LADENBURG
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MARKET VIEW WEEKLY

Ladenburg Asset Management

ECONOMIC REVIEW[1]

- The Institute for Supply Chain Management (ISM) Manufacturing report for February was released showing a second consecutive month of expansion in the manufacturing sector.
    - However, the index grew less than anticipated, striking concerns about falling demand and higher prices.
- The ISM Services report was also released, and signaled stronger growth in the services sector, driven by strong employment growth, as well as an increase in services demand.
    - The services sector accounts for the majority of the economic output in the U.S. and has shown strong growth in the past two years amid a weaker manufacturing base.
- The comprehensive labor report for February pointed towards a stable, but cooling labor market. The number of non-farm payrolls added to the economy was 151,000, which was slightly below expectations.
    - The unemployment rate rose to 4.1% from 4.0% in January.
    - The number of part-time workers who would prefer full-time work rose 460,000 to a level of 4.9 million, suggesting that the availability of full-time jobs may be more constrained than a few months ago.
- Wages for employees continued to rise above the rate of inflation, rising 0.3% month-over-month (MoM), and 4.0% year-over-year (YoY).
    - Real wage growth, that is, wage growth that outpaces the rate of inflation, amounts to more money in the pockets of consumers.

How do ISM reports and the labor market impact you?

- The ISM Manufacturing index has now notched two consecutive months of expansion after falling for 26 months.
    - The strength of this month's report was primarily driven by prices, while the employment and new orders portion of the index fell suggesting weaker demand and higher prices.
        - The impending higher cost of goods from tariffs may be causing this in the manufacturing sector.
- The ISM Service index was driven by strong employment and demand suggesting continued growth in the sector, reflective of how consumers have been spending.
- The labor report showed a slight moderation in the number of jobs added as well as a mild uptick in unemployment.
    - The Federal Reserve (Fed) will be closely watching the labor report ahead of its next meeting in a couple weeks.

A LOOK FORWARD[1]

- This week inflation data as measured by the Consumer and Producer Price Indices will be released giving investors insight into data on price levels.

How does this week's slate of economic data impact you?

- The Fed is squarely focused on fighting inflation, which has been on an upward trend since September of 2024 after making progress in the first half of 2024.
- Higher prices have also belabored consumers and dented not only confidence but personal consumption. Elevated levels of inflation will continue to hurt the broader consumer base.

MARKET UPDATE[2]

Market Index Returns as of 3/7/2025	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-3.06%	-1.66%	-1.66%	14.12%	13.16%	15.98%
NASDAQ	-3.43%	-5.66%	-5.66%	13.91%	13.35%	17.14%
Dow Jones Industrial Average	-2.33%	0.91%	0.91%	12.43%	11.68%	12.85%
Russell Mid-Cap	-3.01%	-1.76%	-1.76%	7.35%	8.00%	11.92%
Russell 2000 (Small Cap)	-4.01%	-6.76%	-6.76%	1.00%	3.38%	8.90%
MSCI EAFE (International)	3.11%	10.64%	10.64%	8.59%	11.02%	9.30%
MSCI Emerging Markets	2.89%	5.23%	5.23%	11.45%	3.68%	4.71%
Bloomberg Barclays US Agg Bond	-0.58%	2.15%	2.15%	3.94%	-0.35%	-1.01%
Bloomberg Barclays High Yield Corp.	-0.28%	1.76%	1.76%	8.99%	5.30%	4.96%
Bloomberg Barclays Global Agg	0.52%	2.54%	2.54%	1.93%	-2.19%	-2.33%

OBSERVATIONS

- Equity returns were largely negative last week with the S&P 500, NASDAQ, and Dow Jones all finishing down more than -2%.
- Down-cap equities did not offer protection, with both the Rusell Midcap and small cap indices selling off in similar fashion to their larger cap peers.
    - Small caps lost the most on the week, falling -4.01%.
- International equities were the one place investors could find relief in the week, with developed international markets rising 3.11%, and emerging markets rising 2.89%.
    - Both have outperformed domestic U.S. equities, rising 10.64%, and 5.23% this year.
- Domestic fixed income markets followed the decline seen in equities with both high yield and investment grade bonds selling off amid higher rates, however global bonds rose 0.52%.
    - Domestic fixed income has outperformed equities this year as headline risk has dominated the markets.

BY THE NUMBERS

Canada Appoints a New Prime Minister: Canada's next prime minister has already helped run two Group of Seven economies in crisis and now will try to steer Canada through a tumultuous period. Carney navigated crises when he was the head of the Bank of Canada from 2008, and then in 2013 when he became the first noncitizen to run the Bank of England since it was founded in 1694. Former central banker Mark Carney will become prime minister after the governing party elected its leader Sunday in a landslide vote with 85.9% support. Carney replaces Justin Trudeau, who announced his resignation in January, but remains prime minister until his successor is sworn in. Carney is widely expected to trigger an election the coming days or weeks amid Trump's sweeping tariff threats.[3]

Malibu is Becoming an Earthquake Hotbed: Sunday's magnitude 4.1 earthquake near Malibu is part of a larger seismic pattern being seen in Southern California. The region has been experiencing a number of moderate earthquakes since 2024. In all of 2024, Southern California experienced 15 seismic sequences with at least one magnitude-4 or higher earthquake, according to a count by seismologist Lucy Jones, a Caltech research associate. That's the highest annual total in the last 65 years, surpassing the 13 seen in 1988. Sunday's earthquake was the first magnitude 4 earthquake for Southern California so far in 2025, Jones said Sunday.[4]

Economic Definitions

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

ISM Manufacturing Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US 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 securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate 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. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal 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.

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[1] Data obtained from Bloomberg as of 3/7/2025.
[2] Data obtained from Morningstar as of 3/7/2025.
[3] Canada's next prime minister has managed the financial crisis, Brexit and now Trump's trade war – WSB-TV Channel 2 - Atlanta
[4] Malibu rattled as L.A. region sees an uptick in moderate earthquakes - Los Angeles Times