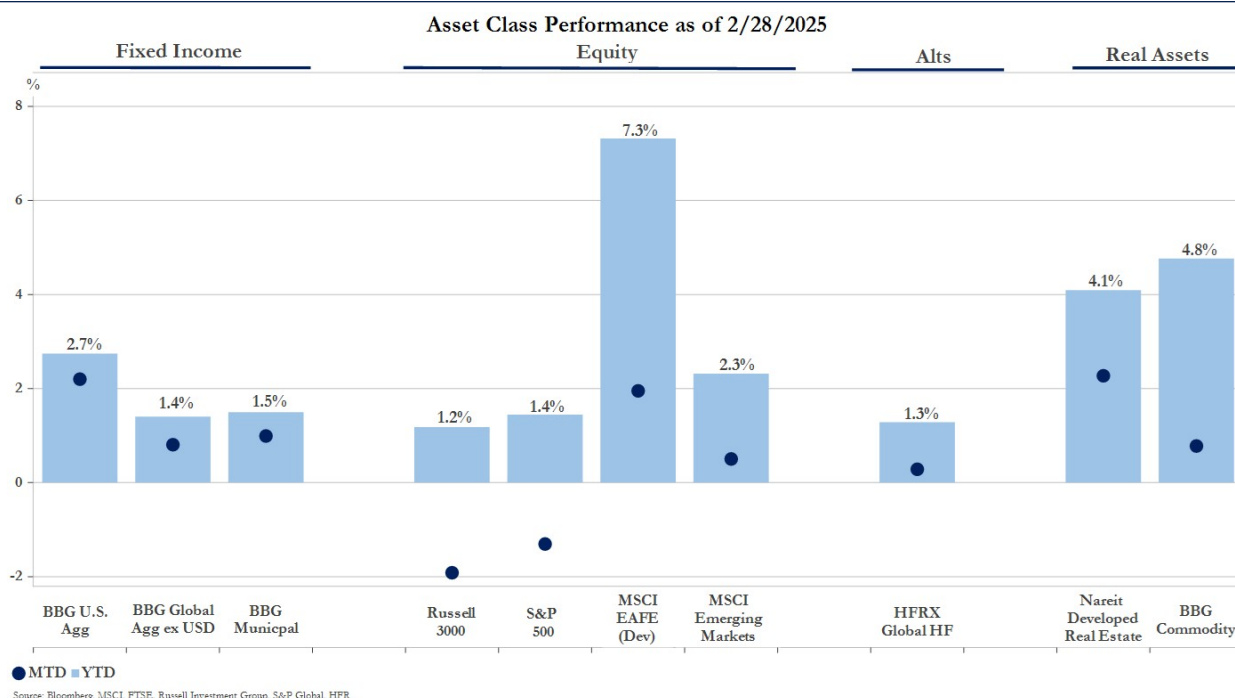


### Key Takeaways

- The second Bureau of Economic Analysis estimate of Q4 2024 U.S. real GDP growth remained unchanged at 2.3%, adding confidence that the economy ended the year on solid footing.
- Current GDPNow projections for Q1 2025, however, have economic growth turning negative to -2.8%, reflecting expected declines in real personal consumption expenditures, net exports, and real private fixed investment.
- Muted growth expectations, along with high inflation expectations and a softening labor market, led consumer confidence to drop meaningfully in February.
- Sticky inflation weighed on equity and fixed income markets after the January CPI report was released mid-month, but the PCE report painted a more favorable picture of price levels and drove a late month rally that helped major indices pare some losses.
- The strength of U.S. consumers remains a concern for markets though, as the PCE report was not all positive and showed consumer spending fell by 0.5%, the most in almost four years.
- After outperforming in 2024, U.S. stocks have lagged international markets so far in 2025, with Europe and China showing relative strength driven in part by a weakening USD.
- Fixed income markets broadly finished higher in February and lower rates provided some relief to borrowers as the yield on 10-year Treasuries, often a reference point for mortgages, finished the month at a recent low of 4.24%.
- After climbing higher in 2024, gold and bitcoin also ran out of steam in February, with bitcoin and other cryptocurrencies falling sharply in the second-half of the month.
- Markets opened up March experiencing high volatility as President Trump confirmed he would follow through with tariffs on Mexico, Canada, and China that were previously delayed 30-days after being announced in early January, though it remains to be seen how long they will stay in place.
- With all of the uncertainty surrounding tariffs, it remains difficult to properly assess or predict the impact on investments since the situation continues to evolve, though they are likely to be inflationary and hamper global trade.
- Should investors find themselves in a prolonged period of heightened market volatility, the best defense is typically a well-diversified portfolio with overall risk levels aligned with long-term goals, and times of market dislocation can be viewed as opportunities to deploy capital at more compelling valuations, tax loss harvest, or review financial goals.

