

February 2025

# DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for the Period Ended 02/28/2025

## Global Overview

Domestic markets in February showed turbulence as tariff uncertainty, stock sell-offs, and a weakened economic outlook in the U.S. caused poor performance for equities. The Federal Reserve remains cautious toward rate cuts, as lowering rates too early may reduce the impact on inflation. Major U.S. indices saw significant capital outflows as investors sought safer assets or opportunities abroad with fear of a potential trade war. Global indexes benefited from the outflow in the U.S. as the MSCI EAFE, Emerging Markets, and ACWI ex-U.S. index all saw positive returns.

## U.S. Markets & Economy

February was a volatile month for equities, as the S&P 500 fell by 1.3% due to a significant sell-off in major technology stocks, coupled with the decline in consumer confidence regarding tariff uncertainty. Similarly, the tech-heavy NASDAQ fell by 4.0%, representing what could be the beginning of a sector rotation from higher growth tech stocks to more defensive sectors such as consumer staples and utilities. The Conference Board Consumer Confidence Index decreased by 7.0 points in February to 98.3, the largest monthly decrease since August of 2021. Similarly, ISM Manufacturing PMI decreased to 50.3 from 50.9, indicating marginal expansion above 50.0. Initial Jobless claims rose to a two-month high of 242,000 in the last week of February, well above expectations of 221,000. President Trump's tariffs include a 25% duty on imports from Canada, and Mexico, with a smaller 10% tariff specifically focused towards Canadian energy resources. Additionally, tariffs on Chinese goods are scheduled to be increased from 10% to 20%. The tariffs are scheduled to be enacted on March 4th. The market has largely adopted a wait and see approach as the likelihood of a potential trade war and its ramifications are still unknown. Domestic Growth indices were hit harder by the volatility, as the Russell 1000 Growth, and Russell 2000 Growth indices had negative returns of 3.6% and 6.8%, respectively. The Russell 2000 Value also posted a negative return of 3.8%, while the Russell 1000 Value was the only domestic index with a positive result, posting a return of 0.4%.

The bond market benefitted from the investor uncertainty, as each week of February saw inflows. The Federal Reserve maintained their higher for longer outlook and remains cautious about cutting rates. Cutting rates too much, too soon, may result in inflation entrenchment, where high inflation becomes persistent and difficult to stabilize. The shorter end of the yield curve stayed largely in line with January's numbers, while two, three, five and ten year rates fell. In particular, the ten year Treasury declined 29 bps, while the two year only fell 15 bps, approaching inversion territory for the first time since mid-2024. As a result of falling yields and the risk-off sentiment U.S. bond indices posted positive returns across the board. The Bloomberg Aggregate had a return of 2.2%, and the ICE BoA High Yield Index had a return of 0.7%. High yield spreads widened from 266 to 287 bps, while investment grade corporates slightly widened from 81 to 88 bps.

## International Markets & Economy

The ECB updated its model for a neutral rate range, which now targets 1.75%-2.25%. The EU's policy rate sits at 2.75%, after the fifth cut since last June, and is expected to be cut again in March. Germany's GDP ended 2024 with a 0.2% decrease, slightly improved from the 0.3% decrease in 2023. The German general election ended with the Christian Democratic Union (CDU), led by Friedrich Merz, reclaiming power after losing the 2021 election to Social Democratic Party (SDP). France's Manufacturing PMI rose to 45.8 in February from 45.0 in January, while Service PMI dropped to 45.3 from 48.2. The MSCI EAFE Index increased 1.9% in February largely attributed to strong gains in the Euroland portion of the index. Japan's real GDP grew by 0.7% for its third straight quarter of growth, indicating the world's fourth largest economy remains on a trajectory of mild growth. Chinese President Xi Jinping met with private sector

