

# Market Update

FEBRUARY 2025



## *“In with the New”*

Index	Jan. 2025*	2024*
S&P 500	2.8%	25.0%
Russell 2000	2.6%	11.5%
Bloomberg AGG Bond	0.5%	1.3%
MSCI World, Ex-US	5.0%	5.3%

\*Total Returns Source: Factset Data

With the new US presidential administration, markets digested about as much change in January as any in recent memory. Tariffs, regulations (healthcare and banking), federal government spending, Federal Reserve policies, immigration (labor markets) and more were all subject to potential significant changes. And yet, despite the uncertainty, January was a very strong month for investment returns with better breadth across industries and sectors. The equal weighted S&P 500 outperformed the market cap weighed index cited above and there was also strong participation from small and mid-caps as well as international. Counted as market tailwinds would be the pro-business prospects of fewer regulations, better fiscal budget deficits, easier anti-trust hurdles, and stable-to-lower tax rates. Market headwinds include tariff policy, Federal Reserve policy and the labor market.

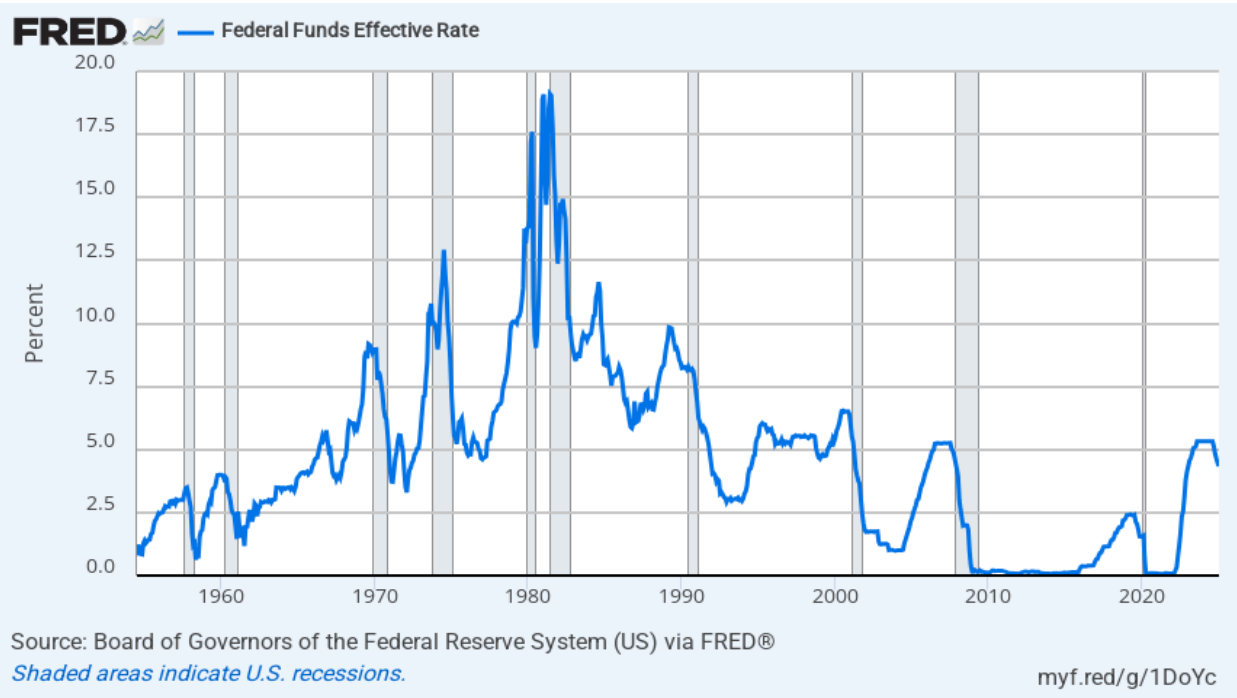
**Exhibit 20. U.S. Trade in Goods and Services by Selected Countries and Areas**

Country and Area	Annual 2023 Exports \$billions	Annual 2023 Imports \$billions
<i>Canada</i>	<i>440,939</i>	<i>481,566</i>
<i>China</i>	<i>195,524</i>	<i>447,668</i>
<i>Mexico</i>	<i>367,195</i>	<i>529,299</i>
<i>European Union</i>	<i>639,564</i>	<i>764,690</i>

SOURCE: [www.census.gov](http://www.census.gov)

As the table above illustrates, tariff wars with the four largest trade partners for the United States will have an impact on economic activity, inflation and corporate earnings. The market's January performance belies a growing consensus that tariffs will be used more as a negotiating tactic to accomplish other goals and the ultimate outcome will be far less impactful than initial headlines.

Our review of corporate management commentary on tariff impacts suggests far more diverse supply chains, far more manufacturing locally for local markets, and a willingness to raise prices to cover potential incremental costs. All to say our best assessment is corporate America is in far better shape today to handle tariff impacts than they were in 2017-2019.



The other major economic issue markets remain zeroed in on is Federal Reserve interest rate policy. The Fed held the fed funds rate steady in late January and consensus has coalesced around a pause in the rate cutting cycle until more is known of changing fiscal policies and their impacts on inflation. In terms of the Fed's dual mandate, full employment is being achieved currently while inflation remains somewhat stubbornly above the 2% target. Notable were Fed Chairman Jerome Powell's comments unequivocally keeping the inflation target at 2% while acknowledging employment levels are well above what the Fed considers full, despite the current restrictive level of short-term interest rates. A wait and see approach makes the most sense as the worst outcome would be an inflation resurgence brought on by too easy monetary policy - see the 1970s.

As we type this piece just more than half of our core portfolio companies have reported results for Q4 2024 and provided some level of guidance for 2025. Overall, so far so good. Concerns about China's DeepSeek AI model developer that roiled markets at month-end were muted or non-existent in terms of impacts on future growth. We continue to have appropriate exposures to the mega trends of data center buildouts, AI-driven hardware and software spend, and electrification across the entire economy through holdings such as Amazon, Broadcom, Corning, Eaton, IBM, Microsoft, Oracle, and Southern Company. And with our exposures to select healthcare, financial and consumer businesses, portfolios are also protected from market dislocations with their steadier, non-cyclical growth profiles.

As always, we appreciate the opportunity to work with you, and if you have any questions, please do not hesitate to reach out to your Seacoast Wealth Management Associate. As always, we appreciate the opportunity to work with you, and if you have any questions, please do not hesitate to reach out to your Seacoast Wealth Management Associate.

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Sources: JP Morgan Asset Management; NASDAQ; FactSet; Bloomberg; Broadridge. Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); [www.goldprice.org](http://www.goldprice.org) (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful. The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks.