Market Weekly Insights

18th March 2025

As of March 17th, 2025

S&P 500	$5,.675.12 +0.64%
DJIA	$41841.63 +0.64%
NASDAQ	$17,808.66 +0.31%
Russell 2000	$2,068.33 +1.19%
FTSE 100	$8,680.29 +0.56%
Nikkei 225	$37,396.52 +0.00%
WTI Crude	$67.40 -0.27%
10-yr Treasury	4.30%

Global Outlook

U.S. and Canada De-escalate Trade Tensions

On March 12, 2025, President Donald Trump backed down from a proposed 50% tariff on Canadian steel and aluminum after Ontario paused its 25% surcharge on electricity exports to the U.S. The decision followed discussions between U.S. Commerce Secretary Howard Lutnick, Canada's Minister of Finance Dominic LeBlanc, and Ontario Premier Doug Ford. Ontario had announced the surcharge on electricity exports to Michigan, Minnesota, and New York, prompting Trump to threaten the higher tariff. However, Trump later signaled he would not proceed with the increase. The White House confirmed that the original 25% tariff on steel and aluminum imports, including those from Canada, would take effect at midnight on Wednesday.

Market reactions were initially negative, with the Dow Jones falling 478 points and the S&P 500 nearing correction territory. However, losses were reduced after the joint statement from Lutnick and Ford. Canadian Prime Minister-designate Mark Carney stated that Canadian tariffs would remain until the U.S. commits to fair trade. Canada is the top source of aluminum and steel for the U.S., accounting for 41% of aluminum and nearly a quarter of steel imports. Industry experts warned that the tariffs could lead to job losses in the U.S. aluminum sector and higher prices for consumers on goods ranging from cars to appliances.

Lunar New Year Surge Followed by Sharp Price Drop in China

Chinese consumer prices fell to their lowest levels in over a year. According to China's National Bureau of Statistics (NBS), the Consumer Price Index (CPI) fell by 0.7% in February, going against what experts had expected following a 0.5% increase in January and marking the first contraction since January 2024. The deflation marks an issue as it lowers consumption due to people expecting even lower prices.

The drop in February was influenced by the Lunar New Year holiday, which took place earlier than expected and resulted in hundreds of millions of trips, increasing tourism and spending. The holiday fell entirely in January, causing the following decrease in February. Excluding the holiday, the NBS estimated consumer prices would have gone up by 0.1%.

China's Producer Price Index (PPI) fell 2.2% in February, continuing its 29-month decline. Goldman Sach economists suggested weak consumer spending, employment trends, and poverty as the main reasons for the decrease. Meanwhile, Beijing has set a 5% growth target for the upcoming year and plans to introduce solutions to counter these economic challenges.

Sources: CNN, Yahoo Finance, Wall Street Journal

German Industrial Production Beats Expectations

Concerning signs of a German industrial recession over recent years seems to be fading. Industrial production showed signs of improvement to kick off 2025, a promising sign that could be quickly shut down by looming fears of U.S. tariffs. In the month of January, industrial output increased by 2% as opposed to a 1.5% decline since December of 2024, according to German statistics agency Destatis. Wall Street Journal Economists has previously projected industrial output to increase by 1.5%, surpassing expectations. Although improved industrial output is a promising sign for the German economy, concerns over manufacturing capacity loom over economic output.

Manufacturing capacity utilization is at an all-time low comparable to that of only the 2008 financial crisis. German exports decreased by 2.5% in the month of January. Despite weak economic numbers, Germany's automotive industry production jumped 6.4%, and production in the energy-intensive industry, which has recently suffered from high energy costs due to the Russia-Ukraine conflict. Last week, Germany's soon-to-be chancellor Friedrich Merz announced a fiscal stimulus and $500 billion investment into defense production, hopefully driving industrial growth.

America This Week

Companies Swap Raw Materials Amidst Tariff Implications

Alongside 25-50% fluctuating tariffs on lumber, steel, and aluminum placed by the Trump administration, concerns amongst industrial and manufacturing companies as to the swapping of raw materials to work around tariffs have become the focal point of operational management. Hundreds of general contractors across the US are stockpiling on lumber, windows, cabinetry and steel to stockpile them before tariffs come into place. Additionally, these contractors are renting out shop yards to stockpile these goods, often imported from suppliers often import from Canada, Mexico, and China.

