

WEEKLY ECONOMIC UPDATE FEB. 10, 2025

Stocks posted modest losses last week as tariff deals, January jobs data, and Q4 corporate reports injected volatility into markets.

The Standard & Poor's 500 Index slipped 0.24 percent, while the Nasdaq Composite Index lost 0.53 percent. The Dow Jones Industrial Average fell 0.54 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, edged ahead 0.17 percent.^{1,2}

Tariffs, Q4 Reports, and Jobs

On Monday, stocks opened lower on news that tariffs on Mexico, Canada, and China went into effect over the weekend. However, markets rebounded midmorning following news of a U.S.-Mexico deal that delayed new trade rules. News of a similar last-minute agreement with Canada followed.³

Stocks continued their rally midweek, led by technology stocks from companies that provided upbeat Q4 corporate reports.^{4,5}

The S&P 500 and Nasdaq rose for the third consecutive day on Thursday, while the Dow experienced a slight fall as investors digested more corporate earnings reports. The week closed on a down note as a mixed jobs report and a cautionary inflation outlook disappointed investors.^{6,7}

MARKET INSIGHTS



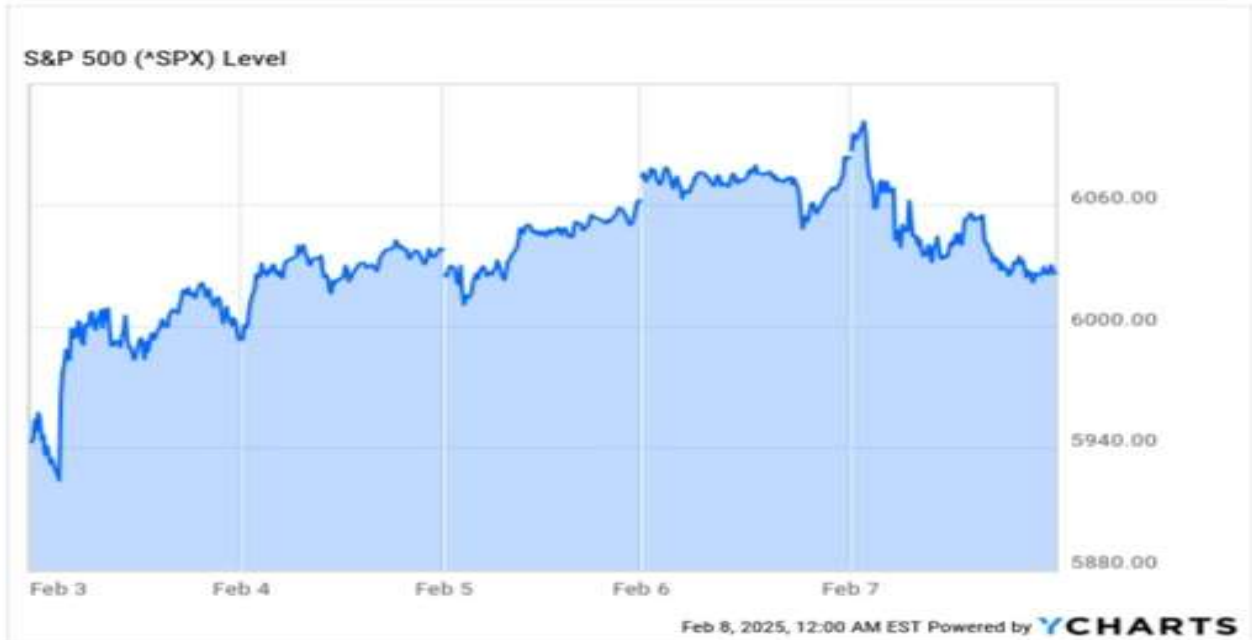
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Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
<u>Dow Jones Industrial Average</u>	4.82%	5.26%	18.32%	68.64%
<u>MSCI EAFE</u>	5.19%	6.05%	11.26%	36.72%
<u>Nasdaq Composite</u>	-0.35%	2.52%	27.71%	115.0%
<u>S&P 500</u>	1.88%	3.52%	24.48%	96.67%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
<u>10 Year Treasury Rate</u> 02/07/25	4.49%	4.67% 4.31% 4.09%	-3.85% ▼ 4.18% ▲ 9.78% ▲

Mixed Signals on the Labor Market

As has happened several times in recent years, two job reports told conflicting stories about the state of the jobs market. On Friday, the Bureau of Labor Statistics reported that 143,000 jobs had been added for the month—a four-year low. Earlier in the week, the ADP report showed the economy added 188,000 new jobs, ahead of the 150,000 economists expected.^{8,9}

Why do the reports tell different stories? Economists point to various factors, including how January can be challenging to measure accurately, typically due to the more significant number of laid-off seasonal workers.¹⁰

This Week: Key Economic Data

Tuesday: Cleveland Fed President Beth Hammack and New York Fed President John Williams speak.