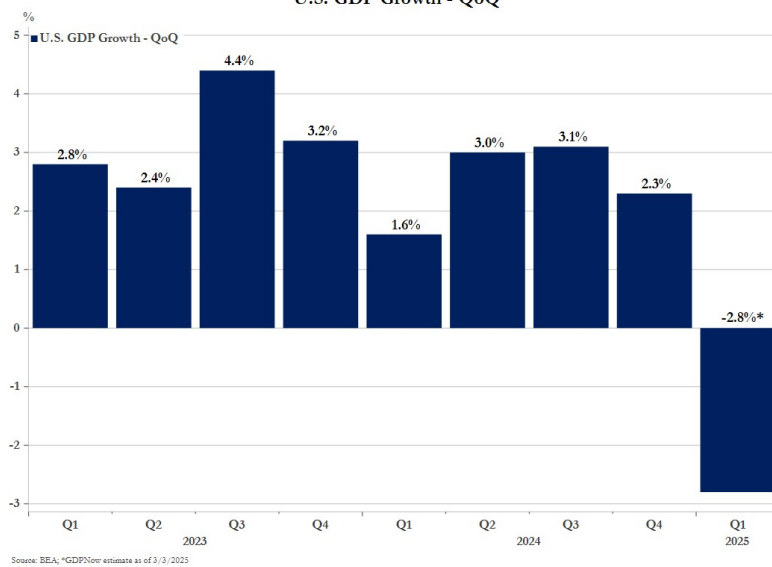


## Economy

### Real U.S. GDP Growth Expected to Turn Negative in Q1 2025

- The initial GDPNow model estimate for real GDP growth in Q1 2025 of 2.9% that came out on 1/31 was increased to 3.9% a few days later on 2/3.
- Since then, however, the model estimate has been steadily falling and now sits at -2.8% as of the 3/3 release.
- The real personal consumption expenditures component peaked at 4.1% growth in early February, but is now expected to stay flat, which would have a meaningful impact on the consumer-driven U.S. economy.
- Real private fixed investment growth and the contribution of net exports also drove the decline of the aggregate figure, falling from 1.3% and -0.4%, respectively, to 0.1% and -3.7%, likely driven by uncertainty surrounding tariffs and a potentially escalating trade war.