Although the Trump administration paused the initial 25% tariffs imposed on Canada and Mexico, executive management teams, especially in the home building and construction industry have expressed frustrated by the continued uncertainty. Existing home inventory is currently at the low end compared to historical levels as prices are reaching all-time highs. Wells Fargo's Housing Market Index, homebuilder confidence in the market for newly constructed single-family homes dropped to its lowest mark since September. This data point serves as a broader indication of softer housing demand and difficulties for builders to secure financing.

Wind and Solar Energy Overtake Coal for the First Time in American History

For the first time in U.S. history, wind and solar energy produced more electricity than coal. According to an analysis from leading clean energy think tank Ember, both renewable energy sources accounted for 17% of the country's power mix while coal fell to a low of 15%. Ember's analysis revealed solar was the fastest-growing energy source, increasing 27% from 2023, while wind production increased by 7%.

However, natural gas generation increased to 3.3% in 2024, retaining its position as the most widely used energy source in the United States, accounting for 43% of total energy capacity. This information released as the Trump administration for an uptick in natural gas production and exports. At an energy conference in Houston this week, U.S. Energy Secretary revealed the administration's desire to expand natural gas pipelines in Alaska and New England, approving permits to ship natural gas overseas. The promising signs of growth in renewable energy production reveals America's broader initiative of ensuring a strong energy sector and a high-growth market.

Sources: Wall Street Journal, Financial Times

U.S. Job Growth Slows in February

The U.S. economy added a seasonally adjusted 151,000 jobs in February, falling short of economists' expectations of 170,000 jobs. However, the figure was an improvement from the 125,000 jobs added in January. The unemployment rate edged up to 4.1% from 4%, according to the Labor Department's report released on March 7, 2025. The federal job cuts implemented late in the month, following President Trump's hiring freeze, were not fully reflected in the data. However, the report noted a loss of 10,000 federal jobs, including 3,500 positions at the postal service and 6,700 in other sectors, marking the largest drop in over two years. Additionally, healthcare contributed significantly to job growth, adding 52,000 positions, while transportation and warehousing added 18,000 jobs. However, retailers shed 6,000 jobs, and the food services and drinking sector lost 27,500 jobs, potentially reflecting the impact of immigration restrictions.

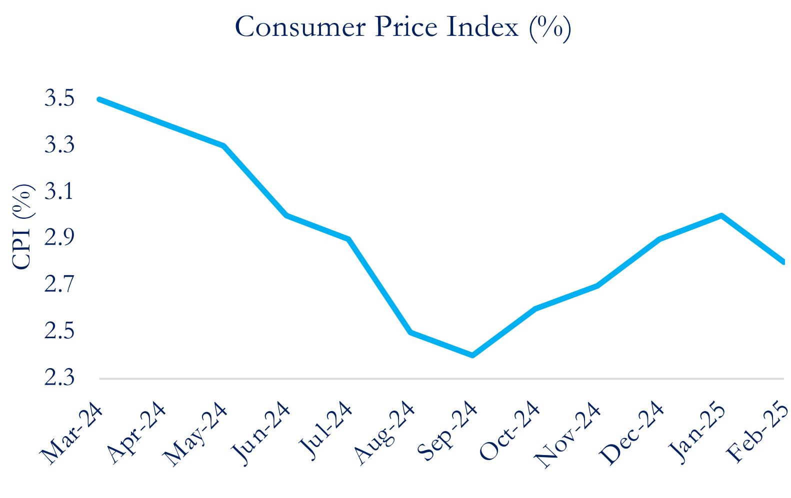
Economists anticipate that job growth may slow in the coming months due to federal job layoffs, reduced government funding, and uncertainty over tariffs and immigration policies. Average hourly earnings rose 0.3% from January, marking a 4% increase from the previous year. The Federal Reserve is expected to keep interest rates steady, with Chair Jerome Powell stating that the labor market remains solid and balanced.

