WEEKLY ECONOMIC UPDATE MARCH 3, 2025

Stocks were mixed last week as investor concerns over inflation and trade policy combined to produce another volatile trading week.

The Dow Jones Industrial Average rose 0.95 percent, while the Standard & Poor's 500 Index lost 0.98 percent. Meanwhile, the tech-heavy Nasdaq Composite Index dropped an eye-catching 3.47 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, lost 1.03 percent.[1,2]

Trade Talk

The week began under pressure after the White House said 25 percent tariffs on Mexico and Canada would begin after the 30-day pause ends in early March.

On Tuesday, S&P and Nasdaq stocks continued their slide on news that consumer confidence weakened more than expected. Concerns about inflation and tariffs merged with investors fretting over economic growth and global trade. It was the fourth straight day of declines for the S&P 500 and Nasdaq. The Dow, however, advanced for its third consecutive session.[3,4]

After a quiet Wednesday, stock fell broadly on Thursday after the White House announced additional tariffs on goods from China and Europe. A large chipmaker prominent in artificial intelligence (AI) matters produced a mixed corporate report for Q4, which put some pressure on the broader market.[5,6]

Friday's news that inflation moderated boosted stocks, with prices accelerating higher into the close of trading. The Fed's favorite core inflation measure hit 2.6 percent in January, which aligns with forecasts.[7]

MARKET INSIGHTS

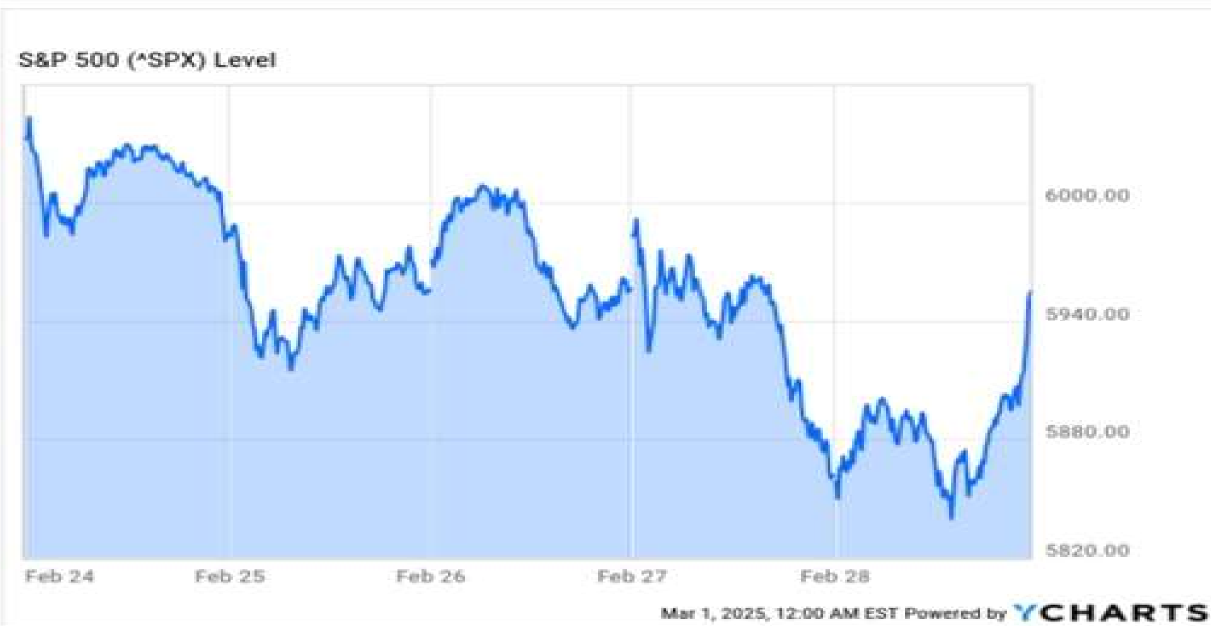
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Dow Jones Industrial Average	-3.17%	1.84%	12.96%	85.54%
MSCI EAFE	3.58%	8.17%	9.86%	51.87%
Nasdaq Composite	-4.06%	-3.89%	16.46%	125.0%
S&P 500	-2.39%	-0.15%	17.00%	112.7%

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
10 Year Treasury Rate 02/28/25	4.24%	4.55% 4.25% 4.27%	-6.81% -0.24% -0.70%

Getting a Read on Tariffs

Markets dislike uncertainty, so steady trade talk produces volatile intra-week trading. Investors don't know what tariffs will be enforced versus which ones are part of an ongoing negotiation, which can produce unsettling price swings.

