

# February 2025 Recap

## Global Market Commentary – A Volatile February

### Global Markets Very Volatile in February

February 2025 was a turbulent month for the stock markets, as investors grappled with persistent inflation, a hawkish Federal Reserve, the threat of tariffs, mixed corporate earnings, and a wave of disappointing economic data. With so many forces in play, identifying a single market driver proved difficult.

Economic indicators painted a challenging picture. The housing and labor markets showed significant strain, consumer sentiment dropped to multi-year lows, and inflation metrics (CPI and PPI) came in higher than expected. Meanwhile, corporate earnings season wrapped up, with 97% of S&P 500 companies reporting actual results. Of those, 75% exceeded EPS expectations, while 63% posted revenue surprises.

As in January, the month ended on a dramatic note. Turmoil at the White House overshadowed hopes for progress in the Ukraine-Russia conflict, triggering one of NASDAQ's steepest weekly declines of the year – nearly 4%. February was, without a doubt, a month of market volatility and uncertainty.

For the month of February:

- The DJIA dropped 1.6%;
- The S&P 500 lost 0.7%;
- NASDAQ declined 4.0%; and
- The Russell 2000 pulled back 4.2%.

In February, performance in developed markets outside the U.S. was also mixed, with 20 of the 41 developed markets tracked by MSCI declining.

Emerging markets fared slightly better, as only 12 of those 46 indices tracked by MSCI saw declines.

Market volatility surged, with the VIX jumping over 25% for the month, including a sharp 16% increase in the final week alone.

Meanwhile, West Texas Intermediate crude experienced a steady decline throughout the month, dropping \$3.21 per barrel to settle at \$69.95. This marks a \$10 per barrel decrease compared to the same time last year.

### Market Performance Around the World

Investors looking beyond the U.S. encountered mixed results, with 21 of the 41 developed markets tracked by MSCI posting gains this month, most rising between 1% and 3%.

Emerging markets performed slightly better, as 34 of the 46 indices tracked by MSCI advanced for the month.

Index Returns	February 2025
MSCI EAFE	+1.80%
MSCI EURO	+3.37%
MSCI FAR EAST	-0.53%
MSCI G7 INDEX	-1.12%
MSCI NORTH AMERICA	-1.62%
MSCI PACIFIC	-1.47%
MSCI PACIFIC EX-JAPAN	-1.66%
MSCI WORLD	-0.81%
MSCI WORLD ex USA	1.62%

Source: MSCI. Past performance cannot guarantee future results

## Sector Performance Was Mixed Too

In February, the performance of the 11 S&P 500 sectors was mixed, with six advancing and five declining. This marked a sharp contrast to January, when 10 out of 11 sectors posted gains, including four that rose by more than 5%. However, February's performance was not as weak as December, when eight sectors declined, three of which fell by around 10%, entering contraction territory.

On a relative basis, February mirrored December's weakness, with eight sectors declining – almost the inverse of January, when 10 of the 11 sectors advanced.

Notably, some sectors experienced significant swings from month to month, underscoring market volatility. Consumer Discretionary and Communication Services, in particular, saw sharp reversals.

Sector returns also showed considerable dispersion. Consumer Discretionary dropped nearly 9%, while Real Estate surged almost 5%, illustrating the broad range of performance within a single month.

Below are the sector returns for February and January, reflecting these short-term fluctuations:

