



Baltimore, Maryland

WEEK OF FEBRUARY 18, 2025

Market Update

Consumer and producer prices rose more than expected, leading to questions about the potential reacceleration of inflation. In equity markets, technology (paced by Nvidia and Apple) and international stocks led the way. The Treasury yield curve was little changed.

Quick Hits

1. **Report releases:** Consumer and producer prices rose more than expected.
2. **Financial market data:** Led by Nvidia and Apple, technology stocks bounced back.
3. **Looking ahead:** Economic releases this week will focus on housing and the Federal Reserve (Fed).



Report Releases: February 10–14, 2025

National Federation of Independent Business (NFIB) Small Business Optimism January (Monday)

Small business optimism fell 2.3 points as plans for making capital outlays and increasing inventories dropped. Expectations for improvement in the economy also fell, from 52 percent to 47 percent.

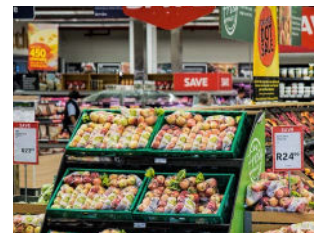
- Expected/prior NFIB small business optimism: 104.6/105.1
- Actual NFIB small business optimism: 102.8



Consumer Price Index (CPI) January (Wednesday)

Consumer inflation continued to accelerate, with headline and core prices rising more than expected.

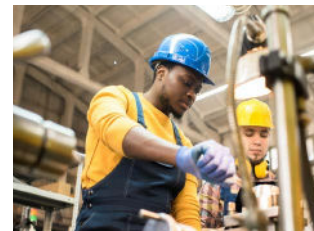
- Prior monthly CPI/core CPI growth: +0.4%/+0.2%
- Expected monthly CPI/core CPI growth: +0.3%/+0.3%
- Actual monthly CPI/core CPI growth: +0.5%/+0.4%
- Prior year-over-year CPI/core CPI growth: +2.9%/+3.2%
- Expected year-over-year CPI/core CPI growth: +2.9%/+3.1%
- Actual year-over-year CPI/core CPI growth: +3.0%/+3.3%



Producer Price Index (PPI) January (Thursday)

Headline and core producer inflation increased more than expected.

- Prior monthly PPI/core PPI growth: +0.2%/+0.0%
- Expected monthly PPI/core PPI growth: +0.3%/+0.3%
- Actual monthly PPI/core PPI growth: +0.4%/+0.3%
- Prior year-over-year PPI/core PPI growth: +3.3%/+3.5%
- Expected year-over-year PPI/core PPI growth: +3.3%/+3.3%
- Actual year-over-year PPI/core PPI growth: +3.5%/+3.6%



Retail Sales January (Friday)

Retail sales unexpectedly slumped, marking the largest monthly decline in more than two years. The dip was widespread, with 9 of 13 categories experiencing falling sales.

- Expected/prior month retail sales monthly change: -0.2%/+0.4%
- Actual retail sales monthly change: -0.9%



>> The Takeaway

- The biggest news was the CPI and PPI being hotter than expected, leading to concerns that inflation may be reaccelerating.
- Small business optimism ticked lower, and retail sales posted a notable miss.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.52%	4.11%	4.11%	23.93%
Nasdaq Composite	2.60%	3.76%	3.76%	27.18%
DJIA	0.65%	4.89%	4.89%	18.14%
MSCI EAFE	2.91%	8.74%	8.74%	12.37%
MSCI Emerging Markets	2.01%	5.31%	5.31%	14.47%
Russell 2000	0.05%	2.33%	2.33%	14.85%

Source: Bloomberg, as of February 14, 2025

The technology-oriented Nasdaq Composite bounced back on the strength of Nvidia and Apple, which each rose at least 6.9 percent. Semiconductor manufacturers (and Apple) were buoyed after Apple reached a deal with Alibaba to provide AI to iPhone users in China. Dell also announced a \$5 billion deal with Elon Musk's xAI. International markets continued their strong start to the year, with the developed international MSCI EAFE benchmark up 2.91 percent. In addition to technology, communication services and materials fared well. Lagging sectors included health care, financials, and industrials.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.14%	1.12%	4.48%
U.S. Treasury	1.03%	1.00%	3.69%
U.S. Mortgages	1.23%	1.20%	4.83%
Municipal Bond	1.75%	0.71%	2.50%

Source: Bloomberg, as of February 14, 2025

Treasury yields changed very little over the week. The 2-, 5-, 10-, and 30-year all moved less than 2 basis points (bps).

>> The Takeaway

- Technology stocks led the way in the U.S., with Nvidia and Apple posting large moves.
- The Treasury yield curve didn't move much despite midweek volatility caused by inflation data.

Looking Ahead

Economic data and releases this week will primarily focus on housing and the Fed.

- On Tuesday, the **National Association of Home Builders (NAHB) Housing Market Index** for February will be released. Home builder confidence is expected to remain unchanged.
- On Wednesday, we expect the release of housing starts and building permits for January as well as last month's **Federal Open Market Committee (FOMC)** meeting minutes. **Housing starts and building permits** are set to slow after mixed results in December. Economists and investors will closely analyze minutes from the FOMC meeting to better understand the rationale behind the central bank's decision to pause rate cuts to start the year.
- Finally, on Friday, we expect the release of **existing home sales** for January. The pace of existing home sales is expected to slow.





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measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

Authored by the Investment Research team at Commonwealth Financial Network®

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