



WEEK OF APRIL 7, 2025

# Market Update

Business confidence dropped in both manufacturing and service sectors, and the manufacturing sector confidence moved deeper into contractionary territory in March. Global equities were hammered on global growth concerns amid higher U.S. tariffs. The focus this week will be the release of small business confidence, inflation, and consumer sentiment reports.

## Quick Hits

1. **Report releases:** Hiring improved in March, while the unemployment rate ticked up to 4.2 percent.
2. **Financial market data:** Global equities were hammered on global growth concerns amid higher U.S. tariffs.
3. **Looking ahead:** The focus this week will be the release of small business confidence, inflation, and consumer sentiment reports.



## Report Releases: March 31–April 4, 2025

### ISM Manufacturing March (Tuesday)

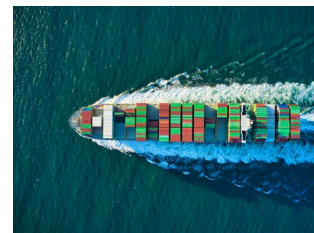
Manufacturer confidence fell more than expected in March, dropping into contractionary territory. For the same period, new orders fell and prices paid increased.

- Expected/prior month ISM Manufacturing Index: 49.5/50.3
- Actual ISM Manufacturing Index: 49.0



### U.S. Trade Deficit February (Thursday)

The U.S. goods and services deficit fell to \$122.7 billion in February, below the \$123.4 billion expected. This was an improvement from the \$130.7 billion in January. This will continue to gain attention as tariff policy remains implemented and countries potentially negotiate their trade deficits and tariff rates.



### ISM Services March (Thursday)

Service sector confidence remained in expansionary territory but fell notably, partially due to slower hiring and a decrease in new orders.

- Expected/prior month ISM Services Index: 52.9/53.5
- Actual ISM Services Index: 50.8



### Personal Income and Spending February (Friday)

Hiring improved in March, as 209,000 jobs were added. The unemployment rate ticked up to 4.2 percent.

- Expected/prior change in nonfarm payrolls: +140K/+117K
- Actual change in nonfarm payrolls: +209K
- Expected/prior unemployment rate: 4.1%/4.1%
- Actual unemployment rate: 4.2%



## >> The Takeaway

- Business confidence dropped in both manufacturing and service sectors. Manufacturing sector confidence moved deeper into contractionary territory in March.
- The nonfarm payrolls number surprised to the upside in February, but there were also downside revisions to prior months.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	−9.05%	−9.56%	−13.43%	−0.10%
Nasdaq Composite	−9.99%	−9.88%	−19.13%	−2.16%
DJIA	−7.82%	−8.74%	−9.53%	1.05%
MSCI EAFE	−6.89%	−4.94%	1.74%	0.39%
MSCI Emerging Markets	−2.90%	−1.20%	1.74%	6.62%
Russell 2000	−9.64%	−9.18%	−17.79%	−9.84%

Source: Bloomberg, as of April 4, 2025

Global equities moved sharply lower as the Trump administration unveiled reciprocal tariffs that surprised to the upside on Wednesday night. The administration placed a baseline tariff of 10 percent on all countries, with additional reciprocal tariffs on those trading partners with which the U.S. carries deep trade deficits. The result of this notable fiscal tightening led to concerns over U.S. consumption and growth, and in turn, broader global growth. Energy, technology, financials, and industrials were the hardest hit sectors. Consumer staples, utilities, and real estate held up a bit better, but all were still down by at least 2.2 percent.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.96%	3.69%	6.39%
U.S. Treasury	1.38%	4.08%	6.27%
U.S. Mortgages	1.09%	4.11%	7.01%
Municipal Bond	−0.26%	1.26%	3.33%

Source: Bloomberg, as of April 4, 2025

Not surprisingly, U.S. Treasuries were bid up notably, as investors took flight to safety. The shorter end of the belly of the curve between the 2- and 10-year Treasury maturities saw the most notable buying. The 2-year Treasury yield fell by 24 basis points (bps) to close the week at 3.67 percent. The 5-year Treasury yield fell 27 bps to close at 3.71 percent. Additionally, we saw a notable increase in the probability of rate cuts in 2025, increasing to four by year-end.

### >> The Takeaway

- Equities were hit hard over global growth concerns amid higher proposed U.S. tariffs.
- Treasuries, particularly on the short end of the curve, rose considerably as investors flocked to them for safety.

## Looking Ahead

The focus this week will be on the release of small business confidence, inflation, and consumer sentiment reports.

- The week kicks off Tuesday with the **NFIB Optimism Index** for March. Small business confidence has recently given back some of its initial bounce post-election. We look to see if that continues in the most recent report.
- On Thursday, the **Consumer Price Index** for March will be released. Economists expect to see modest improvements in headline and core consumer inflation in March.
- Finally, on Friday, the **Producer Price Index** for March and the **Preliminary University of Michigan Consumer Sentiment** report for April will be released. Producer inflation is expected to increase modestly in March, while consumer sentiment is expected to continue falling in April.



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