First Trust

Weekly Market Commentary

Week Ended February 14, 2025

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	4.312 (-1.6 bps)	Bond Buyer 40 Yield:	4.45 (5 bps)
6 Mo. T-Bill:	4.353 (2.6 bps)	Crude Oil Futures:	70.74 (-0.26)
1 Yr. T-Bill:	4.214 (-0.8 bps)	Gold Spot:	2,882.53 (21.46)
2 Yr. T-Note:	4.259 (-3.0 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.270 (-4.3 bps)	U.S. High Yield:	7.36 (-7 bps)
5 Yr. T-Note:	4.327 (-2.1 bps)	BB:	6.28 (-5 bps)
10 Yr. T-Note:	4.476 (-1.8 bps)	B:	7.44 (-10 bps)
30 Yr. T-Bond:	4.696 (0.4 bps)		

Inflation rose broadly in January, the CPI report released Wednesday showed. The consumer price index increased 3% from last year, which was higher than expected and continues a recent trend of rising inflation. Fed Chair Jerome Powell reiterated that the Fed is not in a rush to cut interest rates and expects to keep interest rates elevated for the foreseeable future. However, the market still expects one or two cuts this year. The “core” CPI, which excludes food and energy, rose 3.3% from a year ago. Some economists blamed seasonal adjustments on the hotter-than-expected increase that didn’t fully capture price hikes at the start of the year. Additionally, most of the increase in grocery prices was due to the higher cost of eggs because of the recent bird flu outbreak. Producer prices also rose more than expected in January, increasing 3.5% in the last year. The latest readings of consumer and producer prices bolstered the case that there is more work to do on inflation. Other economic data released last week showed retail sales fell sharply in January following strong gains at the end of 2024, posting the largest drop in almost two years and coming in well below expectations. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Tuesday: February Empire Manufacturing (-1.0, -12.6); Wednesday: February 14 MBA Mortgage Applications (N/A, 2.3%), January Housing Starts (1394k, 1499k); Thursday: February 15 Initial Jobless Claims (215k, 213k), January Leading Index (-0.1%, -0.1%); Friday: February Final U. of Mich. Sentiment (67.8, 67.8), February Preliminary S&P Global US Manufacturing PMI (51.1, 51.2), January Existing Home Sales (4.13m, 4.24m).

US Equities			
Weekly Index Performance:		Market Indicators:	
The Dow®	44,546.08 (0.65%)	Strong Sectors:	Info Tech, Comm. Services
S&P 500®	6,114.63 (1.52%)		Cons. Staples
S&P MidCap 400®	3,198.61 (-0.21%)	Weak Sectors:	Industrials, Financials
S&P SmallCap 600®	1,429.84 (-0.07%)		Health Care
Nasdaq Composite®	20,026.77 (2.6%)	NYSE Advance/Decline:	1,632 / 1,204
Russell 2000®	2,279.98 (0.05%)	NYSE New Highs/New Lows:	235 / 161
		AAII Bulls/Bears:	28.4% / 47.3%

The S&P 500 gained 1.52% last week experiencing broad based strength as nine of the eleven sectors finished the week in the green. The best performing sector was the Information Technology sector which returned 3.79%. The sector was led higher by **Super Micro Computer Inc** which saw its stock price increase 32.06% following its earnings release. The embattled server company missed on the top and bottom line and reduced fiscal 2025 guidance but managed to catch a bid after reassuring investors that the company would meet the February 25th deadline to file its delayed annual report. Management also announced stronger than expected fiscal 2026 sales guidance potentially being powered by demand for Nvidia’s Blackwell chips. The worst performing sector was the Health Care sector which fell 1.06%. The worst performing Health Care company was **West Pharmaceutical Services** which plunged 33.22% following its earnings release. The maker of packaging components for the drug industry beat on the top and bottom line but provided 2025 guidance that was materially lower than estimates. In other news, **Meta Platforms Inc** closed 1.11% higher last Friday marking its 20th consecutive positive day. Following the close on Friday Meta achieved the longest winning streak of any company currently in the S&P 500 dating back to 1980. While Meta ended the week on a positive note other companies were not as fortunate. Retail Sales data was released Friday morning and came in with the weakest reading in two years after a strong end to 2024. A plethora of retail facing companies experienced pressure to end the week as investors worried about the resilience of US consumers. Digging deeper into the release it was noteworthy that dining out still saw growth suggesting households remain confident in the economy and may just be taking a breather following a strong holiday shopping season. **Goldman Sachs** released analysis last week showing that the US equity market has been primarily driven by company specific micro factors rather than macro factors since the start of 2023. 74% of the S&P 500 stock returns have been driven by company specific news versus an average of 58% over the past two decades. The release expected the micro driven environment to persist in 2025 but debates over trade, tax, fiscal, and other policies are potential catalysts for broader return dispersion. Upcoming this week 41 companies in the S&P 500 are expected to report earnings. Notable release include: **Arista Networks Inc**, **Hasbro Inc**, **Walmart Inc**, and **Booking Holdings Inc**.