NORTHWEST FINANCIAL GROUP LLC

Weekly Market Commentary

A correction and a bounce.

Last week, the Standard & Poor's (S&P) 500 Index moved into correction territory. The Nasdaq Composite Index (Nasdaq) was already in a correction, and the Dow Jones Industrial Average (Dow) was close, reported Paul R. LaMonica of Barron's.

A correction occurs when the value of an index drops 10 percent below its most recent peak. The S&P 500 correction occurred remarkably quickly. Just three weeks ago, the index was at a record high amid easing inflation pressures and solid earnings growth.

In fact, from December 15 through March 6, the number of companies mentioning the word "recession" on earnings calls was the lowest it had been in more than five years, reported John Butters of FactSet. There is another word that was mentioned frequently on earnings calls though: tariffs.

Tariffs on tariffs on tariffs

The tariff war escalated last week as the European Union (EU) and Canada introduced retaliatory tariffs in response to those of the United States, reported Joe Light of Barron's. Brendan Murray and Alex Newman of Bloomberg have been tracking the tariffs. Through the end of last week, the United States government has imposed the following tariffs:

- 10% on all goods imported from China (February 4)
- An additional 10% on all goods imported from China (March 4)
- 25% on some Canadian imports (March 4)
- 25% on some Mexican imports. (March 4)
- 10% on Canadian energy and potash (March 4)
- 25% on steel and aluminum from major exporting countries (March 12)

"As Americans debate the wisdom of the administration's on-again, off-again trade barriers…a few broad points are worth bearing in mind," wrote The Editorial Board at Bloomberg. "One is that these measures are a tax on Americans. Foreign countries don't simply pay up; US companies do when they import a product. This means that the costs are ultimately borne by consumers and by companies that use imported inputs. The effect of those higher prices is to eat into household budgets, push down real wages and reduce economic growth."

Consumers are feeling salty

The trade war has raised questions about the path of the U.S. economy, and some economists have lowered their forecasts for economic growth in 2025, reported Brian Swint of Barron's.

The primary driver of U.S. economic growth is consumer spending and consumers – anyone and everyone who buys things – are feeling less optimistic. Last week, the University of Michigan Survey of Consumers reported that sentiment fell 10.5 percent from February to March. Surveys of Consumers Director Joanne Hsu wrote:

"Sentiment has now fallen for three consecutive months and is currently down 22 [percent] from December 2024. While current economic conditions were little changed, expectations for the future deteriorated across multiple facets of the economy, including personal finances, labor markets, inflation, business conditions, and stock markets. Many consumers cited the high level of uncertainty around policy and other economic factors; frequent gyrations in economic policies make it very difficult for consumers to plan for the future."

Major U.S. stock indices fell over much of last week before recovering some losses on Friday. The S&P 500, Nasdaq and Dow all finished the week more than two percent lower. U.S. Treasury yields bobbed lower before finishing the week close to where they were the previous Friday.

Data as of 3/14/25	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-2.3%	-4.1%	9.5%	10.6%	18.8%	10.5%
Dow Jones Global ex-U.S. Index	-1.0	6.0	5.7	4.4	10.2	2.9
10-year Treasury Note (yield only)	4.3	N/A	4.3	2.1	0.7	2.1
Gold (per ounce)	1.6	14.1	37.8	15.1	14.9	10.0
Bloomberg Commodity Index	0.1	6.2	5.9	-5.4	10.9	0.8

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.

KEEP YOUR EYES ON YOUR FINANCIALS GOALS. While it is never comfortable to watch the value of savings and investments fall, as they do during a market correction, it's important to remember that the decisions you make today can have a significant effect on the value of your portfolio over the long-term. During market downturns, investors generally have three choices. They can:

1. **Sell and take a loss**. The thinking behind selling is usually something like this: If I sell, I will cut my losses and preserve what I have. Investors who do this realize a loss of principal. "A lesson many investors have learned is that if they sit tight and wait for the

upturn to come, they won't realize a loss. In fact, they may even see their portfolios gain more value than they had before the downturn," wrote Richard Bet of Investopedia.

2. **Sit tight**. Investors who stay invested recognize that a market decline is not the same as a loss of principal. These investors understand that staying invested through market ups and downs can help them reach their long-term financial goals. The odds of a positive return increase with the amount of time an investor holds a stock or stock portfolio, explained Trevor Jennewine via Nasdaq. Historically, the chance of the S&P 500 Index delivering a positive return were:

   - 59 percent over a month period.
   - 69 percent over a year.
   - 79 percent over five years.
   - 88 percent over 10 years.
   - 100 percent over 20 years.

3. **Look for opportunities**. A lot of investors recognize that market downturns create opportunities to purchase shares of attractive companies at lower prices. These investors work with their advisors to identify opportunities that may benefit their portfolios should the market recover. The goal of investing, after all, is to buy low and sell high.

If you're feeling fearful, remember that corrections are a normal part of investing. The S&P 500 Index has experienced 56 corrections since 1929, reported Saqib Iqbal Ahmed of Reuters. Corrections tend to occur when share prices become overvalued. They wring out the excess and often create opportunities for investors.

Weekly Focus – Think About It

"The dark does not destroy the light; it defines it. It's our fear of the dark that casts our joy into the shadows."

–Brené Brown, Author

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.

Securities offered through LPL Financial, Member FINRA/SIPC.

Sources:

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