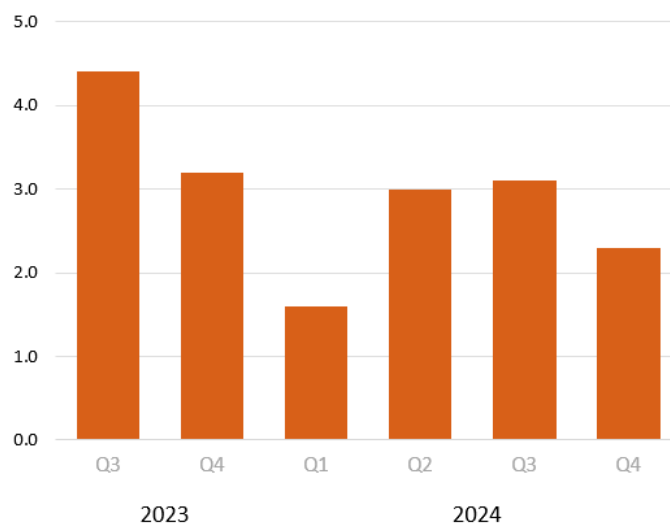
S&P 500 Sector	January 2025	February 2025
Information Technology	-3.94%	-0.33%
Energy	+3.38%	+0.11%
Health Care	+6.86%	+0.93%
Real Estate	+2.51%	+2.74%
Consumer Staples	+2.01%	+4.64%
Consumer Discretionary	+3.37%	-8.93%
Industrials	+4.85%	-2.20%
Financials	+6.47%	+1.36%
Materials	+5.90%	-0.44%
Communication Services	+8.18%	-3.02%
Utilities	+2.73%	+1.46%

Source: FMR

## Real GDP Up 2.3% in 4<sup>th</sup> Quarter

Real gross domestic product increased at an annual rate of 2.3% in the fourth quarter of 2024 (October, November, and December), according to the second estimate released by the U.S. Bureau of Economic Analysis. In the third quarter, real GDP increased 3.1%.

Real GDP, Percent Change from Preceding Quarter

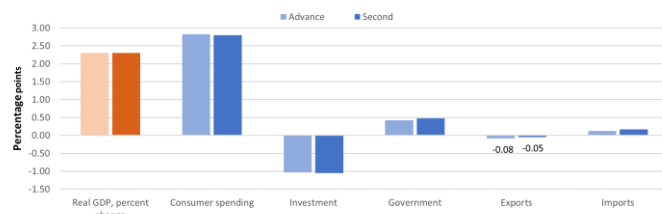


U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

The increase in **real GDP** in the fourth quarter primarily reflected increases in consumer spending and government spending that were partly offset by a decrease in investment. Imports, which are a subtraction in the calculation of GDP, decreased.

Contributions to Percent Change in Real GDP, 4th Quarter 2024  
Real GDP increased 2.3 percent



Note: Imports are a subtraction in the calculation of GDP; thus, a decrease in imports results in a positive contribution to GDP.

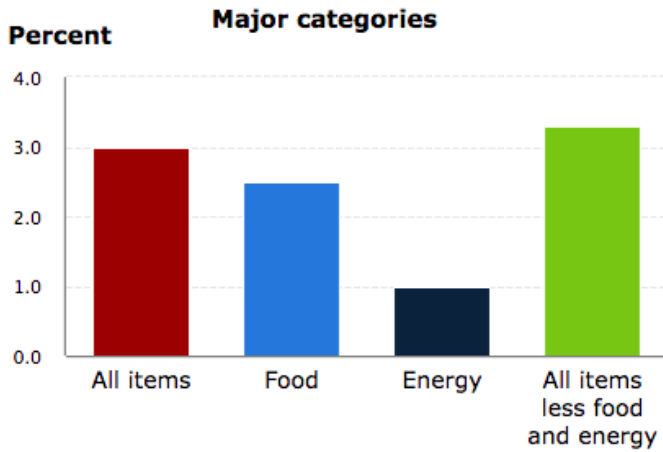
U.S. Bureau of Economic Analysis

Seasonally adjusted annual rates

## Inflation Rises Unexpectedly in January

The Consumer Price Index for All Urban Consumers increased 0.5% on a seasonally adjusted basis in January, after rising 0.4% in December, the U.S. Bureau of Labor Statistics reported. Over the last 12 months, the all items index increased 3.0% before seasonal adjustment.

