



Weekly Focus – Think About It

“No act of kindness, no matter how small, is ever wasted.”

–Aesop, Storyteller

THE MARKET WHISPERER...

Last week, the Federal Reserve (Fed) left the federal funds rate unchanged, and Fed Chair Jerome Powell soothed markets. He explained that conditions in the labor market were broadly in balance and inflation had eased significantly over the past two years. Overall, the possibility of recession, while rising, remained low.

Markets rallied following his comments.

The economic outlook for 2025

The Fed’s current median forecast for economic growth in 2025 is 1.7 percent, a bit lower than it was in December. In addition, the Fed’s current median estimate for inflation is 2.7 percent, a bit higher than in December. While he was reassuring, Powell explained there is a lot of uncertainty about the economic outlook in the United States. He stated:

“Looking ahead, the new administration is in the process of implementing significant policy changes in four distinct areas: trade, immigration, fiscal policy and regulation. It is the net effect of these policy changes that will matter for the economy and for the path of all monetary policy. While there have been recent developments in some of these areas, especially trade policy, uncertainty around the changes and their effects on the economic outlook is high. As we parse the incoming information, we are focused on separating the signal from the noise as the outlook evolves.”

Consumer spending and the wealth effect

Powell also said that it remains to be seen how consumer and business spending and investment will respond to heightened uncertainty about the economic outlook. It’s an important point because of the “wealth effect”.

The wealth effect is a theory in behavioral economics. It holds that people spend more when the stock market is rising and the value of their assets is growing. Conversely, people spend less when the stock market is falling and the value of their assets is declining. It’s difficult to quantify the effect as Mike Bird of The Economist explained:

“Estimates of the ‘wealth effect’ – the amount that rising or falling stocks can support or hurt consumer activity – vary wildly. One academic study in 2019 suggested that a dollar increase in stock market wealth boosted American spending by about three cents. [A large financial-services firm] suggests that the pass-through has risen significantly in recent years, coming up with an extraordinary figure of 24 cents. Whatever the true number, a declining stock market matters for the broader economy.”

Last week, major U.S. stock indices finished higher, while yields on most maturities of U.S. Treasuries moved lower.

Data as of 3-21-25	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.5%	-3.6%	8.1%	8.3%	20.4%	10.4%
Dow Jones Global ex-U.S.	0.9	7.0	5.8	3.0	12.0	2.6
10-year Treasury Note (Yield Only)	4.3	N/A	4.3	2.3	0.8	1.9
Gold (per ounce)	1.2	15.4	38.9	15.9	14.6	9.8
Bloomberg Commodity Index	0.4	6.6	5.9	-5.7	11.2	0.5

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; the DJ Equity All REIT Total Return Index does include reinvested dividends 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, Barron's, djindexes.com, 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.

IF YOU LOSE YOUR WALLET, DO YOU EXPECT IT TO BE RETURNED?

Here's some good news from the 2025 World Happiness Report: “People are too pessimistic about the kindness of their communities.”

As usual, the 2025 World Happiness Report offered insights to the countries where citizens are happiest. Once again, Nordic nations dominated. The United States landed in 24th place. The countries where the happiest people live are:

1. Finland,
2. Denmark,
3. Iceland,
4. Sweden, and
5. Netherlands.

Where are people most benevolent?

The 2025 report also tracked a trend that surprised researchers during the Covid-19 years. In 2020, there was an upsurge in benevolent acts – people doing kind things for one another. Researchers theorized that helping others may have “...offset the negative effects felt by many of those whose lives were changed, endangered, and sometimes harmed during the pandemic.”

For the 2025 report, researchers asked how often people performed acts of kindness, specifically donating, volunteering, and helping strangers. The most benevolent countries varied, depending on the type of kindness.

- For donations, Indonesia, Myanmar, and Ukraine ranked first, second, and third.
- For volunteering, Indonesia, Liberia, and Kenya took top honors.
- For helping strangers, Jamaica, Liberia, and Trinidad & Tobago were the leaders.

The United States was 12th for donations, 15th for volunteering, and 12th for helping a stranger.

What about lost wallets?

The study also asked participants how likely it was that a lost wallet would be returned. They compared the data to studies where researchers “lose” wallets to see how often they are returned. Overall, expectations that wallets would be returned were far lower than actual returns.

For example, the actual return rate for lost wallets was 1.8 times higher – almost double – the average estimated return rate. In addition, wallets were more likely to be returned if they contained money.

By the way, the best place to lose your wallet is in a Nordic nation. These countries had both the highest expected and the highest actual rate of return for lost wallets.

Best regards,

Andrew Zittell
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Sources:

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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.

* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.

* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

* Asset allocation does not ensure a profit or protect against a loss.

* Consult your financial professional before making any investment decision.

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