Macro Highlights

CPI February Inflation Data Drops Slightly

In February 2025, the U.S. Consumer Price Index increased by 0.2% on a seasonally adjusted basis, following a 0.4% rise in January. This brought the annual inflation rate to 2.8%, down from 3.0% in January. The core CPI, which excludes volatile food and energy prices, also rose by 0.2% in February, leading to a 3.1% year-over-year increase. The food index saw a modest increase of 0.2% in February. Notably, the index for meats, poultry, fish, and eggs rose by 1.6%, driven primarily by a 10.4% surge in egg prices, attributed to a bird flu outbreak.

Energy prices edged up by 0.2% in February. While gasoline prices decreased by 1.0%, natural gas and electricity prices increased by 2.5% and 1.0%, respectively. On a year-over-year basis, the energy index declined by 0.2%, with gasoline prices falling 3.1% and fuel oil dropping 5.1%. In contrast, electricity and natural gas prices rose by 2.5% and 6.0%, respectively. Shelter costs, a significant component of the CPI, increased by 0.3% in February, contributing to a 4.2% rise over the past year, marking the smallest 12-month increase since December 2021.



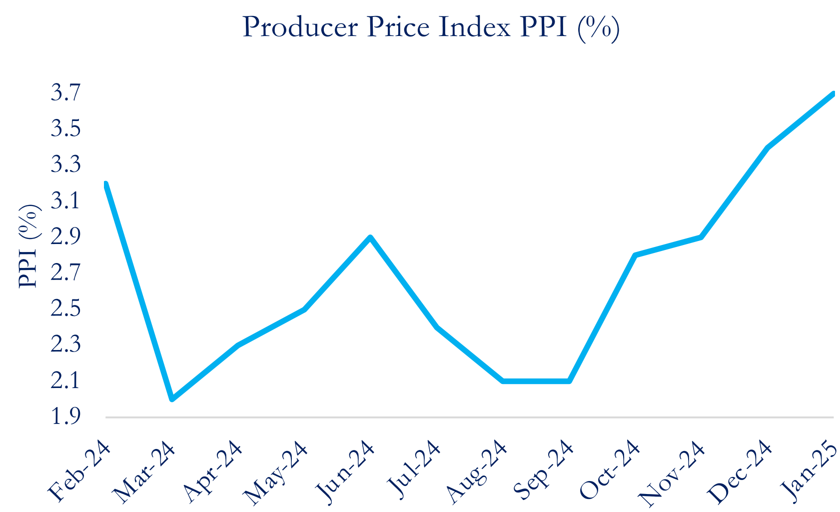
Sources: Reuters, Financial Times

PPI Remains Steady in February

In February 2025, the U.S. Producer Price Index for final demand remained flat after rising 0.6% in January. On a yearly basis, the PPI increased 3.2%, down from 3.7% in January. Prices for final demand goods rose 0.3%, driven by a 1.7% surge in food prices, particularly a 53.6% spike in egg prices. Pork, vegetables, tobacco, and electric power also contributed to the increase. However, gasoline prices dropped 4.7%, offsetting some of the rise in goods prices.

The final demand services index fell 0.2%, the largest decline since July 2024, led by a 1.0% drop in trade services margins. Machinery and vehicle wholesaling, food and alcohol retailing, and automobile parts sales all saw price declines. On the other hand, inpatient care and hospital outpatient care saw increases.

Excluding food, energy, and trade services, the core PPI rose 0.2%, following a 0.3% increase in January, and is up 3.3% over the past 12 months. The flat PPI suggests easing inflationary pressures, giving the Federal Reserve room to maintain interest rates. However, new tariffs on Canadian and Mexican imports could increase costs and reignite inflationary pressure.



Job Openings and Labour Turnover Report

In January 2025, U.S. job openings increased to 7.7 million, up from 7.5 million in December. Hiring held steady at 5.4 million, while total separations were relatively unchanged at 5.3 million. Quits rose to 3.3 million, the highest since July 2024, signaling worker confidence in job prospects. Layoffs and discharges declined to 1.6 million, reflecting employer efforts to retain staff amid a tight labor market.

The February 2025 jobs report showed that employers added 151,000 jobs, slightly below expectations of 170,000. The unemployment rate edged up to 4.1% from 4.0% in January. Job gains were recorded in financial activities (up by 21,000), construction (up by 19,000), transportation and warehousing (up by 17,800), government (up by11,000), manufacturing (+10,000), and wholesale trade (up by 8,800).

