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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

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"I can't control the wind but I can adjust the sail." Ricky Skaggs

MARKETS

Macro Recap: Last week's markets were influenced by a mix of geopolitical tensions, slowing U.S. economic momentum, hotter-than-expected inflation data, and a major Supreme Court ruling that reshaped expectations for U.S. trade policy.

Crude oil prices surged as geopolitical risks intensified. U.S. WTI climbed to roughly $66 per barrel, marking its highest level in more than six months as renewed tensions between the United States and Iran raised concerns about potential supply disruptions.

The U.S. economy grew at an annualized rate of 1.4% in the fourth quarter of 2025, falling well short of the expected 2.5–3.0% range and significantly below the 4.4% pace posted in the previous quarter. The primary drag on growth was the 43-day federal government shutdown, which sharply reduced government spending and cut approximately one percentage point from overall GDP.

Inflation surprised to the upside. The Federal Reserve's preferred gauge, the Personal Consumption Expenditures (PCE) Price Index, reflected firmer-than-expected price pressures. Headline PCE increased 2.9% year over year, the highest rate since March 2024, while Core PCE rose 3.0%, its strongest reading since early 2024. Goods prices, especially durable goods, accelerated more than anticipated, and tariff-related costs added incremental upward pressure.

In a significant policy development, the U.S. Supreme Court, in a 6–3 decision, struck down the Trump administration's sweeping global tariffs. The Court ruled that the International Emergency Economic Powers Act (IEEPA) does not authorize the president to impose broad import duties. The ruling invalidates the 10% across-the-board tariff enacted last April, along with the higher targeted tariffs on key trading partners. The decision also leaves unresolved whether previously collected tariff revenue must be refunded, as the Court did not address repayment.

Equity Recap: The major U.S. equity indexes recovered most of the ground they lost the previous week, extending the market's uneven start to 2026. The NASDAQ rose 1.5%, breaking a streak of five consecutive weekly declines, while the S&P 500 gained 1.1% and the Dow added 0.3%.

Bond/Rate Recap: Yields in the U.S. Treasury market drifted higher over the week but remained well below the recent peak seen in late January. The 10-year Treasury yield ended the week near 4.08%, slightly above the prior week's year-to-date low of 4.05%. For context, the 10-year had climbed as high as 4.31% in late January, the highest level since last August, before easing back.

INDICES

	Feb 16 Open	Feb 20 Close	Weekly Change	Dec 31 2025	YTD Change
DJIA	49,501	49,626	0.3%	48,063	3.3%
S&P 500	6,836	6,910	1.1%	6,846	0.9%
NASDAQ	22,547	22,886	1.5%	23,242	-1.5%
Russell 2000	2,647	2,664	0.6%	2,482	7.3%
KBW Bank Indx	166.4	169.2	1.7%	164.0	3.2%
Bitcoin	$68,671	$68,461	-0.3%	$87,648	-21.9%
Oil (WTI)	$63.73	$66.48	4.3%	$57.42	15.8%
Gold	$4,992	$5,107	2.3%	$4,319	18.2%
Prime	6.75	6.75	0.00	6.75	0.00
Effective Fed Funds	3.64	3.64	0.00	3.64	0.00
3m Tbill	3.67	3.67	0.00	3.63	0.04
2yr UST	3.41	3.48	0.07	3.47	0.01
10yr UST	4.05	4.08	0.03	4.17	-0.08
2-10yr UST Spread	64	60	-4	69	-9
2y AAA Muni/10y UST	60.7%	59.2%	-1.5%	70.3%	-11.1%
10y AAA Muni/10y UST	62.5%	61.5%	-1.0%	65.4%	-4.0%
5yr Inflation Forecast	2.44	2.46	0.02	2.27	0.19

Week Ahead

- **Monday:** Factory orders
- **Tuesday:** Case-Shiller Home Price Index, Consumer Confidence, Wholesale inventories
- **Wednesday:** No major reports
- **Thursday:** Weekly unemployment claims
- **Friday:** PPI, Construction spending

***Could be delayed or canceled**

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