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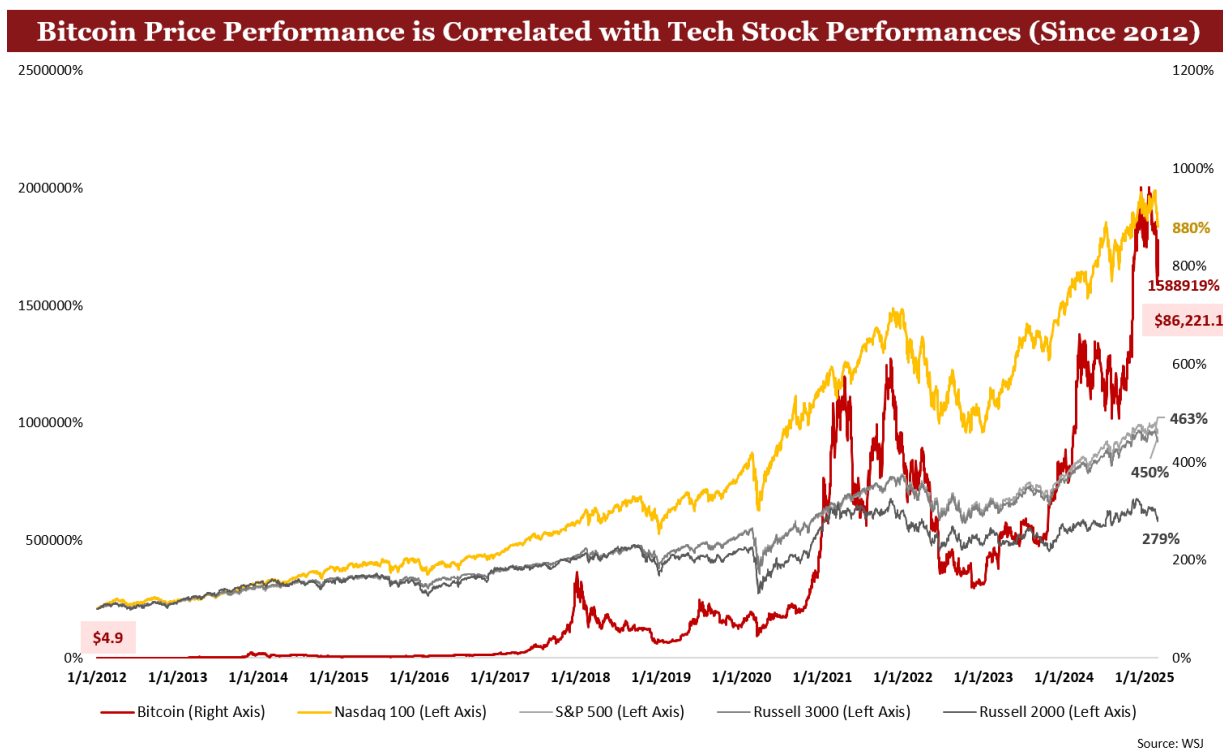
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business leaders last month and offered them policy support and assurances for securing their legal rights in the economy. Chinese manufacturing PMI increased to 50.2 in February from 49.1 in January. Annual data showed that amid slowing economic growth and rising geopolitical tensions, China's foreign direct investment fell by 27.1% in 2024, following an 8.0% decline in 2023. The trend has started to reverse in 2025 and China remains the largest weight with the MSCI Emerging Markets Index at around 30.7%. Chinese securities soared in February as the MSCI China Index increased by 11.8%. This was largely offset within the MSCI Emerging Markets Index as India's 8.0% negative return was a headwind for the index, which posted a modest return of 0.5% for the month.

## In the News

President Trump announced the formation of a U.S. Crypto Strategic Reserve that will hold major cryptocurrencies including Bitcoin, Ethereum, XRP, Cardano, and Solana. Additionally, the executive order established a working group on digital assets to put forward potential regulations for the sector. The crypto industry was the largest source of donations (44%) during the 2024 presidential election. From an asset management perspective, the performance of cryptocurrencies are highly volatile and speculative. Over 40% of Bitcoin owners are males under 35, the most risk-seeking segment of the population, according to a 2023 global survey by the Bank for International Settlements. The demographic characteristic of Bitcoin investors partially explains why its performance is correlated with both technology and meme stocks. The research also shows that the increase in price of the retail-oriented asset is significantly associated with the entry of new investors, and the price is the most important factor in explaining adoption. Past trading patterns show that larger investors (the "whales") sell to smaller investors as prices rise, suggesting that sophisticated investors are profiting at the expense of retail investors. As crypto assets are integrated into traditional industries, with wider adoption and more diversified holders, we may see a reduction in its volatility through higher liquidity. However, crypto assets could also become a source of the systematic risk, especially given their overall volatility, growing interconnectedness with other assets, and vulnerability to hacking.

