Week Ending 3/14/2025

WEEK IN **PERSPECTIVE**

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Inflation Cools, but Trade War Heats Up

It was another disappointing week for stocks. The market has been in a downtrend for a few weeks on the basis of growth concerns and tariff fears, which continued this week..

The S&P 500 broke below its 200-day moving average and entered correction territory (i.e., 10% from its February 19 high) while the Nasdaq Composite extended its position in correction territory.

Right out of the gate on Monday, fears about economic growth percolated after President Trump said in an interview last weekend that the economy is going through a "period of transition" and he declined to answer directly if the U.S. will experience a recession.

Trade war tensions increased after President Trump announced that the US will impose a 50% tariff on Canadian steel and aluminum imports, starting Wednesday, instead of the originally proposed 25%.

The escalation followed a retaliatory measure by Ontario, which imposed a 25% tariff on exports of electricity to the U.S. in response to the originally planned 25% tariffs on Canadian imports.

President Donald Trump also announced a potential 200% tariff on European beverage imports, including wines and spirits. This move was in response to the European Union's recent tariffs on American whiskey.

This week's inflation data was relatively positive, yet markets didn't respond in kind due to the understanding that inflation remains above the Fed's 2.0% target and trade policy may negatively impact future prints.

The Consumer Price Index (CPI) report for February showed inflation rising at a slower-than-expected pace, providing a measure of relief to markets after last month's hotter-than-expected reading. On a year-over-year basis, total CPI was up 2.8% versus 3.0% in January and core-CPI was up 3.1% versus 3.2% in January.

The February Producer Price Index also contained some lower-than-expected headline prints.

Other data this week included a relatively low level of weekly jobless claims, along with a preliminary University of Michigan Index of Consumer Sentiment survey for March, which dropped to 57.9 (Briefing.com consensus 65.6) from the final reading of 64.7 for February, marking the third straight drop in sentiment. In the same period a year ago, the index stood at 79.4.

Mega cap stocks had an outsized impact on the broader equity market. Only two S&P 500 sectors settled in the green -- energy (+2.6%) and utilities (+1.9%) -- while the consumer staples (-4.3%), consumer discretionary (-3.7%), and communication services (-2.5%) sectors registered the largest declines.

- Dow Jones Industrial Average: -3.1% for the week / -2.5% YTD
- S&P 500: -2.3% for the week / -4.1% YTD
- S&P Midcap 400: -2.0% for the week / -6.2% YTD
- Nasdaq Composite: -2.4% for the week / -8.1% YTD
- Russell 2000: -1.5% for the week / -8.3% YTD

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