S&P 500 companies echo some of that uncertainty. At last check, 146 have mentioned the term "tariff" or "tariffs" on Q4 conference calls with shareholders–the highest level since Q2 2019.[8]

This Week: Key Economic Data

Monday: ISM Manufacturing. Construction Spending.

Tuesday: Auto Sales. New York Fed President Williams speaks.

Wednesday: ADP Employment Report. Factory Orders. ISM Services Index.

Thursday: Productivity. Trade Deficit. Wholesale Inventories.

Friday: Employment Situation. Consumer Credit. New York Fed President Williams speaks.

Quote of the Week

"The conflict between what in its present mood the public expects science to achieve in satisfaction of popular hopes and what is really in its power is a serious matter because, even if the true scientists should all recognize the limitations of what

they can do in the field of human affairs, so long as the public expects more there will always be some who will pretend, and perhaps honestly believe, that they can do more to meet popular demands than is really in their power."

– Friedrich Hayek

Of Note

Before the presidential election, many people were puzzled by the seeming disconnect between "economic reality" as reflected in various government statistics and the public's perceptions of the economy on the ground. Many in Washington bristled at the public's failure to register how strong the economy really was. They charged that various echo chambers were conning voters into believing entirely preposterous narratives about America's decline.

What they rarely considered was whether something else might be responsible for the disconnect — whether, for instance, government statistics were fundamentally flawed. What if the numbers supporting the case for broad-based prosperity were themselves misrepresentations? What if, in fact, darker assessments of the economy were more authentically tethered to reality?

For many, government statistics are thought to be as reliable as solid facts. These numbers have time and again suggested to many in Washington that unemployment is low, that wages are growing for middle America and that, to a greater or lesser degree, economic growth is lifting all boats year upon year. But when traveling the country, you may find something very different. Cities that appeared increasingly seedy. Regions that seemed derelict. Driving into the office each day, it is not uncommon to see homeless encampments.

Within the nation's capital, this gap in perception has had profound implications. For decades, a small cohort of federal agencies have reported many of the same economic statistics, using fundamentally the same methodology or relying on the same sources, at the same appointed times. Rarely has anyone ever asked whether the figures they release hew to reality. Delving deeply into some of the most frequently cited headline statistics, what you will uncover might shock you.

The bottom line is that, for 20 years or more, voter perception was more reflective of reality than the incumbent statistics. Research has revealed the data collected by the various agencies is largely accurate. Moreover, the people staffing those agencies are talented and well-intentioned, but the filters used to compute the headline statistics are flawed. As a result, they paint a much rosier picture of reality than bears out on the ground.

Take, as a particularly egregious example, what is perhaps the most widely reported economic indicator: unemployment. Known to experts as the U-3, the number misleads in several ways. First, it counts as employed the millions of people who are unwillingly under-employed — that is, people who, for example, work only a few hours each week while searching for a full-time job. Second, it does not take into account many Americans who have been so discouraged that they are no longer trying to get a job. Finally, the prevailing statistics do not account for the meagerness of any individual's income. Thus you could be homeless on the streets, making an intermittent income and functionally incapable of keeping your family fed, and the government would still count you as "employed."

Those who went into this past election taking pride in the unemployment numbers likely didn't understand the near-record low unemployment figures — the figure was a mere 4.2 percent in November — counted homeless people doing occasional work as "employed." But the implications are powerful. If you filter the statistics to include as unemployed people who can't find anything but part-time work or who make a poverty wage (roughly $25,000), the percentage is actually 23.7 percent. In other words, nearly one of every four workers is functionally unemployed in America today — hardly something to celebrate.