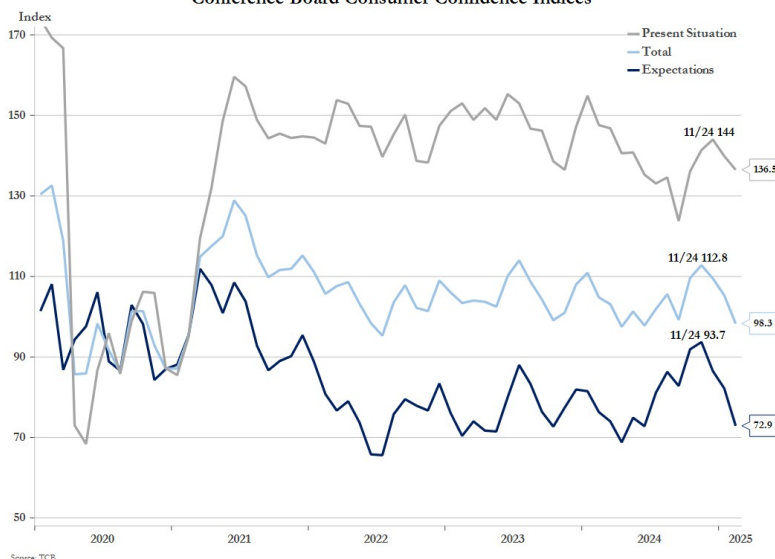
U.S. GDP Growth - QoQ



### Consumer Confidence Takes a Hit in February

- The Conference Board Consumer Confidence Index declined by 7.0 points in February, it's largest monthly decline since August 2021.
- The Present Situation Index, despite a small improvement in consumers' assessment of business conditions, fell 3.4 points to 136.5 driven by a weaker view of the current labor market.
- The Expectations Index, which is based on consumer's six month outlook for income, business, and labor market conditions, dropped 9.3 points to 72.9, falling to its lowest level since June 2024.
- Average 12-month inflation expectations climbed from 5.2% in January to 6.0% in February, likely reflecting a recent jump in prices of household staples like eggs and the expected impact of tariffs.

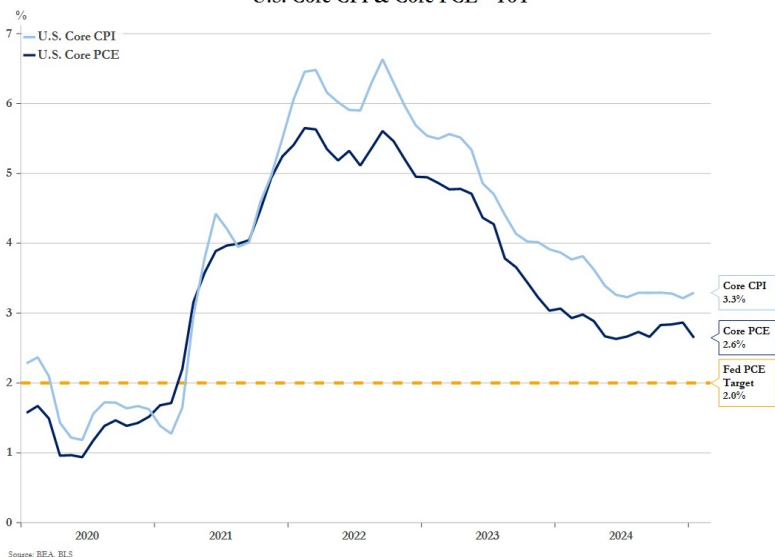
Conference Board Consumer Confidence Indices



### CPI Increases, PCE Moderates in February

- Stock futures and Treasuries slid after the January CPI report was released mid-month, as the core index increased 3.3% from a year ago, renewing fears that Fed policymakers may be done cutting rates in 2025.
- As measured by the PCE Index, however, core inflation increased 2.6% from a year prior, its smallest annual increase since early 2021, leading to a strong final trading day in February which allowed stocks to pare losses.
- The difference in the inflation readings was partly driven by the housing component, which has remained sticky and is weighted roughly double in the CPI Index compared with the PCE Index.

U.S. Core CPI &amp; Core PCE - YoY



## Markets

### U.S. Stocks Lag International Markets

- After a year of significant outperformance in 2024, U.S. stocks have lagged other global indices through the first two months of 2025.
- European stocks, in particular, have been surging higher as their central banks have downplayed the risk of tariffs leading to higher prices and are widely expected to continue cutting rates in the near-term.
- The MSCI China Index, after falling to start the year, has since jumped over 21% from its recent low following a tech rally driven by DeepSeek's AI breakthrough.
- Much of the decline in U.S. markets came during the final week of February driven by concerns of slowing economic growth and uncertainty around President Trump's tariff plans, despite a sharp rise on the final trading day following a favorable PCE report paring some of the month's earlier losses.

