

WEEK OF MARCH 17, 2025

Market Update

Consumer and producer inflation moderated in February. Equities continued to display volatility as bonds held steady. The focus this week will be on retail and housing data, along with the Federal Open Market Committee (FOMC) rate decision for March.

Quick Hits

1. **Report releases:** Consumer and producer inflation moderated in February.
2. **Financial market data:** Equities continued to display volatility as bonds held steady.
3. **Looking ahead:** The focus this week will be on retail and housing data, along with the FOMC rate decision for March.



Report Releases: March 10–14, 2025

NFIB Small Business Optimism Index February (Tuesday)

- Small business confidence fell slightly more than expected last month.
- Expected/prior NFIB Small Business Optimism Index: 101.0/102.8
 - Actual NFIB Small Business Optimism Index: 100.8



Consumer Price Index (CPI) February (Wednesday)

- Consumer inflation cooled, which was an encouraging sign for the markets and the economy after a rise in inflationary pressure in January.
- Prior monthly CPI/core CPI growth: +0.5%/+0.4%
 - Expected monthly CPI/core CPI growth: +0.3%/+0.3%
 - Actual monthly CPI/core CPI growth: +0.2%/+0.2%
 - Prior year-over-year CPI/core CPI growth: +3.0%/+3.3%
 - Expected year-over-year CPI/core CPI growth: +2.9%/+3.2%
 - Actual year-over-year CPI/core CPI growth: +2.8%/+3.1%



Producer Price Index (PPI) February (Thursday)

- In a welcome result for the Federal Reserve (Fed), headline and core producer inflation improved last month.
- Prior monthly PPI/core PPI growth: +0.4%/+0.3%
 - Expected monthly PPI/core PPI growth: +0.3%/+0.3%
 - Actual monthly PPI/core PPI growth: +0.0%/−0.1%
 - Prior year-over-year PPI/core PPI growth: +3.5%/+3.6%
 - Expected year-over-year PPI/core PPI growth: +3.3%/+3.5%
 - Actual year-over-year PPI/core PPI growth: +3.2%/+3.4%



Preliminary University of Michigan Consumer Sentiment Survey March (Friday)

- Consumer sentiment continued to fall, bringing the index to its lowest level in more than two years.
- Expected/prior month sentiment: 63.0/64.7
 - Actual sentiment: 57.9



>> The Takeaway

- Inflation, as measured by CPI and PPI, was lighter than expected last month.
- Small business and consumer confidence was a bit lower than expected.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-2.23%	-5.22%	-3.86%	10.94%
Nasdaq Composite	-2.40%	-5.75%	-7.92%	10.88%
DJIA	-2.98%	-5.24%	-2.10%	8.53%
MSCI EAFE	-1.10%	2.00%	9.49%	9.02%
MSCI Emerging Markets	-0.74%	2.13%	4.49%	9.80%
Russell 2000	-1.45%	-5.40%	-8.11%	1.99%

Source: Bloomberg, as of March 14, 2025

Equities were mostly lower. The Dow Jones Industrial Average reflected concerns in the broader economy, which saw continued volatility amid tariff headlines. Consumer staples, consumer discretionary, and communication services were among the hardest-hit sectors. Procter & Gamble, Home Depot, Costco, Walmart, Tesla, and Alphabet were each down at least 4 percent.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.96%	2.08%	5.09%
U.S. Treasury	1.17%	2.18%	4.59%
U.S. Mortgages	1.13%	2.34%	5.67%
Municipal Bond	-0.64%	0.07%	1.15%

Source: Bloomberg, as of March 14, 2025

The move in the Treasury yield curve was relatively muted, with a minor reversal in the 2-year from the previous week. The 2-year rose just 1.5 basis points (bps). The 5-year fell 1 bp, closing at 4.08 percent, and the 10-year dipped roughly 1 bp to 4.31 percent.

>> The Takeaway

- Tariff headlines continued to grip international markets; all three major U.S. stock indices were down more than 2 percent.
- Despite the volatility in equities, the yield curve was relatively unchanged from the previous week.

Looking Ahead

The focus this week will be on retail and housing data, along with the FOMC rate decision for March.

- On Monday, we expect the releases of **retail sales data** for February and the **National Association of Home Builders (NAHB) Housing Market Index** for March. Retail sales are expected to rebound after declining more than expected in January. Home builder confidence is set to remain unchanged.
- On Wednesday, the **FOMC** will release its rate decision for March. The Fed is expected to leave interest rates unchanged.
- Finally, on Thursday, we anticipate the release of **existing home sales data** for February. The pace of existing home sales is expected to slow for the second consecutive month.





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measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

Authored by the Investment Research team at Commonwealth Financial Network®

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