

## Macro

- Unemployment declined from 4.1% to 4.0% in January, below expectations.
- The January Consumer Price Index rose 0.5% m/m and 3.0% y/y, both notably above expectations.
- January retail sales declined 0.9% m/m, below all forecasts, as a seasonally cold month weighed on spending habits.
- The Conference Board's Consumer Confidence Index declined to 98.3 in February, driven by trade uncertainty and inflation fears.
- The National Association of Homebuilders' measure of homebuilder sentiment fell from an index value of 47 to 42 (neutral = 50), as present sales and future expectations both worsened.
- The Japanese Yen appreciated from 155 to 151 versus the U.S. Dollar, its strongest level since the beginning of December.

## Equities

- Consumer Staples outperformed Consumer Discretionary by 15.0 percentage points, the most since April 2022 and the second-largest outperformance on record.
- According to the American Association of Individual Investors, bearish investors outnumbered bullish investors by 41.2 percentage points, the widest such gap since September 2022.
- While forward 12-month earnings expectations rose 0.5% in February, the forward P/E ratio contracted by 1.9%.
- Buoyed by expectations for greater defense spending, European stocks outperformed U.S. stocks by 4.8 percentage points, the most since December 2022 and a continuation of the prior month's relative strength.

## Fixed Income

- Treasury yields fell 20-35 basis points in February, with longer-term yields declining more sharply on economic growth fears.
- Nearly 80% of the decline in the 10-year yield was driven by lower real (i.e. inflation-adjusted) yields, while the rest was driven by lower inflation expectations.
- The spread between U.S. and Japanese 10-year yields fell from 3.30% to 2.84%, the narrowest level since September 13, driven in part by the Bank of Japan's rate hiking cycle.

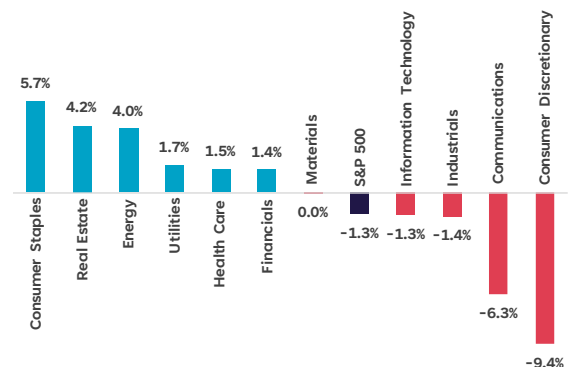
	Level		Month	QTD	YTD	1-Yr	3-Yr
			Return	Return	Return	Return	Return
Equities	S&P 500	5,955	-1.3%	1.4%	1.4%	18.4%	42.5%
	Nasdaq	18,847	-3.9%	-2.3%	-2.3%	18.0%	40.5%
	Dow Jones	43,841	-1.4%	3.3%	3.3%	14.4%	37.4%
	Russell 1000 Value	1,910	0.4%	5.1%	5.1%	15.7%	28.2%
	Russell 1000 Growth	3,971	-3.6%	-1.7%	-1.7%	19.7%	51.4%
	Russell 2000 Value	2,415	-3.8%	-1.9%	-1.9%	7.6%	8.5%
	Russell 2000 Growth	1,413	-6.8%	-3.8%	-3.8%	5.8%	11.2%
	MSCI EAFE	2,423	2.0%	7.3%	7.3%	9.4%	22.7%
	MSCI EM	1,097	0.5%	2.3%	2.3%	10.6%	2.6%

	Yield		Month	QTD	YTD	1-Yr	3-Yr
			Return	Return	Return	Return	Return
Fixed Income	US Treasurys	4.14%	2.2%	2.7%	2.7%	4.9%	-3.5%
	US IG	5.08%	2.0%	2.6%	2.6%	6.6%	1.1%
	Corporates						
	US HY Corporates	7.15%	0.7%	2.0%	2.0%	10.1%	15.6%

	Level		Month	QTD	YTD	1-Yr	3-Yr
			Return	Return	Return	Return	Return
Commodities	Oil (\$/barrel)	\$70	-3.8%	-2.7%	-2.7%	-10.9%	-27.1%
	Gold (\$/oz)	\$2,858	2.1%	8.9%	8.9%	39.8%	49.7%
	Copper (\$/mt)	\$9,338	4.6%	7.9%	7.9%	11.1%	-5.9%

