WEEK IN PERSPECTIVE

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S&P 500, Nasdaq Composite Break Losing Streak Despite Headwinds

The stock market continues to contend with similar concerns to recent weeks. Namely, uncertainty pertaining to economic growth, corporate earnings, and tariffs.

Despite the headwinds, the S&P 500 (+0.5%) and Nasdaq Composite (+0.2%) broke a four-week losing streak thanks to some rebound action from a short-term oversold condition.

It wasn't just a mega cap push, either, the equal-weighted S&P 500 closed 0.7% higher than last Friday.

Nonetheless, there were plenty of factors to fuel the market's persistent worries. The headline event this week was the Federal Open Market Committee (FOMC) meeting. The committee held rates steady, leaving the federal funds target range unchanged at 4.25-4.50% in a unanimous vote.

Fed Governor Waller dissented—not on the rate decision itself, but on the pace of balance sheet reduction. His preference to maintain the current level of securities runoff was overruled as the committee opted to slow the monthly runoff of Treasury securities from $25 billion to $5 billion starting April 1, while keeping mortgage-backed securities runoff unchanged at $35 billion.

The committee's directive also acknowledged rising economic uncertainty while maintaining that the Fed remains attentive to both sides of its dual mandate.

The latest Summary of Economic Projections (SEP) complicates the narrative. The Fed lowered its 2025 GDP growth forecast from 2.1% to 1.7% while simultaneously raising its PCE inflation projection from 2.5% to 2.7% (core PCE ticked up from 2.5% to 2.8%). Despite this, the median estimate for the fed funds rate held steady at 3.9%, implying an expectation for two rate cuts this year.

Weaker growth estimates paired with a steady inflation outlook and rate cut projections indicates the central bank is more concerned with stubborn inflation than slowing growth.

During his press conference, Fed Chairman Powell again said that there is no rush to adjust policy. He warned that it is "going to be very difficult to have a precise assessment of how much inflation is coming from tariffs."

He indicated that it's "kind of the base case" that inflationary pressures from tariffs would be transitory, adding that the last time tariffs were imposed, the increase in prices was transitory.

On a tariff-related note, the market remains on high alert about the specter of reciprocal tariffs being announced on April 2.

Treasuries settled the week with solid gains. The 10-yr yield declined six basis points to 4.25% and the 2-yr yield declined seven basis points to 3.95%.

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