The labor market remains resilient, but concerns persist over potential economic headwinds. New tariffs on Canadian and Mexican imports and other trade policy changes could impact business confidence and hiring decisions in the coming months. Overall, steady job openings and hiring rates indicate a stable labor market despite ongoing economic uncertainties.

Sources: Financial Times, Wall Street Journal

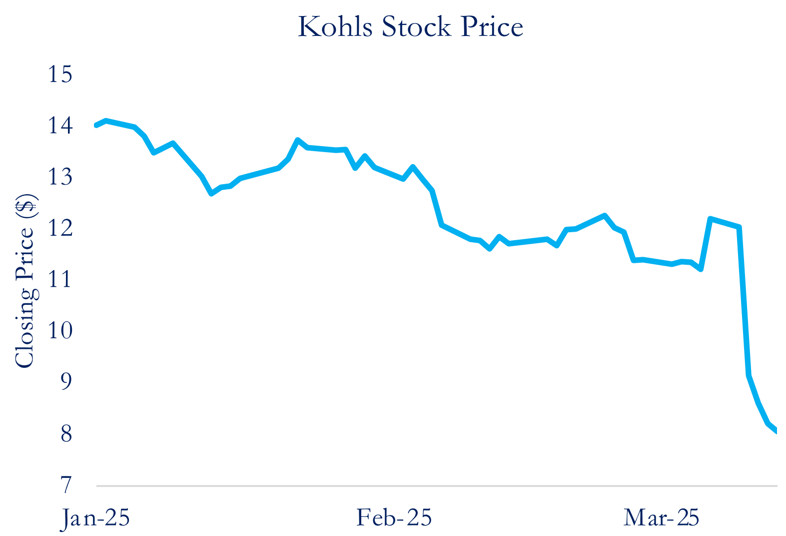
Industry News

Kohl's Stock plummets 24% with a challenging 2025 ahead

Khol's stock fell over 24% on Tuesday despite beating expectations with higher fourth-quarter earnings and revenue. The decrease resulted from the company issuing a weak outlook for 2025, expecting a 5-7% decrease in revenue and earnings per share between 10-60 cents below the analyst's projected $1.23. Additionally, comparable sales are also expected to decrease between 4-6%.

Ashley Buchanan, CEO, pointed to the company's struggle to past mistakes, specifically the emphasis on new product categories and discounts only on popular brands. Furthermore, she pointed to the 10% reduction in the corporate workforce, which also led to 27 underperforming stores closing by April.

Despite strong sales and a 13% increase in beauty sales following a partnership with Sephora, Kohl's suffered a $530 million decrease in overall net sales compared to the previous year. Kohl's is entering a challenging year with consumer confidence slipping and uncertainty rising from inflation and new tariffs.



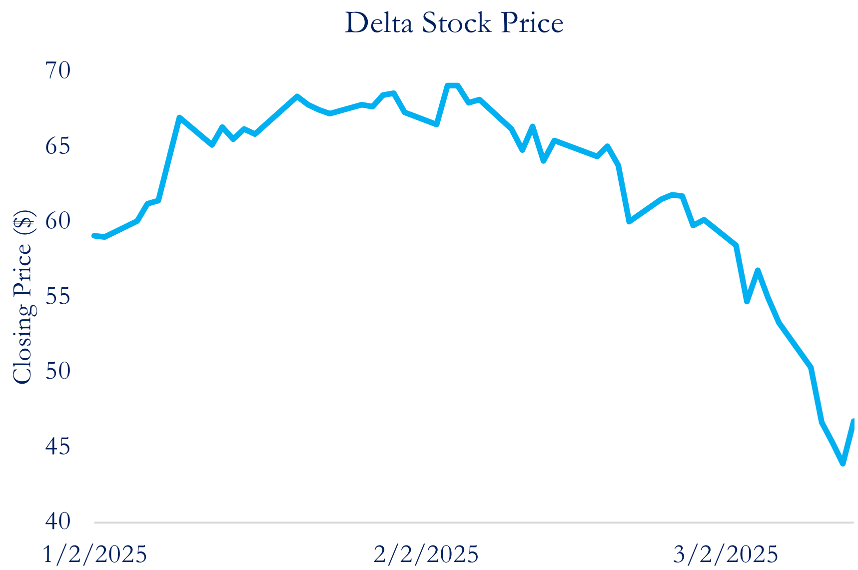
Delta Air Lines Stock Plummets Amid Travel Slowdown Fears

Delta filed a Form 8-K with the U.S. Securities and Exchange Commission, outlining lower-than-expected performance metrics for the quarter ending March 31, 2025. The airline now anticipates total revenue growth of 3% to 4%, down from the original forecast of 7% to 9%. Operating margins are expected to be between 4% and 5%, compared to the earlier projection of 6% to 8%. Earnings per share are projected to range from $0.30 to $0.50, significantly lower than the initial estimate of $0.70 to $1.00.

