



Fargo, North Dakota

WEEK OF FEBRUARY 10, 2025

Market Update

Although hiring slowed in January, the previous month's job totals were revised up and the unemployment rate fell to 4 percent. International equities outperformed as a weaker dollar offset initial tariff concerns. The Treasury yield curve continued to flatten on softening economic data.

Quick Hits

1. **Report releases:** Hiring slowed in January, but the previous month's job totals were revised up and the unemployment rate fell to 4 percent.
2. **Financial market data:** International equities outperformed as a weaker dollar offset initial tariff concerns.
3. **Looking ahead:** Economic data this week will primarily focus on small business confidence, inflation, and retail sales.



Report Releases: February 3–7, 2025

Institute for Supply Management (ISM) Manufacturing Index January (Monday)

Manufacturer confidence improved more than expected, bringing the index into expansionary territory for the first time in more than two years.

- Expected/prior ISM Manufacturing index: 50.0/49.2
- Actual ISM Manufacturing index: 50.9



ISM Services Index January (Wednesday)

Service sector confidence fell more than expected, in part because of slower new order growth.

- Expected/prior ISM Services index: 54.0/54.0
- Actual ISM Services index: 52.8



Employment Report January (Friday)

Hiring slowed last month, with 143,000 jobs added against calls for 175,000. Despite the slowdown in headline hiring, the unemployment rate unexpectedly fell to 4 percent.

- Expected/prior change in nonfarm payrolls: +175,000/+307,000
- Actual change in nonfarm payrolls: +143,000



Preliminary University of Michigan Consumer Sentiment Survey February (Friday)

Consumer sentiment fell due to worsening consumer views on current economic conditions and souring expectations for the future. The one-year expected inflation level rose sharply, from 3.3 percent in January to 4.3 percent in February.

- Expected/prior consumer sentiment: 71.8/71.1
- Actual consumer sentiment: 67.8



>> The Takeaway

- Manufacturer confidence improved more than expected in January, but the service sector was weaker than expected.
- Consumer sentiment was lower than expected as consumers' expectations for inflation rose.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-0.23%	-0.23%	2.55%	22.30%
Nasdaq Composite	-0.53%	-0.53%	1.13%	24.80%
DJIA	-0.54%	-0.54%	4.22%	16.67%
MSCI EAFE	0.24%	0.24%	5.50%	10.01%
MSCI Emerging Markets	1.40%	1.40%	3.21%	13.25%
Russell 2000	-0.33%	-0.33%	2.26%	18.04%

Source: Bloomberg, as of February 7, 2025

Paced by emerging markets, international equities moved higher. U.S. stocks moved modestly lower. International equities were supported by a softer U.S. dollar. There was plenty of news regarding tariffs: The week started with proposed tariffs of 25 percent on Canada and Mexico, but those were delayed for one month after discussions between the countries. China, however, was hit with a 10 percent tariff. Earnings were also a major driver, with Alphabet and Amazon moving lower after their announcements.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.47%	0.92%	3.35%
U.S. Treasury	1.41%	0.91%	2.64%
U.S. Mortgages	1.50%	0.96%	3.68%
Municipal Bond	0.77%	0.94%	2.68%

Source: Bloomberg, as of February 7, 2025

Treasury yields continued to flatten, with the front end of the curve seeing rising yields ahead of the 2-year. The part of the curve beyond the 5-year moved lower, however. Higher consumer inflation expectations and a potential tax cut have led to muted rate cut expectations for 2025, with just one cut currently expected for midyear.

>> The Takeaway

- International stocks continued their outperformance.
- The Treasury yield curve continued to flatten amid softening economic data.

Looking Ahead

Economic data this week will primarily focus on small business confidence, inflation, and retail sales.

- On Tuesday, we expect the **NFIB Small Business Optimism Report** for January. Small business optimism is expected to dip slightly after a significant rally in optimism in the fourth quarter.
- The **Consumer Price Index (CPI)** report for January will be released Wednesday. Year-over-year consumer inflation is set to remain unchanged at 2.9 percent.
- On Thursday, the **Producer Price Index (PPI)** for January will be released. Producer inflation is expected to fall modestly on a year-over-year basis.
- Finally, on Friday, **retail sales** for January will be released. Headline retail sales are expected to remain unchanged, whereas core sales are set to rise.



Theodore Roosevelt National Park, North Dakota



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