Wednesday: Consumer Price Index (CPI). Atlanta Fed President Raphael Bostic speaks. Federal budget.

Thursday: Weekly Jobless Claims. Producer Price Index (PPI).

Friday: Import Price Index. Retail Sales. Industrial Production. Business Inventories.

Quote of the Week



“The natural progress of things is for liberty to yield and government to gain ground.”

– **Thomas Jefferson**

Of Note



Amadeus' comment - An interesting article about Bitcoin but it should be taken with a bit of caution as the authorities quoted in the article have a financial incentive to see their proprietary products find more buyers:

In its outlook for digital assets and Bitcoin, Fidelity Digital Assets called 2025 a “pivotal” year, when they should begin to have a broader impact across industries and economies.

Citing research by economist Carlota Perez, Fidelity researchers said technological revolutions – like railroads or the internet, for example — typically disrupt multiple industries and fields and overhaul entire economies. “Bitcoin and digital assets could fit this theory,” Fidelity Digital Assets researcher and report author Chris Kuiper wrote. “We are potentially past what Perez describes as an early speculative period accompanied by financial boom and busts and are now possibly entering the phase of further adoption.”

The Fidelity paper said we are at the early stages of mass diffusion and adoption with digital assets in a process that will evolve over decades. “2025 has the potential to be the year that is looked back on as the pivotal time where the “chasm was crossed” as digital assets begin to take root and embed themselves into multiple fields and industries,” Kuiper wrote. “For example, in the past year, we have already seen discussions around nation-state adoption and increased corporate balance sheet adoption.” So, while Bitcoin boomed in 2024, it is still in the early days of this new era of sustainable adoption, diffusion, and integration, Kuiper said.

“We anticipate more nation-states, central banks, sovereign wealth funds, and government treasuries will look to establish strategic positions in Bitcoin,” said Fidelity Digital Assets research analyst Matt Hogan in the firm’s Jan. 7 paper titled “2025 Look Ahead.” CoinTelegraph’s Martin Young reports that Hogan believes more entities may take notice of the playbook employed by Bhutan and El Salvador “and the substantial returns they have been able to glean from such positions in a relatively short amount of time.” He said that not making any Bitcoin allocation could become more of a risk to nations than making one due to challenges such as debilitating inflation, currency debasement and increasingly crushing fiscal deficits.

If the US goes ahead with its Bitcoin strategic reserve plans, “it is likely that nation-states would begin accumulating in secret,” Hogan said. “No nation has an incentive to announce these plans, as doing so could influence more buyers and drive up the price.”

Hogan also predicted that digital asset-structured and managed products would “go mainstream” in 2025, adding it was “difficult to overstate the success” of spot Bitcoin and Ether. “With the initial success of these products, it would not be unreasonable to expect 2025 to bring about more structured passive and actively managed digital asset products to the world of TradFi.” Hogan also predicted that tokenization will be the “killer app” of 2025, with on-chain value doubling from \$14 billion to \$30 billion by the end of the year. “Tokenization is often seen as a buzzword in the world of blockchain technology, but its potential in financial services and beyond is only beginning to be realized,” he said.

The Fidelity researchers said investors should “prepare for acceleration” with “increased adoption, development, interest in, and demand for digital assets.” They added that “investors are

not too late to join the digital asset movement” and believed “we may be entering the dawn of a new era for digital assets, one poised to span multiple years — if not decades.”¹¹

Footnotes and Sources

1. The Wall Street Journal, February 7, 2025
2. Investing.com, February 7, 2025
3. The Wall Street Journal, February 3, 2025
4. CNBC.com, February 4, 2025
5. CNBC.com, February 5, 2025
6. The Wall Street Journal, February 6, 2025
7. The Wall Street Journal, February 7, 2025
8. MarketWatch.com, February 4, 2025
9. MarketWatch.com, February 5, 2025
10. The Wall Street Journal, February 7, 2025
11. zerohedge.com/crypto/nation-state-adoption-drive-bitcoin-growth-fidelity-digital-sees-new-era-crypto-2025

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