**12-month percentage change, Consumer Price Index, selected categories, January 2025, not seasonally adjusted**

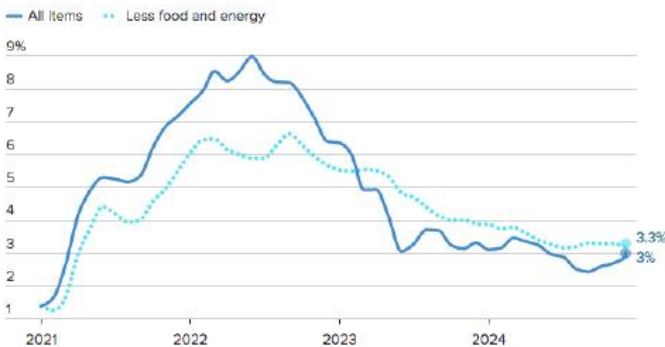


Source: U.S. Bureau of Labor Statistics.

The all items index rose 3.0% for the 12 months ending January, after rising 2.9% over the 12 months ending December. The all items less food and energy index rose 3.3% over the last 12 months. The energy index increased 1.0% for the 12 months ending January. The food index increased 2.5% over the last year.

**U.S. consumer price index**

Year-over-year percent change | Jan. 2021–Jan. 2025



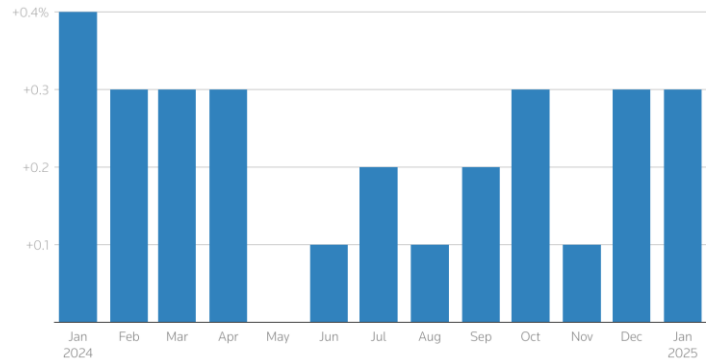
Note: Not seasonally adjusted  
Source: U.S. Bureau of Labor Statistics  
Data as of Feb. 12, 2025

**PCE Index Shows Positive Signs**

The Personal Consumption Expenditures price index increased 0.3% in January, matching December's unrevised gain. The rise was in line with economists' expectations. In the 12 months through January, the PCE price index rose 2.5% after increasing 2.6% in December.

**Monthly change in US Personal Consumption Expenditures Price Index**

Prices rose 0.3% in January



Data are seasonally adjusted.

By Reuters • Sources: Bureau of Economic Analysis, LSEC

Stripping out the volatile food and energy components, the PCE price index gained 0.3% last month after an unrevised 0.2% rise in December. In the 12 months through January, core prices increased 2.6% after climbing 2.9% in December.

**US Consumer Confidence Dropped Sharply**

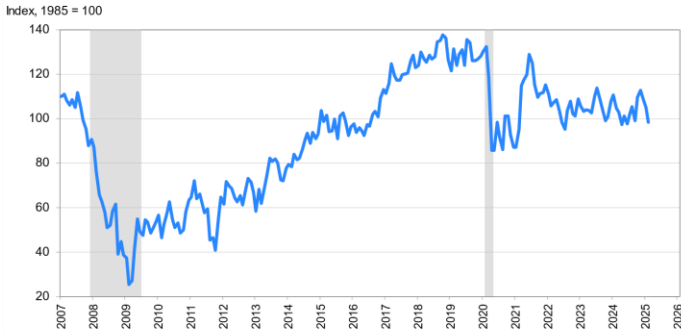
The Conference Board **Consumer Confidence Index** declined by 7.0 points in February to 98.3 (1985=100). The **Present Situation Index** – based on consumers' assessment of current business and labor market conditions – fell 3.4 points to 136.5. The **Expectations Index** – based on consumers' short-term outlook for income, business, and labor market conditions – dropped 9.3 points to 72.9. For the first time since June 2024, the Expectations Index was below the threshold of 80 that usually signals a recession ahead.

