# Weekly Market Perspectives

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"Simply put, Trump believes the U.S. is being taken advantage of by some of our closest trading partners, and he is looking to reset how America trades with the rest of the world. His tool to exact change and rebalance trade between the U.S. and the rest of the world? Tariffs."

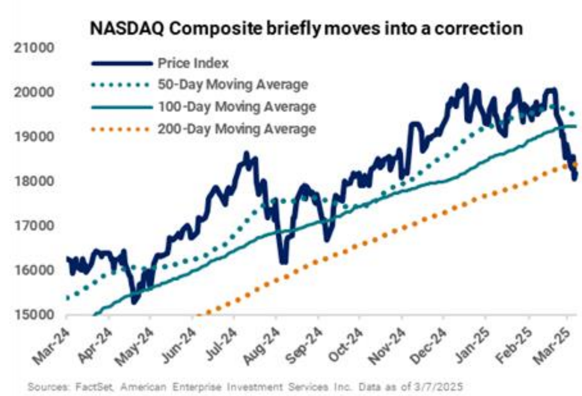
## Investing Amid Potential Trade Wars Necessitates a Proactive Plan.

Selling pressure across the market continued last week, as tariff headlines sapped investor confidence and technology stocks weighed on major U.S. equity averages. The S&P 500 Index recorded its third straight week of declines and is currently on its worst losing streak since the week ending October 7, 2022. Notably, the NASDAQ Composite briefly fell 10% from its recent high, hitting a technical correction on Thursday before rebounding a bit on Friday. On-again, off-again tariff announcements from the White House elevated confusion across the market, and U.S. labor trends remained on firm footing last month.

This week, inflation reports, job openings data, and a preliminary look at March University of Michigan consumer confidence will take the economic spotlight. However, tariff uncertainty, Washington drama around a budget resolution, and reactions to evolving stock conditions are also likely to take up a lot of oxygen this week.

***Last week in review:***


- The S&P 500 Index finished lower by 3.1%, its worst week since September 2024. The Index is now down 5.6% over the last three weeks and is off roughly the same amount from its all-time high in February. However, it's important to note that 5% - 10% drawdowns across major averages are not uncommon for stocks and tend to form around periods where policy or economic uncertainty is elevated.




- The NASDAQ Composite ended the week down 3.4%. The tech-heavy index briefly hit correction territory on Thursday (i.e., down 10% or more from its high) before finishing the week 9.9% off its December high. At one point during the week, Magnificent Seven stocks collectively were down more than 15% from their highs, while the Philadelphia Semiconductor Index entered a "bear market" (i.e., down more than 20% from its highwater mark). Although near-term conditions may continue to keep tech stocks volatile, such declines have historically offered attractive entry points for longer-term investors willing to ride out the ups and downs.

- The Dow Jones Industrials Average (-2.3%) and the Russell 2000 Index (-4.0%) also struggled during the week. Small-cap stocks are now down roughly 7% in 2025 and off almost 16% from their November high.
- U.S. Treasuries put in mixed performance across the curve, with yields on the 2-year and 10-year moving higher.
- The U.S. Dollar Index ended sharply lower across the major currencies, and West Texas Intermediate (WTI) crude fell for the seventh consecutive week. Gold finished higher.
- Concerns about a major global trade war took hold, as President Trump ordered 25% tariffs on Canada and Mexico to take effect while upping the tariff rate on China imports to 20% from 10%. However, Trump quickly rolled back tariffs on all United States-Mexico-Canada Agreement (USMCA) goods for one month before threatening Canada on Friday with as high as 250% tariffs on lumber and dairy imports. To be fair, such U.S. tariffs would match Canada's existing levies on dairy but, in our view, would have a limited impact on the U.S. economy if enacted. That said, trade volume between all three countries totaled $1.8 trillion in 2022, with much of the volume coming through USMCA. Yet, the high degree of uncertainty associated with nearly daily tariff threats/announcements/retaliatory responses and the lack of a well-thought-out communication strategy from the White House has quickly unnerved investors and lowered confidence in growth outlooks for this year. As a result, stocks have come under increasing pressure. And let's not forget that President Trump has yet to turn his tariff focus on the European Union, and reciprocal tariffs are set to begin on April 2.
- On the U.S. labor front, nonfarm payrolls grew by a healthy +151,000 last month, slightly below consensus, while the unemployment rate ticked higher to 4.1% from 4.0% in January. Federal employment shed 10,000 jobs in February, yet the bulk of the DOGE layoffs likely won't show up in the jobs report until May through September. And while federal government employment accounts for just 2% - 3% of the nonfarm payrolls report, government layoffs last month contributed to the Challenger report seeing its highest level of year-to-date layoffs since 2009.
- Finally, the European Central Bank (ECB) cut its policy rate for the fifth consecutive meeting and the sixth time since June 2024. However, policymakers may be more cautious about cutting as its policy rate approaches a more neutral level. And amid rising global threats, Germany's new government plans to significantly boost defense spending and relax some of its restrictions on debt funding.

