NORTHWEST FINANCIAL GROUP LLC

Weekly Market Commentary

Optimism headed south on Friday.

After rising for most of the week, stock markets lost momentum last Friday as economic data raised doubts about further Federal Reserve rate cuts, reported Rita Nazareth of Bloomberg. Late in the day, President Trump announced new tariffs would be imposed this week, and stocks dropped into negative territory.

Consumer Sentiment Fell Sharply

Last week, the University of Michigan Consumer Sentiment Index reported that consumer confidence, which tumbled four percent in January, fell another five percent in February.

“Consumer sentiment fell for the second straight month, dropping about 5 [percent] to reach its lowest reading since July 2024. The decrease was pervasive, with Republicans, Independents, and Democrats all posting sentiment declines from January, along with consumers across age and wealth groups. Furthermore, all five index components deteriorated this month, led by a 12 [percent] slide in buying conditions for durables, in part due to a perception that it may be too late to avoid the negative impact of tariff policy. Expectations for personal finances sank about 6 [percent] from last month, again seen across all political affiliations, reaching its lowest value since October 2023. Many consumers appear worried that high inflation will return within the next year,” wrote Surveys of Consumers Director Joanne Hsu.

Rising inflation could keep the Federal Reserve from lowering rates further. Survey participants expected prices to rise 4.3 percent over the next 12 months. That is a full point higher than in the previous month, when they anticipated prices would rise by 3.3 percent. Over the longer term, inflation expectations were steadier, rising from 3.2 percent to 3.3 percent.

Tariff Talk Took A Toll

In a Friday afternoon press conference, President Trump indicated he will implement reciprocal tariffs next week, although he did not specify which countries will be affected. “The tariffs would be the next volley in a trade war pitting the U.S. against some of its largest trading partners. Trump announced levies of 25 [percent] against Canadian and Mexican imports last weekend, though suspended them for a month after the countries agreed to increased border security and measures to reduce the flow of illegal drugs into the [United States]. A separate 10 percent tariff against Chinese imports went into effect, and China responded with tariffs of its own," reported Joe Light of Barron's.

Employment Remained Relatively Stable In January

The U.S. employment report showed hiring was solid in January, but less robust than expected, reported Lucia Mutikani of Reuters. The data showed "strong wage growth last month, with average hourly earnings surging by the most in five months, which should keep consumer spending supported."

While a steady labor market was encouraging, investors have some concerns about the future, reported Megan Leonhardt of Barron's. "Looking ahead, employment conditions could face more headwinds as federal policy changes take hold, and many economists expect to see further weakening within the U.S. labor market this year. The shifts in trade and immigration policies, in particular, could upend the relative stability currently on view in the labor market, as well as impede the downward progress inflation has made."

On Friday, major United States stock indices gave back gains from earlier in the week and ended the week lower. The yield on the benchmark 10-year U.S. Treasury moved lower over the full week before rising on Friday.

Data as of 2/7/25	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-0.2%	2.5%	20.6%	10.4%	12.6%	11.4%
Dow Jones Global ex-U.S. Index	0.6	4.1	8.5	0.4	2.7	2.7
10-year Treasury Note (yield only)	4.5	N/A	4.1	1.9	1.6	2.0
Gold (per ounce)	2.2	10.1	40.8	16.6	12.8	8.8
Bloomberg Commodity Index	1.9	5.5	7.8	-1.6	6.9	0.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

CONSIDERING PLACES TO RETIRE. A recent survey found that about one-third of Americans plan to retire in their current city, 42 percent want to move to a different city or state, and 16 percent intend to retire outside the United States, according to The Currency. A key factor in decisions about where to retire is financial security. More than 85 percent of participants wanted to retire in a place where they can maintain their current standard of living without financial stress.

Where Are the Top Places To Retire In 2025?

According to Adam McCann of WalletHub, the top three states for retirement (based on 46 factors that include tax rates, cost of living, quality of medical care, and entertainment) are:

1. **Florida** ranks first overall, and second for affordability. The cost of living in the state has risen over the past few years driven by housing and insurance costs, though. The average homeowners' insurance premium rose by almost 60 percent from 2019 to 2023, reported Michelle Conlin and Matt Tracy of Reuters.

2. **Minnesota** ranks second overall, and first for healthcare. The state has some of the best healthcare in the country. The state boasts "the most health care facilities, the second-most nursing homes, and the third-most home health care aids per capita. Its geriatrics hospitals also rank as the fifth best in the nation. Due to the great health care conditions within the state, Minnesota has the third-lowest percentage of seniors with a disability, the fourth-lowest percentage with poor mental health, and the fifth-highest percentage who are in good physical health."

3. **Colorado** ranks third overall. It is a tax-friendly state with no estate or inheritance taxes. "In addition, it has the seventh-lowest poverty rate for residents ages 65+… plenty to keep seniors active and engaged. For example, it has the sixth-most volunteer opportunities, the ninth-most scenic byways and the 11th-most theaters per capita."

About two-thirds of Americans say that saving for retirement is a financial priority, and that their happiness in retirement depends on achieving their retirement savings goals. If you would like to learn more about saving for retirement, get in touch. We can help.

Weekly Focus—Think About It
"It is never too late to be what you might have been."

—George Eliot, novelist

Best Regards,

Michael W. Gray, Kerry L. Dyer, C. Travis Gray, CFP®, Nathan P. Graff, Katy McLeod, Ron Cornelison

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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Sources:

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