## Chart of the Month



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## Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	(0.72)	0.11	2.78	15.63	10.22	13.91	9.82
	Bloomberg US Agg Bond TR USD	2.20	1.06	2.74	5.81	(0.44)	(0.52)	1.51
	Russell 3000 TR USD	(1.92)	(1.91)	1.18	17.53	11.59	16.12	12.36
	DJ Industrial Average TR USD	(1.39)	(1.98)	3.32	14.41	11.17	13.79	11.69
	NASDAQ Composite PR USD	(3.97)	(1.93)	(2.40)	17.12	11.08	17.08	14.27
	MSCI EAFE NR USD	1.94	4.86	7.30	8.77	6.42	8.70	5.28
	FTSE Treasury Bill 3 Mon USD	0.34	1.12	0.73	5.26	4.30	2.64	1.86
	Bloomberg Commodity TR USD	0.78	5.83	4.76	11.60	0.71	10.56	1.84
Domestic Equities	S&P 500 TR USD	(1.30)	(0.97)	1.44	18.41	12.55	16.85	12.98
	S&P MidCap 400 TR	(4.35)	(7.74)	(0.66)	8.69	6.88	13.01	9.19
	S&P SmallCap 600 TR USD	(5.71)	(10.68)	(2.97)	6.27	2.98	10.80	8.38
	Russell 1000 TR USD	(1.75)	(1.45)	1.38	18.11	12.07	16.54	12.71
	Russell 1000 Growth TR USD	(3.59)	(0.82)	(1.69)	19.75	14.84	19.71	16.01
	Russell 1000 Value TR USD	0.41	(2.13)	5.05	15.75	8.65	12.51	8.95
	Russell Mid Cap TR USD	(2.84)	(5.84)	1.29	12.25	7.18	12.41	9.35
	Russell Mid Cap Growth TR USD	(5.70)	(5.92)	0.32	14.54	9.51	12.94	11.02
	Russell Mid Cap Value TR USD	(1.82)	(5.81)	1.63	11.67	6.14	11.68	8.00
	Russell 2000 TR USD	(5.35)	(10.89)	(2.87)	6.69	3.34	9.39	7.23
	Russell 2000 Growth TR USD	(6.77)	(11.70)	(3.82)	5.83	3.62	7.87	7.17
	Russell 2000 Value TR USD	(3.83)	(10.03)	(1.85)	7.58	2.79	10.32	6.91
International Equities	MSCI ACWI Ex USA NR USD	1.39	3.42	5.47	9.65	4.62	7.55	4.83
	MSCI EAFE NR USD	1.94	4.86	7.30	8.77	6.42	8.70	5.28
	MSCI EAFE Growth NR USD	0.13	2.63	5.55	2.97	3.69	7.17	5.70
	MSCI EAFE Value NR USD	3.73	7.07	9.02	15.09	9.09	9.87	4.61
	MSCI Japan NR USD	(1.36)	(0.16)	0.19	0.70	5.05	7.17	5.40
	MSCI AC Asia Ex Japan NR USD	1.03	1.94	1.79	14.14	0.84	4.48	4.27
	MSCI Europe NR USD	3.67	8.10	10.81	11.20	7.40	9.74	5.42
	MSCI United Kingdom NR USD	3.54	5.94	8.94	18.70	7.74	9.76	4.18
	MSCI EAFE Small Cap NR USD	(0.29)	0.77	3.14	6.37	0.69	5.70	5.17
MSCI EM NR USD	0.48	2.14	2.28	10.07	0.46	4.26	3.49	
Fixed Income	Bloomberg US Govt/Credit TR USD	2.10	0.94	2.65	5.53	(0.53)	(0.58)	1.63
	Bloomberg US Govt/Credit Interm TR USD	1.39	1.34	1.97	5.86	1.19	0.68	1.81
	Bloomberg US Govt/Credit Long TR USD	4.32	(0.27)	4.76	4.52	(5.42)	(4.10)	1.18
	ICE BofA US High Yield TR USD	0.65	1.60	2.04	10.06	4.89	4.79	4.97
	Credit Suisse HY USD	0.55	1.60	1.93	9.45	4.95	4.84	4.91
	Morningstar LSTA US LL Index TR USD	0.11	1.37	0.80	8.10	7.34	6.19	5.05
	FTSE WGBI NonUS USD	0.84	(1.61)	1.29	(0.37)	(6.40)	(4.77)	(1.15)
	Bloomberg Gbl Agg Ex USD TR USD	0.81	(1.25)	1.40	0.59	(4.87)	(3.21)	(0.50)
REITs	FTSE Nareit All REITs TR	4.18	(2.89)	5.40	13.52	1.17	5.11	5.83
	Wilshire US REIT TR USD	3.67	(2.90)	4.73	16.02	2.60	7.08	5.90

