ResourceTrust

A DEPARTMENT OF RESOURCE BANK, N.A.

Weekly Insight

February 21, 2025

Equities hit all-time highs, but where are the bulls?

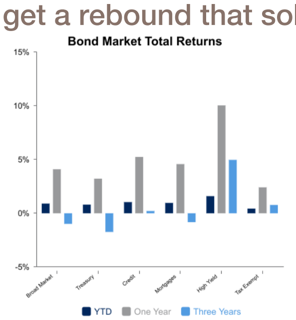
The S&P 500 logged two new all-time highs this week with gains of 1.6%. The NASDAQ was up 2.1%, while the Russell 2000 lagged with a 1.2% return. Market breadth is expanding but is doing so globally.

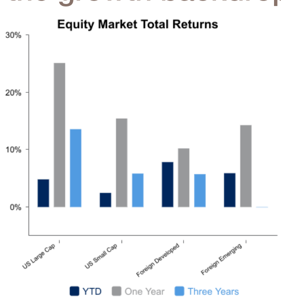
•Foreign developed equities are up 6.3% year-to-date, which is outpacing domestic equities.
•The German DAX Index is up 12% this year and in dollar terms just took out its old all-time high, set way back in 2007.
•European Financials took out their 2014 high this week.
•The Hang Seng Index in Hong Kong is up 17% this year.

Foreign market sentiment was extremely low and remains so driven by news headlines. This is leading to quiet outperformance that is usually indicative of more to come. Chinese related equities have historically demonstrated extreme moves to the upside if a narrative allows momentum to get firmly established. Will a deal with China be the catalyst? The pessimistic headlines are mostly tariff related and oversimplified as being bad for markets. There is a saying that equities don't rally until politicians start panicking. A lot of global leaders are panicking right now. Tariffs that are done in the context of deals and agreements should lead to higher equity prices because they won't be a risk in subsequent years to come. This appears to be the stance President Trump is taking, but the risk is that this turns more hostile if agreements fail to materialize.

The pessimism is pronounced in domestic equities, as well. The AAII Investor Sentiment Survey shows significantly more bears than bulls at the same time the market is hitting an all-time high. This is unusual and historically suggestive of more upside in the near-term. The market has been strong in January and February which implies strong odds that the next 12 months will see above average forward one-year returns. This historically comes with little drawdown. However, the S&P 500 never hit its 200-day moving average last year, which has historically meant that it will do so in the following year.

Economic data was not great this week. Inflation readings were high, and retail sales were weak. The market probably wouldn't be a fan of a whiff of stagflation, but for now the economic data remains strong on balance. We will get one of two domestic services PMI readings tomorrow that could be flying under the radar as a market moving catalyst. The last reading was a sharp drop, so we will either get another weak reading to potentially scare markets or we will get a rebound that solidifies the growth backdrop.





Interest Rates (%)	Current	12M Ago	3YR Ago
Fed Funds Rate (Upper	4.50	5.50	0.25
3-Month T-Bill	4.32	5.36	0.32
10-Year Treasury	4.53	4.28	1.93
30-Year Treasury	4.77	4.45	2.24
10-Year Corporate AA	5.29	5.17	2.09
10-Year High Yield Corp	6.59	6.67	3.90
Commodity Prices ($)	**Current**	**12M Ago**	**3YR Ago**
Gold ($/oz.)	2,933	2,024	1,898
Oil (WTI, $/barrel)	72.25	78.18	91.07
Currencies	**Current**	**12M Ago**	**3YR Ago**
USD (Dollar Index Spot)	107.17	104.08	96.04
USD/EUR	0.96	0.93	0.88
USD/JPY	151.47	150.01	115.01

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