the first half of 2022. However, the ISM Services PMI missed expectations and showed signs of slowing growth.

Friday's data reports only added to the theme of mixed data as job growth slowed more than forecast, yet the unemployment rate fell back to 4.0%.^{viii} Consumer sentiment fell for the first time in six months due to higher inflation expectations from tariffs^{ix}. With this cacophony of mixed signals, it's paramount for investors to maintain focus on the long-term. Stocks tend to rise with earnings over time, and the best news of the week may have been that 4Q earnings results are growing above expectations, up roughly 12%^x year over year.



OneAscent Navigator Outlook: February 2025



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ⁱ Source: Bloomberg article.

ⁱⁱ Source: Bloomberg: John Authers' Columns: "Trump, Xi Play to Win Sun Tzu's Art of Trade War".

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^{iv} Source: Barron's article: "Tariffs Could Derail the Fed's Inflation Progress: Chicago Fed President Goolsbee" by Nicholas Jasinski.

^v Source: Bloomberg via Benzinga Newsdesk on 2/7/2025.

^{vi} Source: Bloomberg: John Authers' Columns: "Bessent Explains Trump. It Won't be the Last Time."

^{vii} Source: Bloomberg data.

^{viii} Source: Employment data from BLS via Bloomberg.

^{ix} Source: Bloomberg – University of Michigan Consumer Sentiment.

^x Source: JP Morgan “Equity Strategy: 4Q Earnings Season Tracker” by Mislav Matejka.

^{xi} Market Returns reference the following indices: Large Cap – S&P 500, Mid Cap Growth – Russell Midcap growth, Mid Cap Value – Russell Midcap Value, Small Cap – Russell 2000, Developed – MSCI EAFE, Emerging – MSCI Emerging Markets, Aggregate – Bloomberg US Aggregate, High Yield – Bloomberg High Yield