Summary

The DJIA (-1.0%), S&P 500 (-1.5%), and NASDAQ (-2.6%) all fell last week, with the S&P 500 and NASDAQ reversing the gains made the previous week. Treasury yields remained relatively stable week-over-week, while municipal bond yields increased. The 30-year mortgage rate declined, and the price of gold continued to rise. Consumer confidence dropped in March, with the Expectations Index declining by an additional 9.6 points to 65.2, the lowest level in 12 years. Inflation expectations increased as well, to 6.2%, as uncertainty and trade policy continue to cause volatility in the economy. New home sales increased 1.8% month-over-month in February to a seasonally adjusted rate of 676,000 units. Year over year, new home sales were up 5.1%. New orders for durable goods increased 0.9% month-over-month, outperforming expectations. The third estimate for the fourth quarter 2024 real GDP was revised up to 2.4% from 2.3%, buoyed by consumer and government spending. The fourth quarter GDP price deflator was revised down to 2.3% from 2.4%. Personal spending and income both increased in February. The PCE price index was up 0.3% in February and up 2.5% from a year ago; the core-PCE price index was up 0.4% month-over-month and 2.8% from a year ago. The final University of Michigan Index of Consumer Sentiment dropped to 57.0 in March compared to 79.4 a year ago.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
S&P Case-Shiller Home Price Index (Jan – Mon 09:00)	+4.7%	+4.6%	
Consumer Confidence (Mar – Mon 10:00)	92.9	94.2	
New Home Sales (Feb – Mon 10:00)	676K	680K	
MBA Mortgage Applications Index (03/22 – Tue 07:00)	-2.0%	NA	
Durable Orders (Feb – Tue 08:30)	+0.9%	-1.2%	
Durable Goods ex transportation (Feb – Tue 08:30)	+0.7%	+0.1%	
GDP - Third Estimate (Q4 – Wed 08:30)	2.4%	2.3%	
GDP Deflator - Third Estimate (Q4 – Wed 08:30)	2.3%	2.4%	
Initial Claims (03/22 – Wed 08:30)	224K	225K	
Continuing Claims (03/15 – Wed 08:30)	1,856K	NA	
Personal Income (Feb – Thu 08:30)	+0.8%	+0.4%	
Personal Spending (Feb – Thu 08:30)	+0.4%	+0.6%	
PCE Prices (Feb – Thu 08:30)	+0.3%	+0.3%	
PCE Prices - Core (Feb – Thu 08:30)	+0.4%	+0.4%	
U. of Michigan Consumer Sentiment - Final (Mar – Thu 10:00)	57.0	57.9	

Next Week: Indicator	Consensus Expectation*	Prior	Comment
Chicago PMI (Mar – Sun 09:45)	45.3	45.5	
ISM Manufacturing Index (Mar – Mon 10:00)	49.8%	50.3%	
JOLTS - Job Openings (Feb – Mon 10:00)	NA	7.740M	
Construction Spending (Feb – Mon 10:00)	+0.4%	-0.2%	
MBA Mortgage Applications Index (03/29 – Tue 07:00)	NA	-2.0%	
Factory Orders (Feb – Tue 10:00)	+0.4%	+1.7%	
Initial Claims (03/29 – Wed 08:30)	224K	224K	
Continuing Claims (03/29 – Wed 08:30)	NA	1,856K	
Trade Balance (Feb – Wed 08:30)	-$121.0B	-$131.4B	
ISM Services (Mar – Wed 10:00)	53.2%	53.5%	
Nonfarm Payrolls (Mar – Thu 08:30)	130K	151K	
Nonfarm Private Payrolls (Mar – Thu 08:30)	120K	140K	
Avg. Hourly Earnings (Mar – Thu 08:30)	+0.3%	+0.3%	
Unemployment Rate (Mar – Thu 08:30)	4.1%	4.1%	
Average Workweek (Mar – Thu 08:30)	34.2	34.1	

