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THE MARKET MEMO

DEAR BEAVERS WEALTH MANAGEMENT FAMILY & FRIENDS

A torrent of headlines churned U.S. markets in February, which – bolstered by the underlying strength of the U.S. economy – closed down but still near record highs.

A quick rundown of the ongoing tensions:
·The Trump administration's threat to enact broad-based tariffs on goods imported from Canada, Mexico and the European Union has created uncertainty for producers. The effect on the market may be muted thus far by investors' bias toward seeing the threats as primarily a negotiating tactic.
·Federal Reserve policymakers remained in "wait and see" mode following mixed January inflation reports and a number of weak economic growth reports. Until there is more clarity, this combination of factors will likely stay the hand of the Federal Open Market Committee (FOMC) from lowering interest rates.
·The release of an AI model from China at the end of January called into question the U.S.'s AI dominance – and AI-stock valuations – as well as expectations for related capital expenditures.
·Congressional leaders and the White House are eager to pass a significant budget, tax and debt limit package, but with their narrow House majority, Republicans may find achieving consensus difficult, increasing the risk of a government shutdown.

The S&P 500, which tracks large U.S. companies, finished the month down 1.42% while the Russell 2000, tracking U.S. small companies, was down 5.45%.

While the U.S. market churned, European stocks have come out strong in 2025 after lagging far behind the U.S. since 2022. Bolstered by deeply discounted valuations, anticipated peace talks between Russia and Ukraine and talks of fiscal stimulus in Germany, Euro stocks outperformed U.S. equities year-to-date by 8.6%.

The bottom line

As expected, the newly empowered administration spent its first full month vigorously pursuing its policy ideas and setting an agenda, backed by a friendly, if narrowly so, Congress. The strength of the U.S. economy continues to offer stability, despite the cacophony of daily headlines driving volatility. The market expects this volatility to continue – from inflation, interest rates and policy uncertainty – and has thus far not overreacted.

We hope this update finds you well and if you have any questions, you will not hesitate to reach out at your earliest convenience.

Sincerely,

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