Cetera® Investment Management

# Monthly Recap

February 2025 Recap

## At-A-Glance

The S&P 500 backpedaled 1.30% in February, trimming its January gain nearly in half. The index ended February 3.09% below its record high set on February 19.

The Dow Jones Industrial Average fell 1.39% in February, trimming its year-to-date (YTD) gain to 3.32%.

The Nasdaq Composite posted steep February losses, down 3.91%, and turning negative for the year (-2.31%).

The small cap-focused Russell 2000 widely underperformed last month, slumping 5.35% (-2.87% YTD).

Bloomberg's Commodities Index rose 0.78% in February, bringing its YTD gain to 4.76%.

Despite reaching several intra-month record highs, Gold futures rose only 0.48% to end February at $2,848.50/ounce, lifting its 2025 gain to 7.86%.

U.S. West Texas intermediate (WTI) crude oil futures fell 3.82% to end the month at $69.76 per barrel, the lowest level of the year. U.S. crude is down 2.73% for the year.

| Market Indices[1] | February | Year-to-Date |
|---|---|---|
| S&P 500 | -1.30% | 1.44% |
| Russell 3000 | -1.92% | 1.18% |
| Russell 2000 | -5.35% | -2.87% |
| MSCI EAFE | 1.94% | 7.30% |
| MSCI Emerging Markets | 0.48% | 2.28% |
| Bloomberg U.S. Aggregate Bond | 2.20% | 2.74% |
| Bloomberg U.S. Municipal Bond | 0.99% | 1.50% |
| Bloomberg U.S. Corporate High Yield | 0.67% | 2.05% |

[1]FactSet (all equity performance is total return, which includes dividends).

All three major U.S. equity indices finished lower for February with the Nasdaq Composite and the small cap focused Russell 2000 turning negative for the year. Uncertainties surrounding the timing and scope of President Trump's tariff plans and weakening growth prospects greatly intensifying market volatility. Barring a last-minute reversal, the U.S. will impose 25% tariffs on all imports from Canada and Mexico on Tuesday, March 4 except for 10% tariffs on Canadian oil. A further 10% levy on Chinese goods was also announced.

Also stirring market angst, a plan for U.S. and Ukraine leaders to sign a rare earth minerals deal broke down amid rancor-filled peace talks aimed at ending Russia's war with Ukraine. The last trading day of February ended with gains after Treasury Secretary Bessent said Mexico proposed accepting the lower percentage American levies on China and urged Canada to the same, signaling potential plans to avert deeper 25% tariffs.

In key economic data, the headline Personal Consumption Expenditures (PCE) Price index rose 0.3% in January matching estimates and up 2.5% from a year ago – cooling from 2.6% Y/Y in December. Core PCE Prices that exclude volatile food and energy (the Fed's preferred measure of inflation) also rose 0.3% in January and eased to 2.6% annualized from 2.9% Y/Y recorded in December. This helped lower the implied Fed Funds interest rate outlook for 2025 to 3.67%, potentially indicating three rate cuts this year versus one rate cut previously priced in three weeks ago. Tariffs and growth prospects do, however, remain as key wildcards.

The fourth quarter 2024 earnings season is 97% complete with 75% surpassing analysts' consensus forecasts. S&P Capital IQ is now estimating overall Q4 earnings-per-share (EPS) growth of 16.0% versus an initial estimate of 8.7%. This would advance the full year S&P 500 EPS growth estimate to 10.4% from the initial forecast for 8.5%. Because of this strength, Q1 2025 earnings growth estimates may ease somewhat.

Exhibiting defensive characteristics, Large cap Value (+0.41%) was the only size and style to post a February gain, while Small and Mid cap Growth fell the most. Value positioning also outperformed on a year-to-date basis, led by Large Caps (+5.05%) and Mid Caps (+1.63%). All three Small Cap styles posted negative YTD returns, with Small Cap Growth (-3.82%) down the most.

**February Returns**

| | Value | Blend | Growth |
|---|---|---|---|
| Large Cap | 0.41% | -1.75% | -3.59% |
| Mid Cap | -1.82% | -2.84% | -5.70% |
| Small Cap | -3.83% | -5.35% | -6.77% |

**Year-to-Date Returns**

| | Value | Blend | Growth |
|---|---|---|---|
| Large Cap | 5.05% | 1.38% | -1.69% |
| Mid Cap | 1.63% | 1.29% | 0.32% |
| Small Cap | -1.85% | -2.87% | -3.82% |

Source: Cetera Investment Management, FactSet, FTSE Russell. Returns shown are total return, which includes dividends. Investors cannot invest directly in indexes. Data as of 2/28/2025.

Despite February losses, six of the 11 S&P 500 sectors posted gains, led by a 5.70% jump in defensive-oriented Consumer Staples. Consumer Discretionary (-9.37%) fell the most last month while Materials (-0.01%) and Technoloogy (-1.33%) fell the least (*not shown in table below*). Healthcare and Financials are up the most in 2025, surging more than 8% each. Technology and Consumer Discretionary were the only sectors to fall into negative YTD territory, down 4.19% and 5.38% respectively.

| Top Sector Performers – February[1] | Bottom Sector Performers – February[1] |
|---|---|
| Consumer Staples (+5.70%) | Industrials (-1.44%) |
| Real Estate (+4.22%) | Communication Services (-6.29%) |
| Energy (+3.97%) | Consumer Discretionary (-9.37%) |
| **Top Sector Performers – YTD[1]** | **Bottom Sector Performers – YTD[1]** |
| Healthcare (+8.38%) | Communication Services (+2.26%) |
| Financials (+8.06%) | Technology (-4.19%) |
| Consumer Staples (+7.85%) | Consumer Discretionary (-5.38%) |

[1] FactSet (all S&P 500 sector performance percentages are total return based, which include dividends).

Foreign equities in developed markets outperformed relative to the U.S. last month with the MSCI EAFE Index climbing 1.94% and extending its YTD gain to 7.30%. In MSCI EAFE country-specific indices, Germany led February gainers a second straight month, advancing 3.92% after surging 9.35% in January. Japan fell 1.36% for the month. Emerging markets recorded a fractional 0.48% February gain even as China surged 11.76%. India's slump of 8.02% helped offset Chinese gains, together with Taiwan and Brazil falling respectively by 4.38% and 4.76%.

Amidst intra-month gyrations, the yield on benchmark 10-year Treasury notes was notably lower, ending February at 4.194%, down a sharp 0.35% for the month. The yield on policy-sensitive 2-year Treasury notes ended February down over 0.24% at 3.983%, its first time closing below 4% since 10/18/2024. With yields falling, the Bloomberg U.S. Government Index gained 2.14% in February while the longer-duration Bloomberg index of U.S. Government long-term bonds surged 5.17%.

On a broader basis, investment-grade bonds of all types, as measured by the Bloomberg U.S. Aggregate Bond Index advanced 2.20% last month. Bloomberg's U.S. High Yield Bond Index, representing holdings of below investment-grade (junk-rated) corporate bonds, gained a lesser 0.67%. Municipal bonds fared slightly better, returning nearly 1% (+0.99%).

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

A diversified portfolio does not assure a profit or protect against loss in a declining market.

*Glossary*

The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index®** (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

**West Texas Intermediate (WTI)** is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.