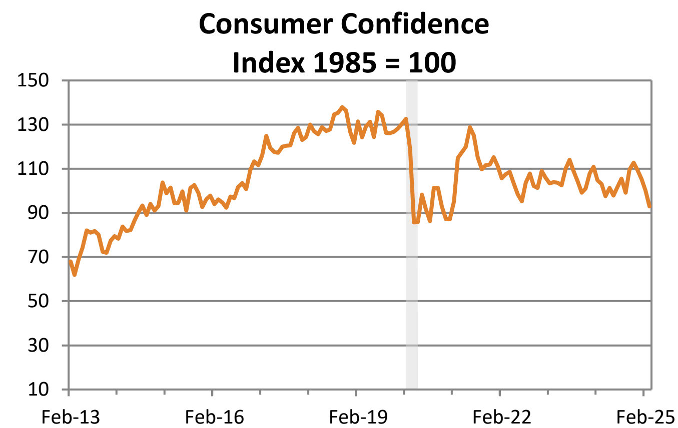
Economic Review

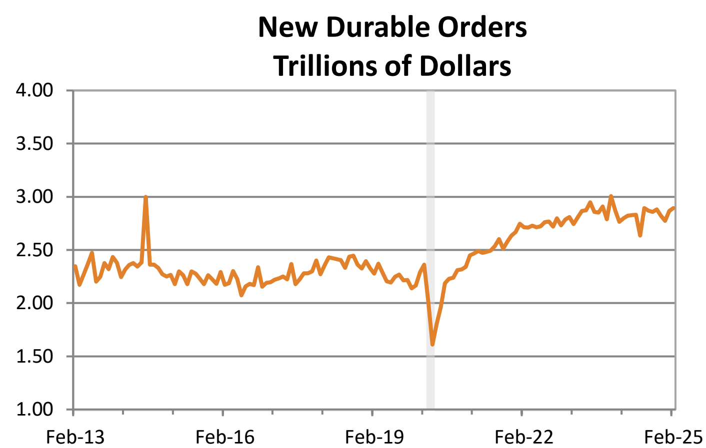
The Conference Board's CONSUMER CONFIDENCE INDEX fell to 92.9 in March from 100.1 in February, making March the fourth consecutive month of declining consumer confidence. Consumers appear to be concerned about inflation and future employment prospects. The Present Situation Index fell 3.6 points to 134.5. The Expectations Index plummeted nearly 10 points to 65.2, well below the threshold at 80, which is associated with recessions. The Expectations Index sits at its lowest level in 12 years. Average 12-month inflation expectations increased from 5.8% to 6.2% in March.

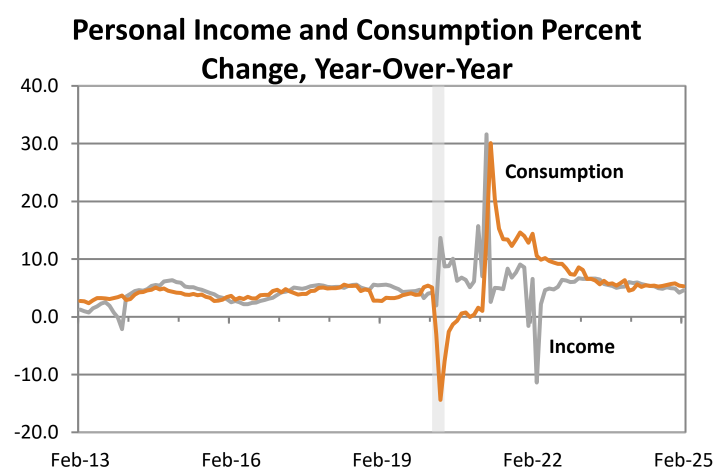
NEW DURABLE ORDERS in February were stronger than expected, with new orders increasing 0.9%, defying consensus expectations of negative month-over-month growth. Excluding transportation, durable goods orders rose 0.7% month-over-month, again outperforming consensus expectations. New orders for primary metals, fabricated metal products, machinery, and transportation equipment all increased in February, with only new orders for computers and electronic products remaining flat month-over-month. Business confidence appears to have declined with non-defense capital goods orders, excluding aircraft, down 0.3% in February.

PERSONAL INCOME increased 0.8% month-over-month in February, with PERSONAL SPENDING increasing 0.4% following a decline in January. The PCE price index was up 0.3% month-over-month and up 2.5% from a year ago. Overall, the report indicates that personal income and spending are relatively stable and are maintaining positive growth.

Despite this positive evidence for income and spending, inflation remains an issue, potentially outpacing any gains made regarding income. The elevated levels of inflation, seen in the price indices, indicate a concerning situation. The core-PCE price index increased 0.4% from January and was up 2.7% from a year ago. The PCE price index for goods was up 0.2% for the month and up 0.4% year-over-year. The PCE price index for services was up 0.4% month-over-month, and 3.5% from a year ago. Real disposable income was up 0.5% in February and was up 1.8% compared to a year ago. The personal savings rate increased to 4.6% from 4.3% in January.







