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February 28, 2025



## ECONOMIC REVIEW<sup>1</sup>

- January's Personal Consumption Expenditures (PCE) report came in at +0.3% month-over-month (MoM) and +2.5% year-over-year (YoY), in line with estimates, driven by increases in service costs.
- Higher prices in housing, utilities and healthcare services contributed to the overall rise, while goods inflation remained relatively stable.
- Core PCE (excluding food and energy) came in at +0.3% MoM, and +2.6% YoY, in line with estimates, supported by higher goods prices.
- Core goods prices rose 0.4%, the strongest increase in a year, reflecting higher input costs and supply chain adjustments, while services prices grew more modestly at 0.2%.
- Personal spending fell -0.5% MoM, a larger than expected decline, driven by weaker auto sales and slowing services expenditures.
- The sharp decline in motor vehicle purchases, impacted by high financing costs and adverse winter weather, was a primary factor in the spending pullback.
- January's Personal Income rose 0.9% month over month, surpassing prior gains, supported by increases in Social Security benefits, compensation and asset related income.
- February's Conference Board Consumer Confidence index dropped seven points to 98.3, marking the largest monthly decline since August 2021.
- Sentiment weakened across all income and age groups, with rising inflation expectations and job market uncertainty cited as key concerns by survey respondents.
- The second reading of the Q4 2024 GDP report showed the economy expanded at an annualized 2.3% pace, in line with initial estimates, with consumer spending growing at a robust annualized rate of 4.2%.
- Business investment weakened with equipment spending falling 9% annually, highlighting the impact of higher borrowing costs and economic uncertainty on corporate capital expenditures.

### How does last week's slate of economic data impact you?

- The week's economic data signals persistent inflation and weakening consumer confidence, suggesting the Fed may delay rate cuts, which could pressure equities. Slowing consumer spending raises concerns about economic momentum, potentially shifting investor focus towards defensive sectors like utilities and healthcare. The resilient GDP growth and steady income gains provide some optimism, but uncertainty around inflation and interest rates may keep market volatility elevated.

## A LOOK FORWARD<sup>1</sup>



- This week investors will focus on ISM Services and Manufacturing data, the ADP payroll report, and non-farm payrolls. These reports will provide insights into economic growth, the labor market, and inflationary pressures.

### How does this week's slate of economic data impact you?

- If ISM and jobs data shows strength, it could delay rate cuts and lift yields, pressuring equities. A weaker labor market may boost rate cut expectations, supporting stocks. However, strong job growth and wage gains could keep the Fed hawkish weighing on markets.



## MARKET UPDATE<sup>2</sup>

Market Index Returns as of 2/28/2025	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.95%	1.44%	1.44%	17.46%	13.14%	16.86%
NASDAQ	-3.45%	-2.31%	-2.31%	16.61%	12.56%	17.99%
Dow Jones Industrial Average	1.01%	3.32%	3.32%	14.14%	11.81%	13.79%
Russell Mid-Cap	-0.44%	1.29%	1.29%	11.60%	7.84%	12.41%
Russell 2000 (Small Cap)	-1.44%	-2.87%	-2.87%	5.58%	4.01%	9.39%
MSCI EAFE (International)	-0.81%	7.30%	7.30%	7.92%	7.08%	8.70%
MSCI Emerging Markets	-4.31%	2.28%	2.28%	9.66%	0.32%	4.26%
Bloomberg Barclays US Agg Bond	1.26%	2.74%	2.74%	5.40%	-0.63%	-0.52%
Bloomberg Barclays High Yield Corp.	0.40%	2.05%	2.05%	9.89%	4.93%	4.93%
Bloomberg Barclays Global Agg	0.41%	2.01%	2.01%	2.79%	-3.01%	-1.95%



