US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	3.671 (0.2 bps)	Bond Buyer 40 Yield:	4.75 (-3 bps)
6 Mo. T-Bill:	3.603 (0.0 bps)	Crude Oil Futures:	62.89 (-0.66)
1 Yr. T-Bill:	3.421 (-1.0 bps)	Gold Spot:	5,042.04 (77.68)
2 Yr. T-Note:	3.408 (-9.0 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.445 (-12.6 bps)	U.S. High Yield:	7.12 (2 bps)
5 Yr. T-Note:	3.604 (-15.5 bps)	BB:	5.93 (-2 bps)
10 Yr. T-Note:	4.048 (-15.8 bps)	B:	7.47 (7 bps)
30 Yr. T-Bond:	4.694 (-15.7 bps)		

Existing home sales dropped sharply in January 2026, largely because winter storms delayed closings, but activity should bounce back as weather conditions normalize. Even with improvements in affordability such as lower mortgage rates, slower home-price growth, and rising wages, sales will remain historically low due to tight inventories and homeowners staying put with previously locked-in low rates. Despite these constraints, underlying conditions have improved enough to support a modest upward trend in sales later in 2026. Inflation cooled in January, with headline CPI rising just 0.2% and the annual rate easing to 2.4%, while core inflation slowed to 2.5%. Despite concerns that 2025 tariffs would reignite inflation, slow M2 money-supply growth has kept price pressures trending downward, bringing both headline and core inflation to their lowest levels in nearly five years. Although inflation remains slightly above the Federal Reserve's 2% target, the report supports continued disinflation, with potential policy changes expected when Kevin Warsh will likely become Fed Chair in May. Major economic reports (related consensus forecasts, prior data) for the upcoming shortened holiday week include Tuesday: February Empire Manufacturing (6.2, 7.7); Wednesday: February 13th MBA Mortgage Applications (N/A, -0.3%), December Preliminary Durable Goods Orders (-2.0%, 5.3%), December Housing Starts (1310k, N/A), January Industrial Production MoM (0.4%, 0.4%), December Leading Index (-0.2%, -0.3%); Thursday: December Wholesale Inventories MoM (0.2%, 0.2%), February 14 Initial Jobless Claims (225k, 227k), December Trade Balance (-$55.5b, -$56.8b); Friday: December Personal Income (0.3%, 0.3%), December Personal Spending (0.4%, 0.5%), 4th Quarter Annualized GDP QoQ (3.0%, 4.4%), February Preliminary S&P Global US Manufacturing PMI (52.4, 52.4), December New Home Sales (732k, N/A), February Final University of Michigan Sentiment (57.3, 57.3).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	49,500.93 (-1.15%)	Strong Sectors:	Utilities, Real Estate Materials
S&P 500®	6,836.17 (-1.35%)		
S&P MidCap 400®	3,563.45 (-0.63%)	Weak Sectors:	Cons. Discretionary, Comm. Services
S&P SmallCap 600®	1,597.05 (-0.78%)		Financials
Nasdaq Composite®	22,546.67 (-2.08%)	NYSE Advance/Decline:	1,558 / 1,262
Russell 2000®	2,646.70 (-0.85%)	NYSE New Highs/New Lows:	653 / 174
		AAII Bulls/Bears:	38.5% / 38.1%

The S&P 500 fell 135 basis points last week in a volatile trading week. The best performing sector was the Utilities sector which rallied 7.29%. Strong performance was broad based as all constituents ended the week with a positive return. The worst performing utility, **AES Corp**, managed to outperform the S&P 500 returning 1.43%. The sector was led higher by **Vistra Corporation**, which returned 14.59%. The independent power producer caught a bid early in the week after being upgraded to overweight by Jefferies investment bank. The firm had another strong day on Friday, along with other utilities, as the benign CPI print reinforced the chance of a near-term rate cut. At the opposite end of the spectrum, the worst performing sector was the financials sector, which fell 4.79%. Only 10 of the 76 constituents in the sector managed to finish the week with a positive return. The worst performer in the sector was **Arthur J Gallagher & Co**, which plunged 13.71%. The insurance brokerage firm wasn't alone in its underperformance as the entire insurance brokers sub industry finished the week down 8.54%. Insurance brokers, real estate services, and software sub industries are few pockets in the market which have experienced pressure this year as fears grow that Ai may impact many businesses. Investors have struggled to discern Ai winners from losers, leading to broad based sell offs as investors rather reduce exposure than risk holding an Ai loser. After last week's price action, the S&P 500's total return turned negative for the year, falling 2 basis points. While it may feel like stocks have been struggling, it's primarily been driven by top heavy names. The ten largest companies in the S&P 500 have all experienced a negative return on the year weighing on performance. The S&P 500 equal weighted index in contrast has returned 5.95% year to date supporting the narrative that investors are broadening out exposure after years of mega caps outperforming. Upcoming this week 53 companies in the S&P 500 are expected to report results. Notable companies include: **Palo Alto Networks**, **DoorDash Inc**, and **Comfort Systems**.