“In February, consumer confidence registered the largest monthly decline since August 2021. This is the third consecutive month on month decline, bringing the Index to the bottom of the range that has prevailed since 2022. Of the five components of the Index, only consumers' assessment of present business conditions improved, albeit slightly. Views of current labor market conditions weakened. Consumers became pessimistic about future business conditions and less optimistic about future income. Pessimism about future employment prospects worsened and reached a ten-month high.”

February's fall in confidence was shared across all age groups but was deepest for consumers between 35 and 55 years old. The decline was also broad-based among income groups, with the only

exceptions among households earning less than \$15,000 a year and between \$100,000–125,000.

### Consumer Confidence Index®



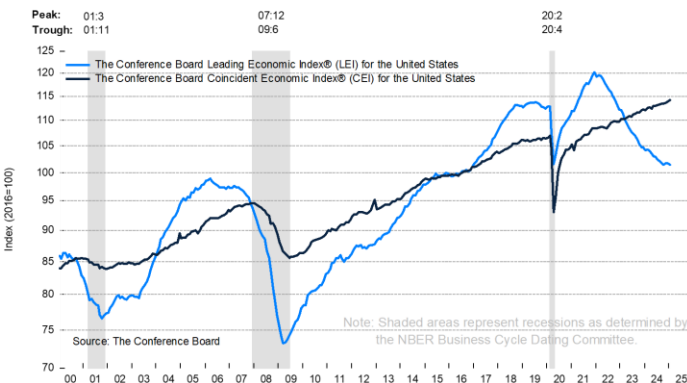
\*Shaded areas represent periods of recession. Sources: The Conference Board; NBER © 2025 The Conference Board. All rights reserved.

## Leading Economic Index Declined

The Conference Board Leading Economic Index (LEI) for the US fell by 0.3% in January 2025 to 101.5 (2016=100), after a 0.1% increase in December 2024 (upwardly revised from an initially estimated decline of 0.1%). Overall, the LEI recorded a 0.9% decline in the six-month period ending January 2025, much less than its 1.7% decline over the previous six months.

“The US LEI declined in January, reversing most of the gains from the previous two months. Consumers’ assessments of future business conditions turned more pessimistic in January, which – alongside fewer weekly hours worked in manufacturing – drove the monthly decline. However, manufacturing orders have almost stabilized after weighing heavily on the Index since 2022, and the yield spread contributed positively for the first time since November 2022. Overall, just four of the LEI’s 10 components were negative in January.”

### The LEI fell in January 2025, reversing most of the gains in November and December 2024



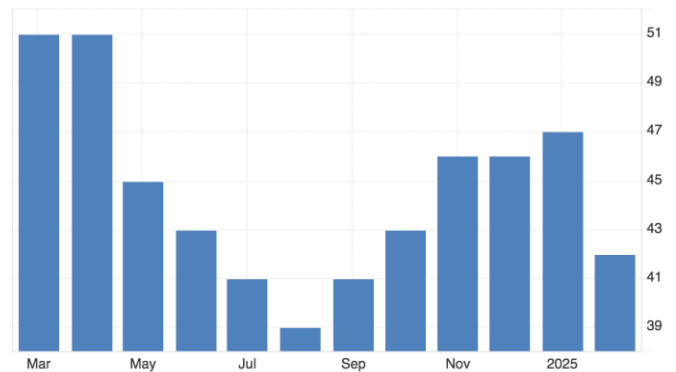
## U.S. Homebuilder Sentiment Drops to 5-Month Low in February

Builder confidence in the market for newly built single-family homes was 42 in February, down five points from January. Here are the readings for the three HMI indices in February:

- Current sales conditions fell four points to 46.
- Sales expectations in the next six months plunged 13 points to 46.
- Traffic of prospective buyers posted a three-point decline to 29.