The picture is similarly misleading when examining the methodology used to track how much Americans are earning. The prevailing government indicator, known colloquially as "weekly earnings," tracks full-time wages to the exclusion of both the unemployed and those engaged in (typically lower-paid) part-time work. Today, as a result, those keeping track are led to believe that the median wage in the U.S. stands at roughly $61,900. But if you track everyone in the workforce — that is, if you include part-time workers and unemployed job seekers — the results are remarkably different. Our research reveals that the median wage is actually little more than $52,300 per year. Think of that: American workers on the median are making 16 percent less than the prevailing statistics would indicate.

Perhaps the most prominent issue of the 2024 campaign — inflation — tracks much the same story. The CPI perceives reality through a very rosy looking glass. Those with modest incomes purchase only a fraction of the 80,000 goods the CPI tracks, spending a much greater share of their earnings on basics like groceries, health care and rent. And that, of course, affects the overall figure: If prices for eggs, insurance premiums and studio apartment leases rise at a faster clip than those of luxury goods and second homes, the CPI underestimates the impact of inflation on the bulk of Americans. That, of course, is exactly what has happened.

Using an alternative indicator that excludes many of the items that only the well-off tend to purchase, which tend to have more stable prices over time, and focusing on the measurements of prices charged for basic necessities (the goods and services that lower and middle-income families typically can't avoid), the results reveal how the challenges facing those with more modest incomes are obscured by the numbers. Such an indicator reveals that since 2001, the cost of living for Americans with modest incomes has risen 35 percent faster than the CPI. Put another way, the resources required simply to maintain the same working-class lifestyle over the last two decades have risen much more dramatically than we've been led to believe.

Which brings us to the question of gross domestic product, a figure that stands perhaps as the most important single economic indicator because it is commonly viewed as a proxy for prosperity writ large. There is, to be sure, real value in tracking the sheer volume of domestic production, though GDP is an imperfect measure even of that. But as useful as the figure may be in the sense that it purports to track generalized national wealth, it is hampered by a profound flaw - it reveals almost nothing about how the attendant prosperity is shared. That is, if a small slice of the population is awarded the great bulk of the bounty from economic growth while everyone else remains unenriched, GDP would rise nevertheless. And that, to a crucial degree, is exactly what has happened.

The aggregate measure of GDP has hidden the reality that a more modest societal split has grown into an economic chasm. Since 2013, Americans with bachelor's or more advanced degrees have seen their material well-being improve; according to the Federal Reserve's estimate, an additional tenth of adults have risen to comfort. Those without high school degrees, by contrast, have seen no real improvement. And geographic disparities have widened along similar lines, with places ranging from San Francisco to Boston seeing big jumps in income and prosperity, but places ranging from Youngstown, Ohio, to Port Arthur, Texas, falling further behind. The crucial point, even before digging into the nuances, is clear, America's GDP has grown, and yet we remain largely blind to these disparities.

Take all of these statistical discrepancies together. What we have here is a collection of economic indicators that all point in the same misleading direction. They all shroud the reality faced by middle- and lower-income households. The problem isn't that some Americans didn't come out ahead after four years of Bidenomics. some did. It's that, for the most part, those living in more modest circumstances have endured at least 20 years of setbacks, and the last four years did not turn things around enough for the lower 60 percent of American income earners.

What we need now is to find new ways to provide a more realistic picture of the nation's underlying economic conditions on a monthly basis. This should not be a partisan issue — policymakers in both parties would benefit from gleaning a more accurate sense of what's happening at the ground level of the American economy. In an age where faith in institutions of all sorts is in free fall, Americans are perpetually told, per a classic quote from former Sen. Daniel Patrick Moynihan, that while we may be entitled to our own opinions, we aren't entitled to our own facts. That should be right, at least in the realm of economics. But the reality is that, if the prevailing indicators remain misleading, the facts don't apply. We have it in our grasp to cut through the mirage that has led our national statisticians to generate misleading data. The question now is whether we will correct course.[9]

Footnotes and Sources

1. The Wall Street Journal, February 28, 2025
2. Investing.com, February 28, 2025
3. CNBC.com, February 25, 2025
4. MarketWatch.com, February 25, 2025
5. CNBC.com, February 26, 2025
6. CNBC.com, February 27, 2025
7. The Wall Street Journal, February 28, 2025
8. Insight.FactSet.com, February 10, 2025
9. politico.com/news/magazine/2025/02/11/democrats-tricked-strong-economy-00203464?

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The forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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