



Wealth  
Management

# The Etergino Group

*Connecting Wealth with Purpose*

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## The Markets

What do weather and investing have in common?

From 1991 to 2020, the average temperature of the United States was 54.7° Fahrenheit. Of course, that doesn't mean the temperature in every state on every day was 54.7°F. The weather varied dramatically from place to place and month to month.

The same is true of investment averages. At the end of February, the average annual total return\* for the Standard & Poor's (S&P) 500 Index over the past 10 years was 12.98 percent. That doesn't mean the S&P 500 returned 12.98 percent every year – it didn't. The index's total return varied dramatically from year to year.

### Standard & Poor's 500 Index

Average annual total returns

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
1.38%	11.96%	21.83%	-4.38%	31.49%	18.4%	28.71%	-18.11%	26.29%	25.02%

The stock market doesn't provide level returns. In some years returns are positive, and in other years returns are negative. After two years, of stellar returns from U.S. stocks, the market has been experiencing a pull back.

Last week, U.S. financial markets were volatile. "A roller-coaster week for markets ended on that same note, with stocks whipsawing as traders tried to make sense of a myriad of headlines around the economy, tariffs and geopolitical developments. Just minutes after a slide that drove the S&P 500 down over 1 [percent], the gauge staged an 'oversold bounce' as Federal Reserve Chair Jerome Powell said the economy is fine. The Nasdaq 100 briefly breached the threshold of a correction. Bonds fell," reported Rita Nazareth of Bloomberg.

In contrast, some European stock markets moved higher last week. "President Donald Trump's drive to shake up the world order is creating some surprising winners. As the U.S. stock market reels from tariff fears, German stocks are surging because the government has committed to almost \$1 trillion in new spending on infrastructure and defense... The sea change in policy is creating a giddy optimism in German markets not seen in decades," reported Brian Swint of Barron's.

The divergence in performance brings home the value of a diversified portfolio.

When markets are volatile, remain confident and resist the impulse to react to short-term performance. The assets in your portfolio were carefully chosen to help you reach your financial goals. Unless your goals and risk tolerance have changed, your asset allocation shouldn't. The weight of evidence accumulated over previous decades supports the idea that staying the course – holding a well-allocated and diversified portfolio and rebalancing periodically – is a sound way to pursue long-term financial goals.

Last week, major U.S. stock indices finished the week lower despite a rebound on Friday. U.S. Treasury yields were mixed last week with yields for shorter maturities dropping while yields on longer maturities rose.

\*Total return includes reinvested dividends.

Data as of 3/7/25	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-3.1%	-1.9%	11.9%	11.2%	16.0%	10.8%
Dow Jones Global ex-U.S. Index	2.6	7.0	6.8	4.9	6.8	2.9
10-year Treasury Note (yield only)	4.3	N/A	4.1	1.8	0.5	2.2
Gold (per ounce)	3.4	12.3	36.1	12.9	11.9	9.6
Bloomberg Commodity Index	2.0	6.1	6.6	-7.6	9.1	0.4

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.

**THE SPOTLIGHT WAS ON THE REAL FEDERAL RESERVE OF ATLANTA.** You may have seen a headline or two about GDPNow last week. It's the Atlanta Federal Reserve (Fed)'s unofficial economic growth forecasting model – and it's been delivering twists and turns worthy of a reality TV show.

GDP, or gross domestic product, is the value of all goods and services produced in the United States. “The percentage that GDP grew (or shrank) from one period to another is an important way for Americans to gauge how their economy is doing. The United States' GDP is also watched around the world as an economic barometer,” reported the Bureau of Economic Analysis.

At the end of January, the Atlanta Fed's GDPNow model estimated the United States economy would expand by 2.9 percent in the first quarter of 2025. Since then, the estimate has moved sharply lower. Last week, GDPNow projected the U.S. economy will shrink in the first quarter, contracting by 2.4 percent.

It's a remarkable swing that captured a lot of media attention.

How should investors weight this bit of unofficial data? Probably not too heavily because GDPNow can be volatile. “These estimates are published regularly as new economic data is released... There were 11 [releases] in February alone. Friday's [February 28's] shock reading of -1.5% was led by a record-high \$153 billion trade deficit in January, most likely as firms front-loaded imports ahead of tariffs, and Monday's decline was driven by soft manufacturing activity. There's every chance -2.8% turns into a positive reading in a few weeks,” reported Jamie McGeever of Reuters.

GDP growth estimate 1Q2025 annualized (after inflation)	Atlanta Fed GDPNow	New York Fed Staff Nowcast	Dallas Fed Weekly Economic Index
Week of January 26	2.9%	2.9%	2.4%
February 2	3.9	3.1	2.5
February 9	2.3	3.0	2.5
February 16	2.3	3.0	2.4
February 23	-1.5	2.9	2.2
March 2	-2.4	2.7	NA

Other Federal Reserve Banks also have economic growth forecasts. These models also have been moving lower, but they haven't shot into negative territory like GDPNow. The New York Nowcast dropped from an estimated 2.94 to an estimated 2.67 percent for the first quarter, and the Dallas Fed's Weekly Economic Index moved from 2.4 percent to 2.2 percent.

The average absolute error of final GDPNow forecasts is 0.77 percentage points. The final forecast is expected in April.

**Weekly Focus – Think About It**

“Courage is willingness to take the risk once you know the odds. Optimistic overconfidence means you are taking the risk because you don't know the odds. It's a big difference.”

– *Daniel Kahneman, Nobel Prize-winning psychologist*

Best regards,

A handwritten signature in cursive script that reads "Ann Marie Etergino".

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- Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
- Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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