THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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TPWC Market and Economic Update

The Markets

The S&P 500 Stock Index (SPX), in its role as the leading U.S. broad stock market indicator, sang a dismal tune this week, surging up and down but mostly down as its value declined 3.10% to close out the first week in March at 5770.20. Perhaps more important than the decline that began in mid-February is that the Index is only a few points above its 200-day moving average and is down 6.14% from its high last month. While we do not attach a great deal of importance to that moving average, there are those on Wall Street who do, and there are trading programs set to sell if it closes below that average. As we wrote last week, fasten your seatbelts; turbulence may be ahead. The SPX is about 2% below where it started the year but remains up nearly 12% over the last full year and 37% higher than three years ago. Our other equity indicator, the CRSP US Mid Cap Value Index, joined its older sibling as it fell 2.11% to 2801.71 this week but remained 0.16% higher this year, up 7.2% from a year ago and over 15% at the three-year point.

The benchmark ten-year U.S. Treasury note yield rose almost 2% this week to 4.32%. The one-month T-bill continued steadily at an annualized rate of 4.38%, while the 20-year bond yield rose to 4.66%. West Texas Intermediate crude oil (WTI) fell to $67.06, down 6.5% for the week and over 15% lower than a year ago.

The Economy

One could say many things about U.S. economic reports this week, but boring would not be on the list. The various reports issued by government and private agencies have two levels. First, the hard facts reflect where we were a month or two ago. Second, and sometimes more important, are the reported anecdotal comments business respondents added to the statistical data that suggest where they think things are going.

This week, the Institute for Supply Management (ISM) released reports on its manufacturing and non-manufacturing surveys. Manufacturing, while still slightly in expansion territory at 50.3 on a scale where scores above 50 indicate expansion and below that number, contraction, was tempered by comments that managers see activity slowing because of uncertainty over tariff-related costs after rushing import purchases to get ahead of possible tariffs. An indication of that reality could be seen in the new orders index, which dropped into "contraction" territory at 46.8. The economy's non-manufacturing (service) side remained much healthier than manufacturing. Still, the S&P Global January U.S. Non-Manufacturing PMI dropped to 51.0 as growth decelerated. Like the ISM reports, the trailing datapoint suggested that business activity and growth in new orders have declined through the year's first two months. As Chris Williamson, Chief Business Economist at S&P Global, stated, "The final PMI...paints a worryingly weak picture of service sector business conditions compared to the buoyancy recorded late last year." and "The strong private sector hiring seen late last year has consequently gone into reverse, with a steep fall in backlogs of work hinting at further job losses to come." As expected from those business surveys, the Census Bureau reported that the U.S. trade deficit in goods and services jumped by 34% in January to $131.4 billion from December's $98.1 billion.

If that weren't enough worrying news, Bloomberg reported that construction spending slipped 0.4% in January. Single-family housing starts fell a seasonally adjusted 9.8% to an annualized rate of 1.366 million. Still, builders are working through a record backlog of units under construction, possibly due to worker shortages. Moody's forecasts construction spending to slow significantly in 2025, with non-residential construction to contract.

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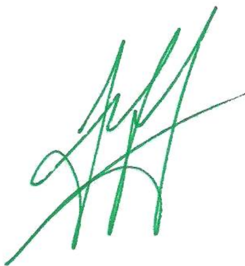
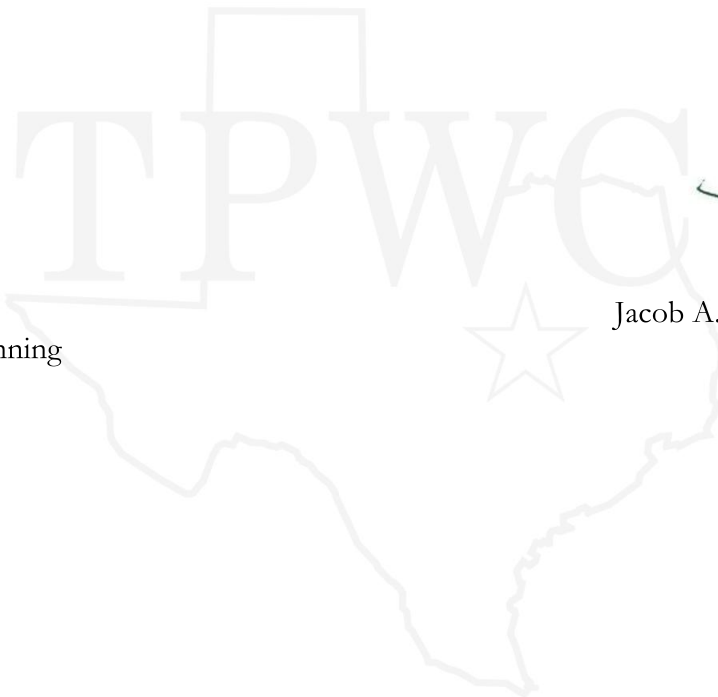
The U.S. added a seasonally adjusted 151,000 new jobs in February, well below the 170,000 economists expected. The unemployment rate rose to 4.1%. Since 151,000 is about the number of new jobs needed to keep things steady, it is good news, and a bit higher than last month's 125,000. On the other hand, the previous two months have presented a substantially lower level of job growth than we have seen in several years.

The word to describe both the U.S. stock market and our economy is "uncertain." The ongoing threat and partial reality of high tariffs have caused stock traders and business managers to exhibit some unusual behaviors as they try to guess where the price rises and decreased profits might be realized. The one thing that they all seem to agree on is that if the tariffs are imposed, it will generate higher consumer prices and reduce corporate profits. Under it all, though, the U.S. economy appears unperturbed by what might happen as it continues healthily chugging along.

Until next week, relax and enjoy the ride. We are on duty and ready to assist and answer any questions you may have.

Your obedient servants,





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