## OBSERVATIONS

- Equity returns were mixed last week with major domestic indices experiencing losses, while the Dow Jones Industrial Average (Dow) posted a gain.
- The Dow stood out with a modest increase of +1.01% bucking the broader negative trend.
  - Among other Large-cap indices, the Nasdaq led the decline (-3.45%) followed by the S&P 500 (-0.95%).
- Down-cap equities also faced headwinds, as the Russell Midcap dropped -0.44% and the Russell 2000 fell -1.44%.
- International equities also posted declines but fared better than US markets overall with the MSCI EAFE Index slipping -0.81%.
  - Emerging Market equities posted the steepest decline, with the MSCI EM falling by -4.31%.
- Fixed income markets were broadly positive, led by the Bloomberg US Aggregate Bond Index, which gained +1.26%.
  - High-yield corporate bonds advanced +0.40%, while Global Aggregate bonds rose +0.41%.



## BY THE NUMBERS

**Golden Toilet Heist:** In September 2019, a unique 18 karat gold toilet titled “America”, created by Italian artist Maurizio Cattelan, was stolen from Blenheim Palace, the birthplace of Sir Winston Churchill. The theft, described by prosecutor Julian Christopher as an “audacious raid,” involved suspects Michael Jones, James Sheen, Fred Doe and Bora Guccuk. Jones allegedly conducted reconnaissance before the burglary, while Sheen, who has pleaded guilty along with Doe and Guccuk, is accused of facilitating the sale of the stolen gold. The artwork, valued at £4.8 million, has not been recovered and is believed to have been melted down and sold in pieces. All the defendants have pleaded not guilty.<sup>3</sup>

**Reality TV Prizes Shrink As Inflation Rises:** In recent years, reality TV shows like Survivor have faced scrutiny over stagnant prize money amid rising inflation. Despite Survivor maintaining its \$1 million prize since its debut in 2000, the real value has decreased by approximately 50% due to inflation. In contrast, shows like The Challenge and The Amazing Race have increased their prize offerings, with The Challenge USA awarding \$500,000 to each winner in 2024. This disparity has led to discussions about the need for prize adjustments to reflect current economic realities. While some argue that the prestige and exposure from winning suffice, others believe that updating prize amounts is essential to maintaining fairness and competitiveness in the genre.<sup>4</sup>

## *Economic Definitions*

**The ADP Report:** The ADP National Employment Report is an independent estimate of the change in U.S. nonfarm, private employment derived from actual, anonymous payroll data of client companies served by ADP.

**Conference Board Consumer Confidence Index:** The Consumer Confidence Survey® reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectation for inflation, stock prices and interest rates. Data are data available by age, income, region and top 8 states.

**Federal Reserve (Fed):** The Federal Reserve System is the central banking system of the United States of America.

**PCE (headline and core):** PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

**GDP:** Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

**ISM Manufacturing Index:** PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

**ISM Services Index:** PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Where as per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

**Nonfarm Payrolls:** This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

**Personal Income:** Consumer or Household Income (often referred to as personal income) tracks all income received by households including such things as wages and salaries, investment income, rental income, transfer payments, etc. This concept is not adjusted for inflation.

## *Index Definitions*

**S&P 500:** The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**NASDAQ:** The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

**Dow Jones Industrial Average:** The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

**Russell Mid-Cap:** Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

**Russell 2000:** The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

**MSCI EAFE:** The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

**MSCI EM:** The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

**Bloomberg Barclays US Agg Bond:** The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US 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).

**Bloomberg Barclays High Yield Corp:** The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

**Bloomberg Barclays Global Agg:** The Bloomberg Barclays 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.

**Bloomberg Barclays Municipal Bond Index:** The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

### *Disclosures*

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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<sup>1</sup> Data obtained from Bloomberg as of 2/28/2025.

<sup>2</sup> Data obtained from Morningstar as of 2/28/2025.

<sup>3</sup> [Prosecutor says golden toilet was stolen from English palace in 'audacious raid' | AP News](#)

<sup>4</sup> [The \\$1 Million 'Survivor' Prize Has Never Been Worth Less | Hollywood Reporter](#)

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