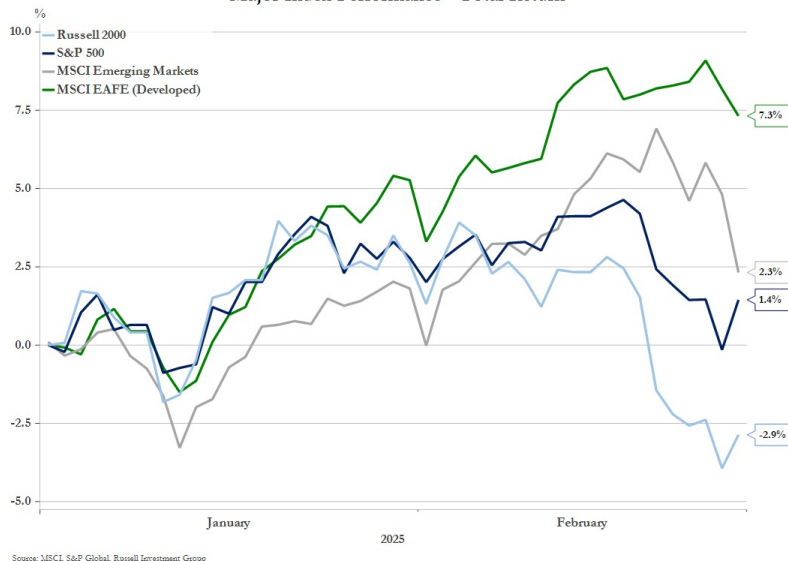
### Yields Fall, Yield Curve Reinverts

- Yields have fallen across most of the curve so far in 2025, with the yield on 10-year Treasuries hitting a recent bottom of 4.24% to end February.
- The yield curve, however, reinverted in February, with the magnitude of inversion, measured as the 10-year Treasury yield minus the 3-month Treasury yield, ending the month at -0.08%.
- An inverted yield curve is viewed by some as a recession indicator, but the U.S. economy notably did not slip into recession when the curve was inverted for a record 29-month stretch from July 2022 to December 2024.

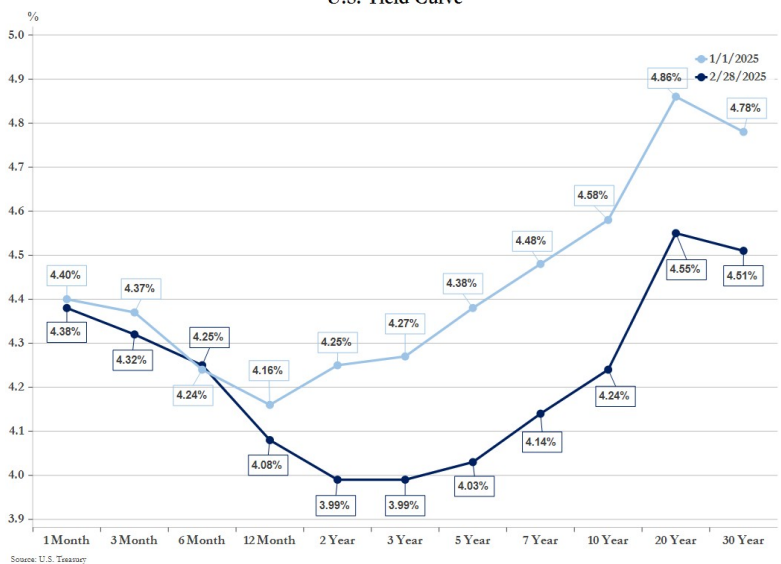
### Gold and Bitcoin Cool Off in February

- After surging higher throughout 2024 driven by investor demand for safe haven assets, gold prices continued to grind higher in January before showing signs of weakness in February.
- The expectation of rates staying higher-for-longer made yield-bearing investments more attractive, reducing demand for the precious metal, while profit-taking may have also played role.
- Following November's election and amid expectations of broader adoption, Bitcoin hit an all-time high above \$109,000 in January.
- Since then, it has struggled to gain traction and dropped sharply during the second half of February, reflecting the risk-off mood across markets.

