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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"The time is always right to do what is right." Rev Dr Martin Luther King Jr

MARKETS

Macro Recap: Last week's data included the February Consumer Confidence Index, which saw a significant drop from 105.3 to 98.3, marking the largest monthly decline since August 2021. Additionally, there was a notable increase in average 12-month inflation expectations, rising from 5.2% to 6.0%.

In January, new home sales decreased by 10.5% month-over-month to a seasonally adjusted annual rate of 657,000. There was also an increase in weekly initial jobless claims, and the pending home sales index reached a record low.

The Personal Income and Spending report for January indicated welcome disinflation on a year-over-year basis in the core-PCE Price Index, the Federal Reserve's preferred inflation measure. However, there was a significant 0.5% month-over-month decline in real personal spending, which is expected to negatively impact Q1 GDP forecasts.

Consequently, the Atlanta Fed GDPNow forecast for Q1 GDP has been revised from a 2.3% growth to a 1.5% contraction.

On the tariff front, President Trump announced that tariffs for Canada and Mexico will commence on March 4, with an additional 10% tariff for China also taking effect on the same day. Furthermore, a 25% tariff for the EU is anticipated to be announced soon.

There were also notable geopolitical developments. President Trump and Ukraine's President Zelenskyy had a contentious meeting at the White House, during which President Trump warned President Zelenskyy that he is "gambling with World War III." Market participants had hoped that President Zelenskyy would sign a rare earths deal during his visit, but this did not materialize.

Equity Recap: The final week of February experienced corrective movements in the major indices. Both the S&P 500 and the NASDAQ declined for the second consecutive week, influenced by escalating tariff threats and a downturn in technology stocks. The NASDAQ concluded the week with a decrease of approximately 3.5%, while the S&P 500 fell by 1.0%. In contrast, the Dow Jones Industrial Average was an outlier, posting a 1.0% increase.

Bond/Rate Recap: Treasuries experienced a significant increase in value due to concerns over economic growth and escalating tariff issues. The yield on the 10-year Treasury note declined by 19 basis points this week and 34 basis points in February, settling at 4.23%. Similarly, the yield on the 2-year Treasury note decreased by 19 basis points this week and 24 basis points this month, ending at 4.00%.

Week Ahead: The upcoming monthly labor market report, scheduled for release on Friday, will indicate whether the slowdown in job growth observed in January continued into February. In January, the economy added 143,000 new jobs, a decrease from the 307,000 jobs added in December and the 261,000 jobs added in November. However, the January report also revealed a decline in the unemployment rate, from 4.1% to 4.0%.

INDICES

	Feb 21 Close	Feb 17 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	43,841	43,428	1.0%	42,544	3.0%
S&P 500	5,955	6,013	-1.0%	5,882	1.2%
NASDAQ	18,847	19,524	-3.5%	19,311	-2.4%
Russell 2000	2,163	2,195	-1.5%	2,230	-3.0%
KBW Bank Indx	135.3	134.1	0.9%	127.5	6.2%
Bitcoin	$93,160	$95,884	-2.8%	$93,714	-0.6%
Oil (WTI)	$70.00	$70.40	-0.6%	$71.72	-2.4%
Gold	$2,875	$2,953	-2.6%	$2,625	9.5%
Prime	7.50	7.50	0.00	7.50	0.00
Effective Fed Funds	4.33	4.33	0.00	4.33	0.00
3m Tbill	4.29	4.30	-0.01	4.31	-0.02
2yr UST	4.03	4.22	-0.19	4.24	-0.21
10yr UST	4.24	4.45	-0.20	4.57	-0.33
2-10yr UST Spread	21	23	-1	33	-11
2y AAA Muni/10y UST	64.3%	62.1%	2.1%	66.5%	-2.2%
10y AAA Muni/10y UST	68.4%	66.7%	1.6%	68.4%	-0.1%
5yr Inflation Forecast	2.64	2.66	-0.02	2.42	0.22

Week Ahead

- **Monday:** ISM manufacturing index, Construction spending
- **Tuesday:** No major news
- **Wednesday:** ISM nonmanufacturing index
- **Thursday:** Trade balance, Productivity and labor, Wholesale inventories
- **Friday:** Unemployment, Consumer credit

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