Delta believes that the revised forecast is a result of reduced consumer and corporate confidence stemming from increased macroeconomic uncertainty. The airline noted that domestic demand was particularly affected, while premium, international, and loyalty revenue growth remained in line with expectations. The decline in domestic demand is believed to be a result of both consumers and corporations adjusting travel plans in anticipation of a potential recession. Consumers are cutting back on discretionary spending, including travel, while businesses are limiting travel expenses and opting for virtual meetings instead.

Sources: Wall Street Journal

In response to the news, Delta's stock fell more than 10% in premarket trading before recovering slightly to a 7.5% decline. Other major U.S. airlines also experienced declines, with American Airlines down nearly 6% and United Airlines down about 7%. These losses came because of the broader market downturn, triggered by President Trump's refusal to rule out a recession and ongoing concerns about tariffs and a potential trade war.



Waymo Expands Robotaxi Service to Silicon Valley

Waymo announced an expansion plan for its Robotaxi service, adding 27 square miles of coverage in the Silicon Valley area. Specifically, the service will be available in Mountain View, Los Altos, Palo Alto, and parts of Sunnyvale, California. Over time, the service will be expanded to the general public; however, initially, it will be limited to Waymo One app users in the area.

The expansion follows Waymo's increasing presence in the San Francisco Bay Area. The company is currently in talks to offer autonomous rides to and from the San Francisco International Airport. Additionally, it recently launched a commercial robotaxi service in Austin for the Southwest festival.

Despite the competition from Tesla and Amazon, Waymo remains the leading force in autonomous rides in the U.S. Prior to these expansion plans, the company was reported to have 200,000 paid rides per week across San Francisco, Los Angeles, and Phoenix. Waymo operates under Alphabet and earned $400 million in revenue in Q4 2024.

Sources: Wall Street Journal

Analyst Outlook

Riya Pallamreddy – Upcoming Federal Reserve Meeting Outlook

The Federal Reserve's upcoming decision on interest rates in March is highly anticipated, as the central bank continues to navigate persistent inflation and a cooling labor market. The latest data from the Personal Consumption Expenditures (PCE) index shows a headline rate of 2.5%, with core PCE at 2.9%, both still above the Fed's 2% target (Bureau of Economic Analysis, 2025). Meanwhile, February's Consumer Price Index (CPI) reported a 3.1% year-over-year increase, reflecting persistent price pressures (U.S. Bureau of Labor Statistics, 2025). With the Fed's target inflation rate set at 2%, these figures indicate that inflation remains sticky and poses a challenge for policymakers.

On the labor market front, February's jobs report revealed a monthly net payroll gain of 151,000 and a higher unemployment rate, which ticked up to 4.1%. Despite this, the U.S. labor market remains relatively solid. While the cooling labor data increases the likelihood of a Fed rate cut later this year, March still seems too soon for such action. This is further supported by strong retail sales performance over the past month, which exceeded expectations, showing resilience in consumer spending despite higher borrowing costs. Fed Chair Jerome Powell recently emphasized the importance of maintaining restrictive policy until there is greater confidence that inflation is sustainably moving toward the 2% target (Powell, 2025). This cautious stance, combined with persistent inflation and strong consumer spending, suggests the Fed will likely hold rates steady at the upcoming meeting.

Market Insights Team

					
Alex Szewczyk	Manika Sakulsureeyadej	Hoang Tran	Ahmad Shaikh	Riya Pallamreddy	Varun Kolluri
Director	Associate	Analyst	Analyst	Analyst	Analyst
PEAK TECHNOLOGY PARTNERS	Geode Capital Management, pwc	Northeastern University	Northeastern University	Northeastern University	Northeastern University