Stocks lose ground amid deflating inflation news.

The economy

- Major U.S. equity market indexes moved lower during the week ending February 16, as stickier-than-expected inflation data sparked investors' worries that the Federal Reserve (Fed) may delay its pivot to interest-rate cuts. These concerns offset optimism regarding generally positive corporate results.
- According to the Department of Labor, the U.S. consumer-price index (CPI) rose 0.3% in January following a 0.4% upturn in December. The CPI advanced 3.1% year-over-year—matching the annual increase in December and exceeding market expectations. Costs for energy services (electricity and utility gas services) and housing were the largest contributors to the month-over-month rise in the CPI, increasing 0.5% and 0.4%, respectively. Food prices were up 0.4% in January and rose 2.6% over the previous 12-month period. The 3.9% rolling 12-month rise in core inflation, as measured by the CPI for all items less food and energy, was unchanged from the year-over-year upturn in December—the smallest annual increase since August 2021. Core inflation was up 0.4% in January, marginally higher than the 0.3% month-over-month rise in December.
- Regarding inflation at the wholesale level, the U.S. Department of Labor reported that the producer-price index (PPI), which tracks the average change over time in selling prices received by domestic producers of goods and services, rose 0.1% in January, following a marginal decline of 0.1% in December. The index advanced 0.9% over the previous 12-month period, down slightly from the 1.0% annual increase in December. Core wholesale inflation, as measured by the PPI less food, energy and trade services, was up 0.6% and 2.6% in January and year-over-year, respectively. The annual increase matched the upturn in the index in December.
- U.S. consumers reined in spending in January. According to the Census Bureau, retail and food services sales—a gauge of consumer spending, which comprises more than two-thirds of U.S. gross domestic product (GDP)—fell 0.8% during the month, but rose 0.6% over the previous 12-month period. Core sales, which exclude motor vehicles and parts, and gasoline stations, were down 0.5% in January, but increased 2.2% year-over-year. Building material and garden equipment and supplies dealers, and furniture and home furnishing stores posted the most significant year-over-year sales declines in January. Conversely, food services and drinking places, as well as nonstore retailers, registered sales gains over the previous 12-month period.
- The Census Bureau also reported that new housing starts, a gauge of the health of the residential real estate market, fell 14.8% in January and 0.7% over the previous 12-month period. New construction of single-family housing declined 4.7% month-over-month in January, while the number of building permits, an indicator of new construction activity in the near term, decreased 1.5%. However, new-housing permits climbed 8.6% year-over-year, and approvals for single-family homes rose 1.6% for the month.
- The Fed's index of industrial production, which measures activity in manufacturing, mining, and electric and gas utilities, dipped 0.1% in January, and was flat year-over-year. The marginal decrease in industrial production in January was attributable mainly to downturns in manufacturing and mining, which were hampered by unusually cold weather in much of the U.S. On the flipside, the winter weather bolstered utilities, which climbed 6.0% month-over-month amid a sharp increase in demand for heating.

Stocks

- Global equities outside of the U.S. gained ground for the week. Emerging markets outperformed developed markets.
- U.S. equities recorded losses during the week. Materials and energy were the top-performing sectors, while information technology and communication services lagged. Value stocks led growth, while small caps outperformed large caps.

Bonds

- The 10-year U.S. Treasury note yield increased to 4.28% during the week.
- Global bond markets posted marginal losses for the week.
- Corporate bonds led the markets, followed by government bonds and high-yield bonds.

The Numbers as of February 16, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.3%	3.2%	15.8%	750.6
MSCI EAFE ($)	0.6%	0.1%	6.8%	2238.3
MSCI Emerging Mkts ($)	1.2%	-1.6%	-0.3%	1007.7
US & Canadian Equities				
Dow Jones Industrials ($)	-0.1%	2.5%	14.6%	38628.0
S&P 500 ($)	-0.4%	4.9%	22.4%	5005.6
NASDAQ ($)	-1.3%	5.1%	33.1%	15775.7
S&P/ TSX Composite (C$)	1.2%	1.4%	3.2%	21255.6
UK & European Equities				
FTSE All-Share (£)	1.7%	-0.6%	-3.9%	4205.3
MSCI Europe ex UK (€)	0.9%	3.2%	6.3%	1738.8
Asian Equities				
Topix (¥)	2.6%	10.9%	31.2%	2624.7
Hong Kong Hang Seng ($)	3.8%	-4.1%	-22.1%	16340.0
MSCI Asia Pac. Ex-Japan ($)	1.0%	-2.3%	-3.7%	516.9
Latin American Equities				
MSCI EMF Latin America ($)	0.2%	-4.7%	12.4%	2538.4
Mexican Bolsa (peso)	-0.4%	-0.5%	5.7%	57080.8
Brazilian Bovespa (real)	0.6%	-4.0%	17.1%	128766.0
Commodities ($)				
West Texas Intermediate Spot	1.5%	8.9%	-0.6%	78.0
Gold Spot Price	-0.6%	-2.6%	9.3%	2013.4
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-0.1%	-2.9%	1.8%	457.7
JPMorgan Emerging Mkt Bond	0.1%	-1.2%	7.7%	838.2
10-Year Yield Change (basis points*)				
US Treasury	11	40	42	4.28%
UK Gilt	2	58	61	4.11%
German Bund	2	38	-7	2.40%
Japan Govt Bond	1	12	23	0.74%
Canada Govt Bond	4	48	30	3.59%
Currency Returns**				
US$ per euro	-0.1%	-2.4%	1.0%	1.078
Yen per US$	0.6%	6.5%	12.1%	150.20
US$ per £	-0.2%	-1.0%	5.1%	1.260
C$ per US$	0.2%	1.9%	0.2%	1.349

Source: Bloomberg. Equity-index returns are price only, others are total returns.

*100 basis points = 1 percentage point.

**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

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