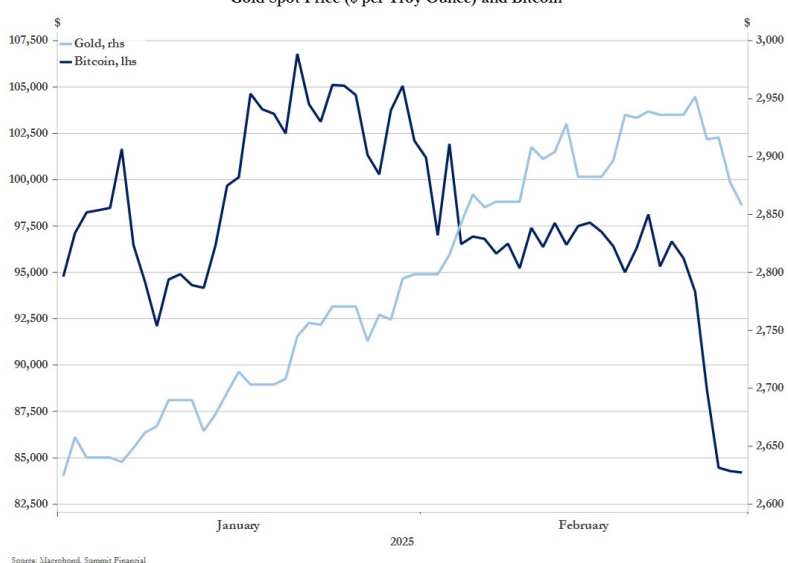
Major Index Performance - Total Return



U.S. Yield Curve



Gold Spot Price (\$ per Troy Ounce) and Bitcoin



## Disclaimer

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Label	Index	Index Description
BBG U.S. Agg	Bloomberg U.S. Aggregate Bond Index	The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non-agency).
BBG Global Agg ex USD	Bloomberg Global Aggregate Index	The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.
BBG Municipal	Bloomberg Municipal Bond Index	The Bloomberg Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.
Russell 3000	Russell 3000 Index	The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. It is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are included.
Russell 2000	Russell 2000 Index	The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.
S&P 500	S&P 500 Index	The S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of eleven different sectors.
MSCI EAFE (Dev)	MSCI EAFE Index	The MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
MSCI Emerging Markets	MSCI Emerging Markets Index	The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
HFRX Global HF	HFRX Global Hedge Fund Index	The HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event-driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset-weighted based on the distribution of assets in the hedge fund industry.
Nareit Developed Real Estate	FTSE EPRA/NAREIT Developed Index	The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. Index constituents are free float-adjusted, subject to liquidity, size, and revenue screening for inclusion.
BBG Commodity	Bloomberg Commodity Index	The Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. The roll period typically occurs from the 6th-10th business day based on the roll schedule.
Conference Board Consumer Confidence Index	Consumer Confidence Index	The Consumer Confidence Index reports how consumers feel about the current situation of the economy and about where they feel it is headed. Conducted by the Conference Board, the survey consists of five questions about the present situation and three questions about their expectations for the economy in the future. It provides insight into how they spend and save, which helps businesses and economic leaders track inflation and output.
Conference Board Present Situation Index	Present Situation Index	The Present Situation Index consists of five questions and provides insight into how consumers spend and save, which helps businesses and economic leaders track inflation and output.
Conference Board Expectations Index	Expectations Index	The Expectations Index consists of three questions and provides insight into consumer's six month outlook for income, business, and labor market conditions.
U.S. Dollar Index (DXY)	U.S. Dollar Index (DXY)	The U.S. Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.
DJIA	Dow Jones Industrial Average	The Dow Jones Industrial Average (DJIA), commonly known as “The Dow”, is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.