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

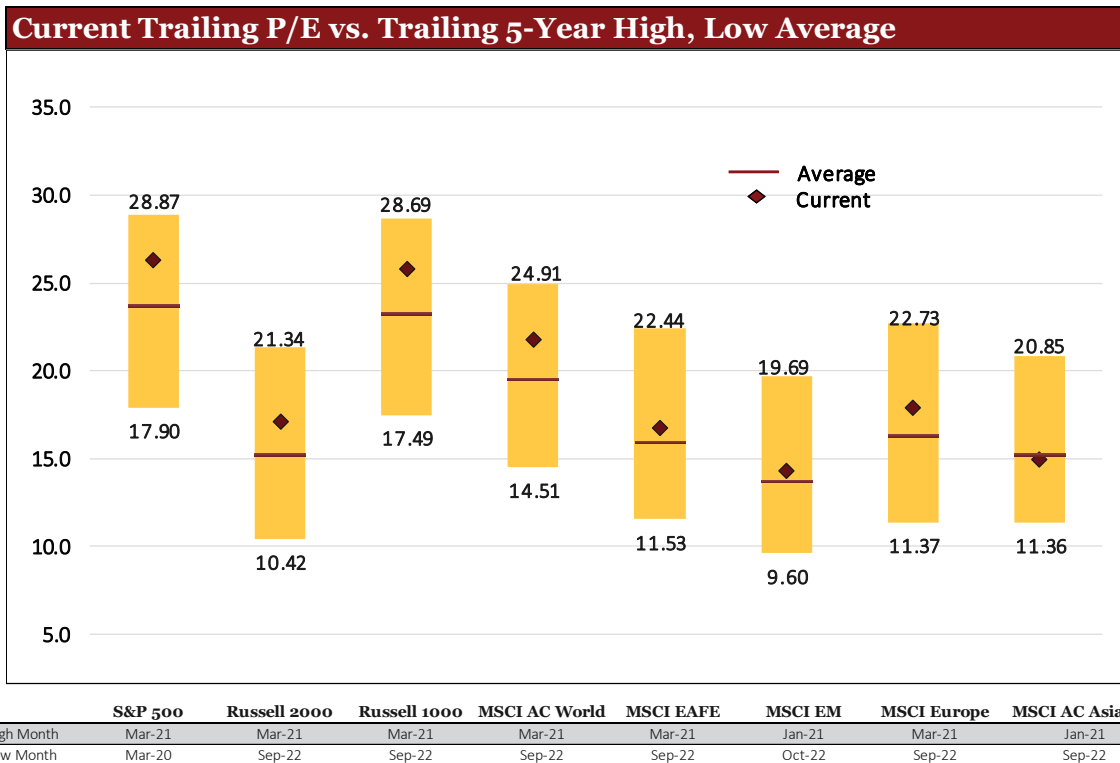
Source: Morningstar

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Source: Morningstar; Data as of 02/28/2025

## Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates <sup>3</sup> per US \$		Inflation <sup>2</sup>
	Latest <sup>1</sup>	2025 <sup>1</sup>	2026 <sup>1</sup>	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
<b>United States</b>	2.30	2.40	2.10	4.00	4.20	-	-	3.00
<b>China</b>	1.60	4.70	4.40	5.10	1.78	7.25	7.19	0.50
<b>Japan</b>	0.70	1.50	0.60	2.40	1.41	149.49	150.29	4.00
<b>United Kingdom</b>	0.10	1.70	1.30	4.40	4.53	1.26	1.26	3.00
<b>Euro Area</b>	0.00	1.30	1.50	6.30	2.93	1.05	1.08	2.40
<b>Germany</b>	-0.20	0.70	1.20	6.20	2.50	1.05	1.08	2.30
<b>France</b>	-0.10	0.90	1.00	7.30	3.23	1.05	1.08	0.80
<b>Italy</b>	0.00	0.90	1.20	6.20	3.55	1.05	1.08	1.70
<b>Canada</b>	0.60	2.00	2.00	6.60	2.95	1.42	1.35	1.90
<b>India</b>	1.10	6.90	6.80	8.30	6.79	86.27	83.11	4.31
<b>Mexico</b>	-0.60	1.20	1.60	2.70	9.48	20.35	17.06	3.59
<b>Brazil</b>	0.90	2.30	1.90	6.50	15.27	5.70	4.93	4.56

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2025 & 2026 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

4. Germany, France, and Italy currency exchange rates are taken at the Euro Area exchange rates

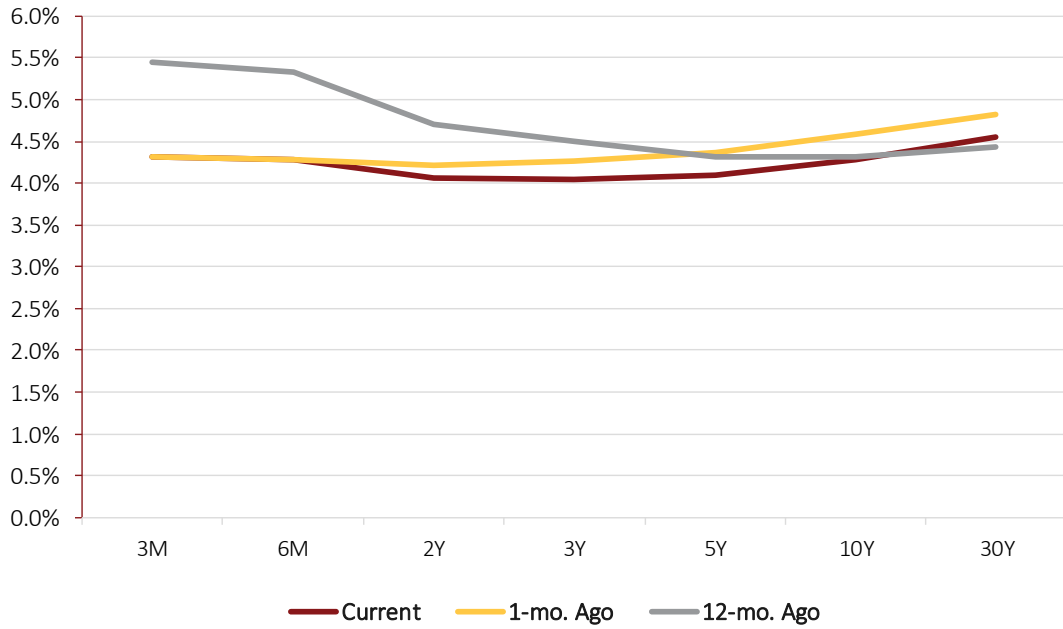
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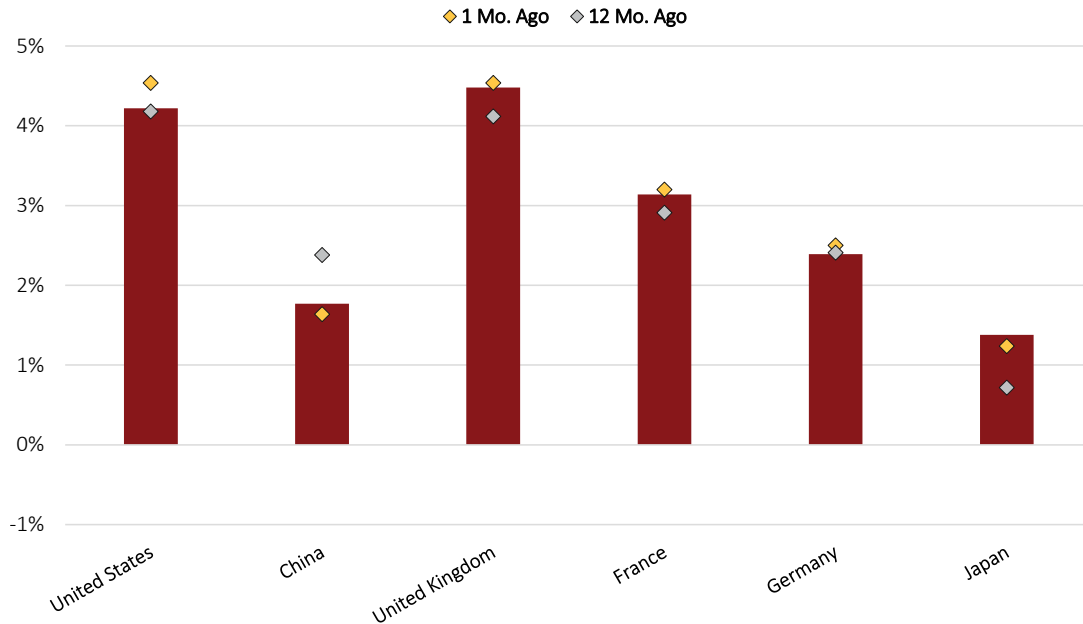
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## U.S. Treasury Yield Curves