### *A potential trade war isn't coming out of the blue. Have a plan for your investments.*

In our view, President Trump is doing exactly what he campaigned on when it comes to tariff threats, and in part, recent actions and announcements are why a majority of Americans gave him a second term in the White House. Simply put, Trump believes the U.S. is being taken advantage of by some of our closest trading partners, and he is looking to reset how America trades with the rest of the world. His tool to exact change and rebalance trade between the U.S. and the rest of the world? Tariffs. Notably, major U.S. stock averages are now lower since election day, with stocks significantly off their recent highs and trading below their near and longer-term trend lines. In our view, the "magnitude" of the levies being put forth, the seemingly "evolving" near-term objectives the White House is attempting to accomplish, and the still undetermined effects of tariffs on the U.S. economy are what have recently sapped stock momentum.

Bottom line: The White House tariff strategy is currently beginning to erode confidence in future growth, trade stability, sentiment, and consumer and business spending outlooks, which, by the way, were all forecasted by many at the end of last year to be relatively solid in 2025 — partly based on the prospects for increased fiscal tailwinds such as lower taxes and less regulation. At least at present, the fiscal tailwinds investors assumed would help lift stocks this year have taken a backseat to aggressive tariff actions and announcements that are now weighing on equity prices. Unfortunately, we do not believe this environment is likely to change over the near-to-intermediate term, which could make investing difficult.

For investors trying to navigate through the uncertainty, well-established portfolio diversification strategies, high-quality equities, cash, fixed income, alternatives, income-producing strategies, and real assets can all help mitigate risk and possibly provide a little ballast in a portfolio should near-term equity pressure continue. And at some point, investors may want to consider using the dislocation in stocks to their benefit, either through dollar-cost averaging strategies or rebalancing efforts.

What we suggest: Have a candid conversation with your Ameriprise financial advisor about your current investments, allocation, and risk tolerance. How would you feel if your portfolio dropped 5% or 10% from here? Is that an opportunity to invest more? And where would you invest new money? Or would such declines cause you concern or change your investment strategy? Your advisor can help answer these questions and structure a "proactive" approach to address current market volatility and keep your portfolio on track with your goals and objectives.

*The week ahead:*

Consumer and producer inflation reports are expected to show some moderation in February, and a first look at March University of Michigan consumer sentiment could show a modest uptick from February levels.

- On an annualized basis, Wednesday's headline Consumer Price Index (CPI) is expected to tick lower to +2.9% in February from +3.0% in January. February core CPI (ex-food and energy) is forecast to drop to an annualized rate of +3.2% from +3.3% the previous month. Yet, even if consumer inflation and producer prices (reported on Thursday) see slight declines, the Federal Reserve is likely to hold rate policy steady when it meets next week.
- Investors will be looking to see how consumers feel about their personal situation in the latest U of M survey (report on Friday) following the last few weeks of market volatility and tariff headlines. In February, consumer sentiment declined meaningfully across all demographic groups, including age, income, and wealth, as concerns about inflation and tariffs rose significantly over January levels.
- In order to avoid a U.S. government shutdown, Congress will need to pass another continuing resolution before March 14. Republicans are working on a proposal that would fund the government through the fall while reducing spending.

**Stock Market Recap**

| Benchmark | Total Returns | | | LTM PE | | Yield % | |
|---|---|---|---|---|---|---|---|
| | Weekly | MTD | YTD | Current | 5-Year Median | Current | 5-Year Median |
| **S&P 500 Index: 5,770** | -3.1% | -3.1% | -1.7% | 25.8 | 24.6 | 1.3 | 1.5 |
| **Dow Jones Industrial Average: 42,802** | -2.3% | -2.3% | 0.9% | 24.1 | 21.2 | 1.6 | 1.9 |
| **Russell 2000 Index: 5,158** | -4.0% | -4.0% | -6.8% | 58.1 | 39.0 | 1.4 | 1.3 |
| **NASDAQ Composite: 18,196** | -3.4% | -3.4% | -5.7% | 36.8 | 38.1 | 0.7 | 0.7 |
| **Best Performing Sector (weekly): Health Care** | 0.2% | 0.2% | 8.6% | 26.9 | 22.6 | 1.6 | 1.6 |
| **Worst Performing Sector (weekly): Financials** | -5.9% | -5.9% | 1.7% | 17.6 | 15.5 | 1.4 | 1.8 |