	Level		Prior Month	Prior Quarter	Prior Year	1-Yr Ago	3-Yr Ago
Currencies	EUR (\$/€)	\$1.04	\$1.04	\$1.04	\$1.04	\$1.08	\$1.12
	JPY (¥/\$)	¥151	¥155	¥157	¥157	¥150	¥115
	GBP (\$/£)	\$1.26	\$1.24	\$1.25	\$1.25	\$1.26	\$1.34

## February S&P 500 Sector Total Returns



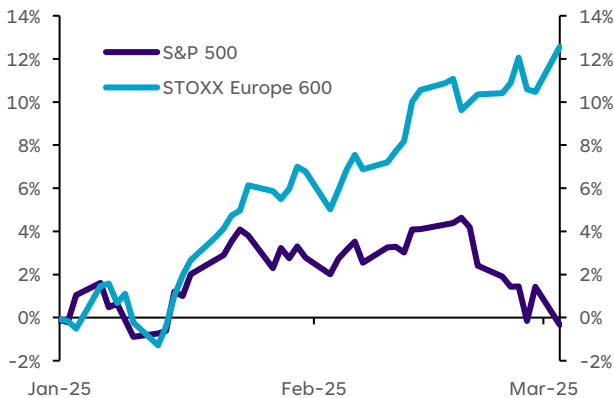
## Ongoing Geopolitical Uncertainty

February marked the first full month of the new presidency, and not only did the uncertainty of the first days of the administration continue, it intensified. A chief reason why is that the sometimes-unpredictable policy shifts that characterized the previous Trump administration are back.

Any one of the rapidly evolving developments on Department of Government Efficiency (DOGE) cuts, fluctuating tariff threats, or major foreign policy shifts (e.g. a possible ceasefire between Russia and Ukraine) would be enough to muddy the trajectory of the economy. Altogether, however, they could ensure a market environment of persistently elevated volatility.

Market performance in 2025 has been telling so far: European and international markets more broadly have demonstrated remarkable resilience and returns given the geopolitical backdrop, while U.S. markets have underperformed. Reasons why are complex, but one factor has been expectations for higher fiscal spending (i.e. defense) from European governments.

### Cumulative YTD Performance



Source: SoFi, Bloomberg. Performance data refers to U.S. dollar returns and assumes dividend reinvestment.

This all stands in stark contrast to the initial post-election market narrative, when investors believed widespread deregulation and accelerated domestic growth would position the U.S. favorably.

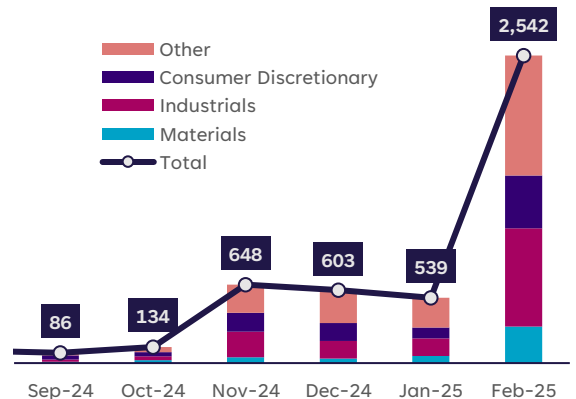
## Vibes Affect Reality

There can often be a disconnect between financial market movements and the broader economy, but that was clearly not the case this past month. The ongoing media headlines and market volatility began to bleed through to consumers and businesses alike.

Sentiment metrics have deteriorated in recent months, with The Conference Board's data showing consumer confidence at four-year lows and trending downward. Additionally, the steady drumbeat of tariff news has also pushed inflation expectations higher.

Corporate America isn't unscathed in all of this: Russell 3000 transcript mentions of tariffs have skyrocketed. Businesses often plan out quarters – if not years – in advance, so when there's little visibility on fundamental aspects such as input costs, companies often adopt a cautious stance.

### Russell 3000 Tariff Mentions



Source: SoFi, Bloomberg

If sustained, this environment of diminished certainty could impact economic growth, and higher costs could compress corporate profit margins. And while in the past the Federal Reserve was there to save the economy, inflation risks suggest that the central bank will be slow to lower interest rates this time. All of these factors result in a challenging combination for economic stability—one that could hurt investor returns.

Performance data quoted represents past performance. Past performance does not guarantee future results. Market returns will fluctuate, and current performance may be lower or higher than the standardized performance data quoted.