Source: Federal Reserve Bank; Data as of 02/28/2025

## 10-Year Sovereign Yields



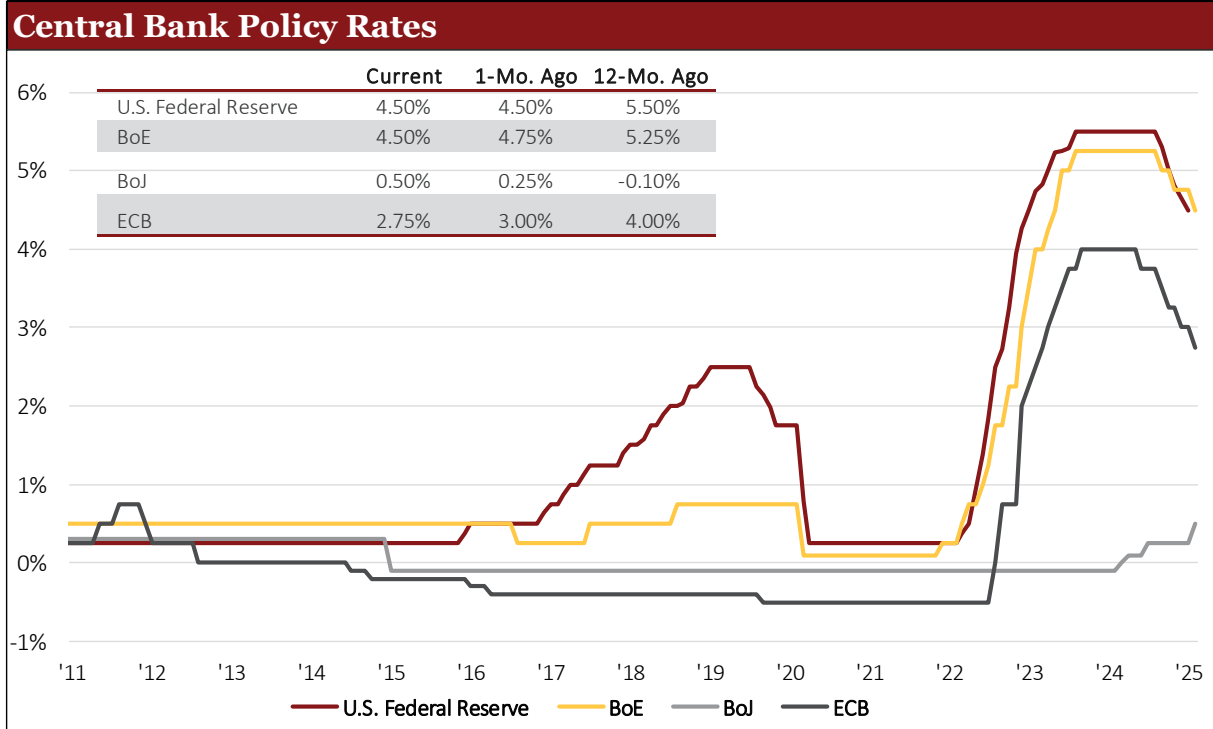
Source: Trading Economics; Data as of 02/28/2025