## NAHB/Wells Fargo Housing Market Index

US Nabh Housing Market Index - points



Source: tradingeconomics.com | National Association of Home Builders

The latest HMI survey also revealed that 26% of builders cut home prices in February, down from 30% in January and the lowest share since May 2024. Meanwhile, the average price reduction was 5% in February, the same rate as the previous month. The use of sales incentives was 59% in February, down from 61% in January.

## Pending Home Sales Drop

Pending home sales pulled back 4.6% in January according to the National Association of Realtors. The Midwest, South and West experienced month-over-month losses in transactions – with the most significant drop in the South – while the Northeast saw a modest gain. Year-over-year, contract signings lowered in all four U.S. regions, with the South seeing the greatest falloff.

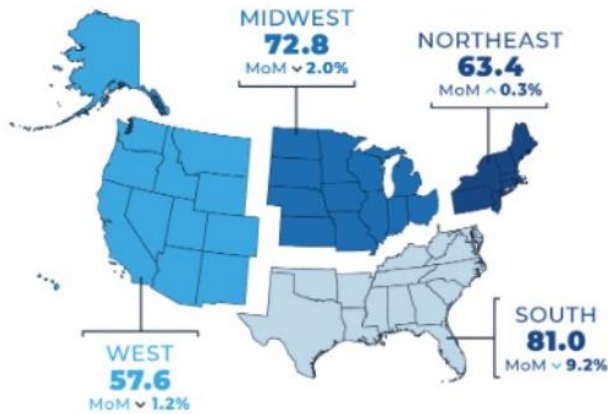
The Pending Home Sales Index – a forward-looking indicator of home sales based on contract signings –

fell 4.6% to 70.6 in January, an all-time low. (Last year's cyclical low point in July 2024 was revised from 70.2 to 71.2.) Year-over-year, pending transactions declined 5.2%. An index of 100 is equal to the level of contract activity in 2001.

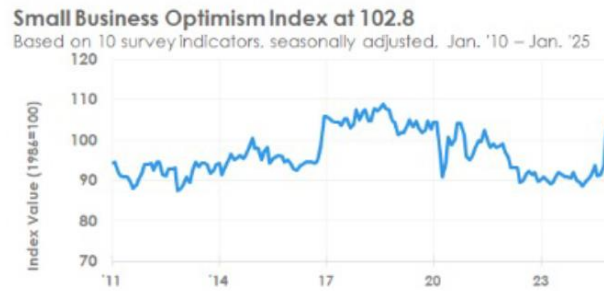
"It is unclear if the coldest January in 25 years contributed to fewer buyers in the market, and if so, expect greater sales activity in upcoming months. However, it's evident that elevated home prices and higher mortgage rates strained affordability."

Housing affordability suffered in January as mortgage rates ranged from 6.91% to 7.04%. Compared to one year ago, the monthly mortgage payment on a \$300,000 home increased by an extra \$50 to \$1,590.

### Pending Home Sales Regional Breakdown



REALTORS® are members of the National Association of REALTORS®.



Source: NFIB.com/sboi

“Overall, small business owners remain optimistic regarding future business conditions, but uncertainty is on the rise. Hiring challenges continue to frustrate Main Street owners as they struggle to find qualified workers to fill their many open positions. Meanwhile, fewer plan capital investments as they prepare for the months ahead.”

Sources: [bea.gov](https://www.bea.gov/); [conference-board.org](https://www.conference-board.org/); [bls.gov](https://www.bls.gov/); [nar.realtor](https://www.nar.realtor/); [msci.com](https://www.msci.com/); [fidelity.com](https://www.fidelity.com/); [nasdaq.com](https://www.nasdaq.com/); [wsj.com](https://www.wsj.com/); [morningstar.com](https://www.morningstar.com/); [bls.gov](https://www.bls.gov/); [nfib.com](https://www.nfib.com/)

### Small Businesses Remain Optimistic, But Uncertainty Rising on Main Street

The NFIB Small Business Optimism Index fell by 2.3 points in January to 102.8. This is the third consecutive month above the 51-year average of 98. The Uncertainty Index rose 14 points to 100 – the third highest recorded reading – after two months of decline.