Fed Speeches

Governor Adriana D. Kugler gave a speech at the 2025 U.S. Hispanic Chamber of Commerce Legislative Summit in Washington DC on March 25th. During the speech, she remarked on the importance of small business in the U.S. economy and the entrepreneurial spirit so elevated within the Latino community.

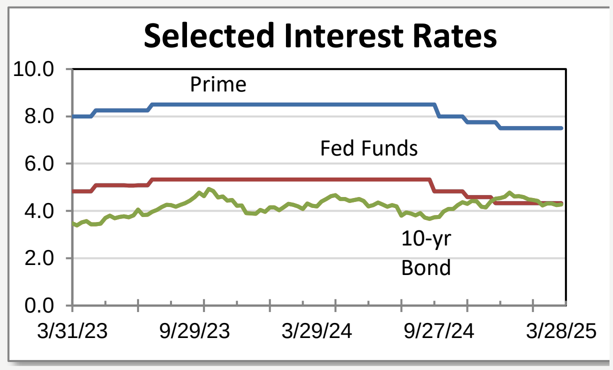
At the end of her speech, Governor Kugler gave an update on the state of the U.S. economy, noting that it remains fundamentally strong but has begun to show signs of moderation in early 2025. While GDP and the labor market remain stable at present, recent data on retail sales and hiring indicate a slight slowdown. She remarks,

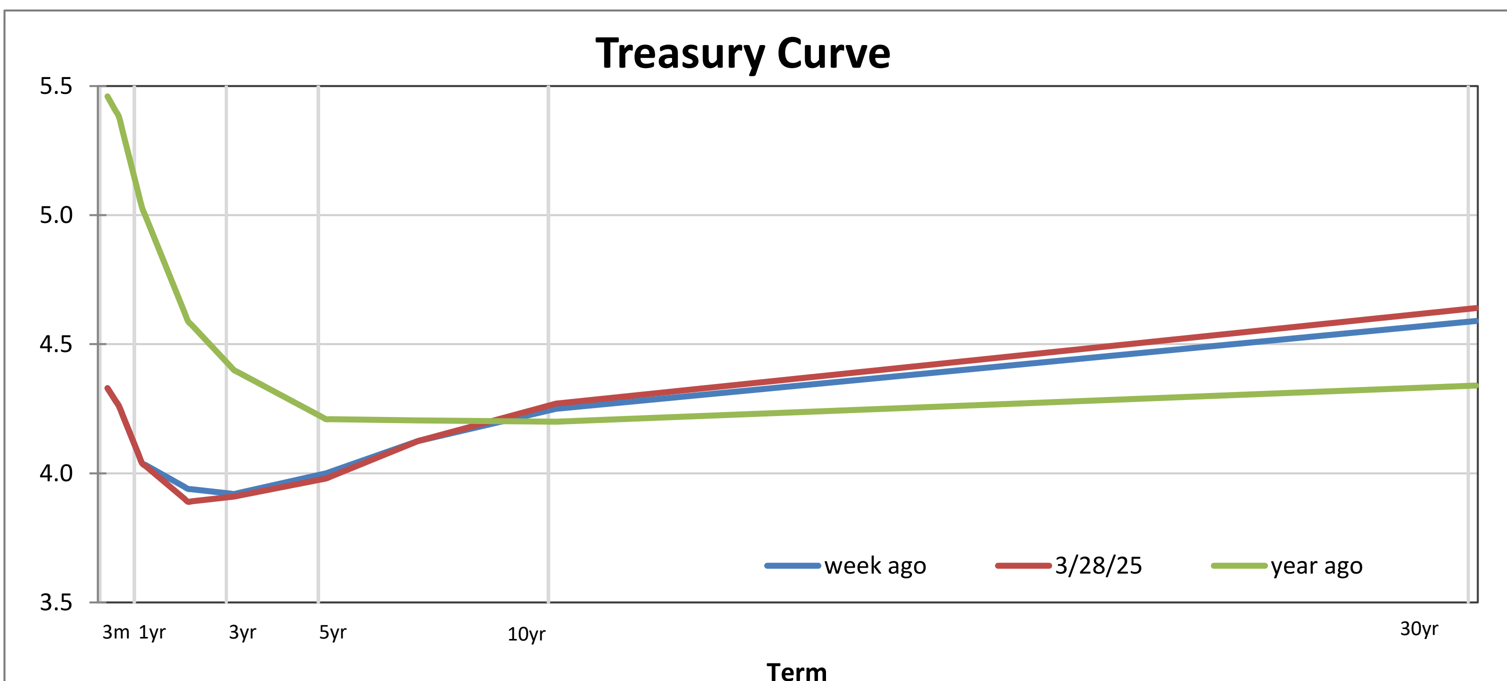
> *"The pace of hiring… is a slowdown compared with the strong gains in November and December, but, again, that could reflect weather disruptions and seasonal adjustment challenges."*