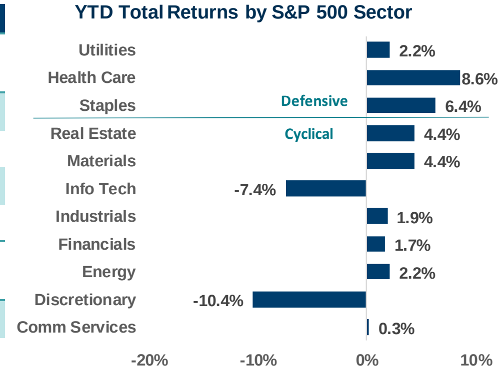
Source: Factset. Data as of 03/07/2025

**Bond/Commodity/Currency Recap**

| Benchmark | Total Returns | | |
|---|---|---|---|
| | Weekly | MTD | YTD |
| **Bloomberg U.S. Universal** | -0.5% | -0.5% | 2.1% |
| **West Texas Intermediate (WTI) Oil: $67.04** | -4.2% | -4.2% | -7.5% |
| **Spot Gold: $2,909.55** | 1.8% | 1.8% | 10.9% |
| **U.S. Dollar Index: 103.84** | -3.5% | -3.5% | -4.3% |
| **Government Bond Yields** | **Yield Chg** | | |
| | **Weekly** | **MTD** | **YTD** |
| **2-year U.S. Treasury Yield: 3.98%** | 1 bps chg | 1 bps chg | -27 bps chg |
| **10-year U.S. Treasury Yield: 4.31%** | 12 bps chg | 12 bps chg | -27 bps chg |

Source: Factset. Data as of 03/07/2025. bps = basis points

**YTD Total Returns by S&P 500 Sector**




Source: S&P Global, Factset. Data as of 03/07/2025

*These figures are shown for illustrative purposes only and are not guaranteed. They do not reflect taxes or investment/product fees or expenses, which would reduce the figures shown here. An index is a statistical composite that is not managed. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.*

**Important Disclosures**

Sources: FactSet and Bloomberg. FactSet and Bloomberg are independent investment research companies that compile and provide financial data and analytics to firms and investment professionals such as Ameriprise Financial and its analysts. They are not affiliated with Ameriprise Financial, Inc.

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Alternative investments cover a broad range of strategies and structures designed to be low or non-correlated to traditional equity and fixed-income markets with a long-term expectation of illiquidity. Alternative investments involve substantial risks and may be more volatile than traditional investments, making them more appropriate for investors with an above-average tolerance for risk.

Commodity investments may be affected by the overall market and industry- and commodity-specific factors, and may be more volatile and less liquid than other investments.

There are risks associated with **fixed-income** investments, including credit (issuer default) risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer term securities.

**Stock** investments involve risk, including loss of principal. High-quality stocks may be appropriate for some investment strategies. Ensure that your investment objectives, time horizon and risk tolerance are aligned with investing in stocks, as they can lose value.

The products of **technology** companies may be subject to severe competition and rapid obsolescence, and their stocks may be subject to greater price fluctuations.

**Past performance is not a guarantee of future results.**

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

Definitions of individual indices and sectors mentioned in this article are available on our website at ameriprise.com/legal/disclosures in the Additional Ameriprise research disclosures section.

The **S&P 500 Index** is a basket of 500 stocks that are considered to be widely held. The S&P 500 index is weighted by market value (shares outstanding times share price), and its performance is thought to be representative of the stock market as a whole. The S&P 500 index was created in 1957 although it has been extrapolated backwards to several decades earlier for performance comparison purposes. This index provides a broad snapshot of the overall US equity market. Over 70% of all US equity value is tracked by the S&P 500. Inclusion in the index is determined by Standard & Poor’s and is based upon their market size, liquidity, and sector.

The **S&P 500 Information Technology Index** comprises those companies included in the S&P 500 that are classified as members of the Global Industry Classification Standard (GICS) information technology sector.

The **NASDAQ Composite** index measures all NASDAQ domestic and international based common type stocks listed on the Nasdaq Stock Market.

The **Dow Jones Industrial Average** (DJIA) is an index containing stocks of 30 Large-Cap corporations in the United States. The index is owned and maintained by Dow Jones & Company.

The **Russell 2000 Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. The Russell 2000 includes the smallest 2000 securities in the Russell 3000.

The PHLX (Philadelphia Stock Exchange) **Semiconductor Sector Index** (SOX) is a modified capitalization-weighted index comprised of companies that are involved in the design, distribution, manufacturing, and sale of semiconductors. The index was developed with a base value of 100 as of December 1, 1993. The methodology changed from a price-weighted index as of 12/21/2009.

**West Texas Intermediate (WTI)** is a grade of crude oil commonly used as a benchmark for oil prices. WTI is a light grade with low density and sulfur content.

The **US Dollar Index** (USDX) indicates the general international value of the USD. The USDX does this by averaging the exchange rates between the USD and major world currencies. This is computed by using rates supplied by approximately 500 banks.

The **Consumer Price Index** (CPI) is an inflation indicator that measures the change in the total cost of a fixed basket of products and services, including housing, electricity, food, and transportation. The CPI is published monthly by the Commerce Department and is also commonly referred to as the cost-of-living index.

University of **Michigan Consumer Sentiment Survey** is a rotating panel survey based on a nationally representative sample of households in the U.S. that measures how consumers feel about the economy, personal finances, business conditions, and buying conditions.

The **Challenger Report** measures announced layoffs by US-based companies and serves as a labor market indicator. It is published by Challenger, Gray & Christmas, Inc. an outplacement services firm.