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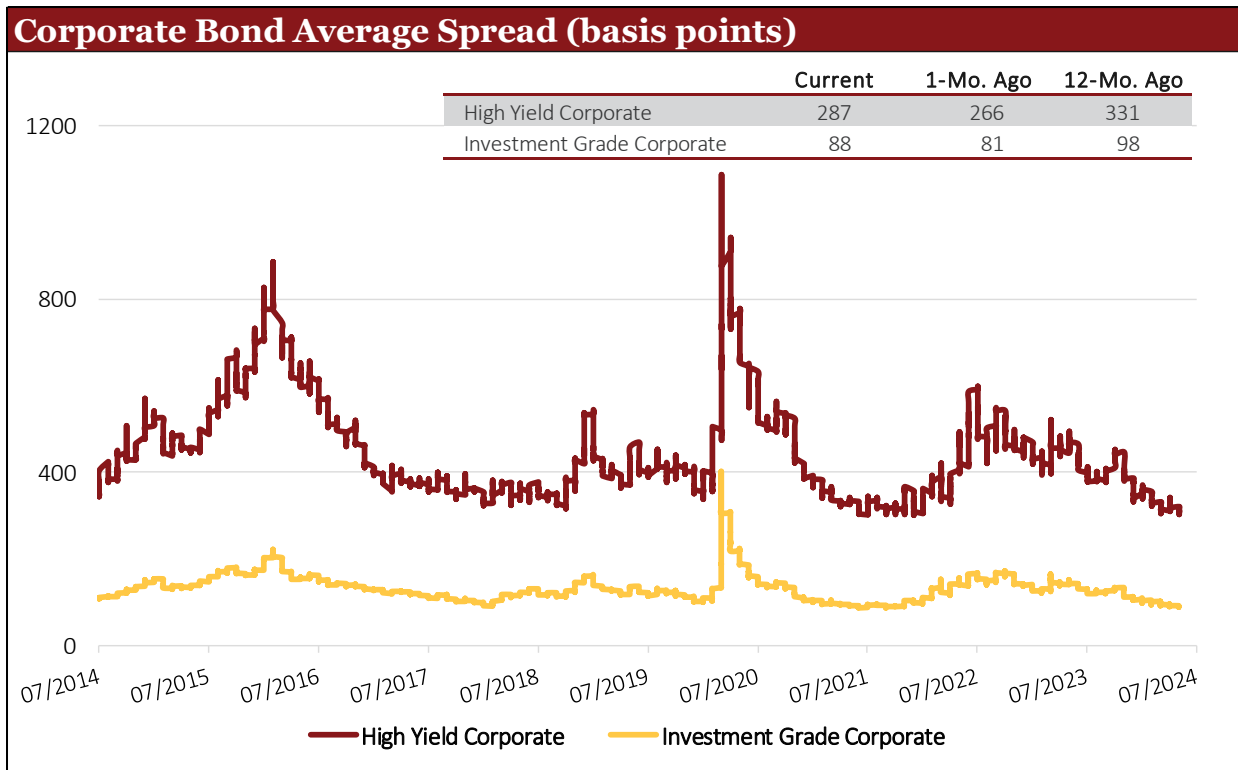
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Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics; Data as of 02/01/2025



Source: Federal Reserve Bank, Bank of America; Data as of 02/28/2025