On inflation, Governor Kugler acknowledged substantial progress since the 2022 peak yet cautioned that price pressures may be reemerging. Kugler notes two main sources of that pressure: (1) goods inflation turned positive in 2025, heightening already high inflation levels, and (2) continued uncertainty stemming from trade policy.

Financial Markets

The three major stock indices all declined last week, erasing the gains made the week prior. The DIJA fell 1.0%, while the S&P 500 declined 1.5%. The NASDAQ declined 2.6% week-over-week and is down over 12% from 13 weeks ago. Short-term Treasury yields were unchanged from a week ago, while the 2- and 5-year yields were slightly down. Municipal bond yields are up across maturities, with the most significant increase coming from the 10-year bond, which is 60 bps above one month ago. The 30-year conventional mortgage rate continues to decline, alleviating some of the price pressures on prospective homeowners. The price of gold has continued to rise, increasing an additional 2.1% last week.





Interest Rate Forecast*

During the Fed's March policy meeting, the Federal Open Market Committee (FOMC) left the federal funds target rate unchanged at 4.25% to 4.50% while slowing the pace of decline of its securities holdings from $25 billion to $5 billion/month. In the statement released following the meeting, the FOMC said, "The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty around the economic outlook has increased. The Committee is attentive to the risks to both sides of its dual mandate." Language about employment and inflation goals being roughly in balance was removed.

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
1st Qtr '25	7.50	4.33	4.33	4.30	4.23	4.50	4.75	6.90
2nd Qtr	7.50	4.33	4.33	4.37	4.22	4.51	4.73	6.73
3rd Qtr	7.25	4.13	4.12	4.19	4.20	4.50	4.70	6.56
4th Qtr	7.17	4.04	4.04	4.12	4.16	4.39	4.59	6.39
1st Qtr '26	6.92	3.79	3.79	3.89	4.01	4.18	4.39	6.13

March 2025

FINANCIAL MARKET SUMMARY

	As of 3/28/2025	As of 3/21/2025	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	7.50	7.50	0	0	0
Secured Overnight Financing Rate (SOFR)	4.36	4.29	7	0	(17)
Fed Funds (Wed close)	4.33	4.33	0	0	0
TREASURIES (BE) (Changes in BPs)					
3 Months	4.33	4.33	0	1	2
6 Months	4.26	4.26	0	1	1
1 Year	4.04	4.04	0	(4)	(13)
2 Years	3.89	3.94	(5)	(10)	(35)
5 Years	3.98	4.00	(2)	(5)	(39)
10 Years	4.27	4.25	2	3	(28)
30 Years	4.64	4.59	5	13	(13)
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.70	2.55	15	14	(14)
5-Year Muni	2.92	2.79	13	27	(1)
10-Year Muni	3.25	3.08	17	60	9
30-Year Muni	4.31	4.18	13	39	40
30-Year Conventional Mortgage	6.65	6.67	(2)	(11)	(20)
MARKET INDICATORS (Changes in %)					
DJIA	41,583.90	41,985.35	(1.0)	(5.1)	(3.2)
S&P 500	5,580.94	5,667.56	(1.5)	(6.3)	(6.6)
NASDAQ	17,322.99	17,784.05	(2.6)	(8.1)	(12.2)
CRB Futures	372.80	371.17	0.4	2.0	6.4
Oil (WTI Crude)	69.10	68.28	1.2	(1.6)	(0.5)
Gold	3,084.73	3,022.15	2.1	8.0	17.7
Yen / Dollar	149.82	149.32	0.3	0.4	(4.2)
Dollar / Euro	1.08	1.08	0.1	4.4	3.9