



Summary

Equities strengthened last week, buoyed by solid industrial production and the Supreme Court's decision to strike down IEEPA tariffs. Treasury yields rose across the board as investors remained cautious about Federal deficits and the Fed minutes revealed an appetite for slower easing. Energy prices advanced sharply, and gold continued its steady climb amid ongoing geopolitical uncertainty. Fourth quarter GDP grew at a 1.4% annual rate, well below expectations, reflecting decelerating consumer spending,

falling exports, and declining government spending. Housing starts rose to 1.404 million units at an annualized rate (MUAR) in December, beating expectations, while building permits increased to 1.448 MUAR. In the same month, new home sales climbed to 745 thousand, above expectations. Pending home sales fell 0.8% in January, however, pointing to ongoing affordability pressures. Industrial production increased 0.7% in January, exceeding expectations, and capacity utilization was 76.2%. The leading economic

index fell 0.2% in December, extending its downward trend and pointing to softer growth ahead. Personal income rose 0.3% in December while personal spending increased 0.4%. The PCE price index accelerated to 2.8% year-over-year. The final University of Michigan consumer sentiment reading for February edged lower to 56.6, below expectations, and the index remains well below its 64.7 level a year ago. One-year ahead consumer inflation expectations fell to 3.4% from 4.0% in January.

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Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Housing Starts (Dec – Wed 08:30)	1,404K	1,320K	
Building Permits (Dec – Wed 08:30)	1,448K	1,412K	
Durable Orders (Dec – Wed 08:30)	-1.4%	-2.6%	
Durable Orders -ex transportation (Dec – Wed 08:30)	0.9%	0.3%	
Industrial Production (Jan – Wed 09:15)	0.7%	0.4%	
Capacity Utilization (Jan – Wed 09:15)	76.2%	76.5%	
Initial Claims (02/14 – Thu 08:30)	206K	225K	
Continuing Claims (02/14 – Thu 08:30)	1,869K	NA	
Trade Balance (Dec – Thu 08:30)	-\$70.3B	-\$55.8B	
Pending Home Sales (Jan – Thu 10:00)	-0.8%	1.4%	
Leading Economic Index (Dec – Thu 10:00)	-0.2%	NA	
Personal Income (Dec – Fri 08:30)	0.3%	0.3%	
Personal Spending (Dec – Fri 08:30)	0.4%	0.2%	
PCE Prices (Dec – Fri 08:30)	0.4%	0.3%	
PCE Prices - Core (Dec – Fri 08:30)	0.4%	0.4%	
GDP-Adv. (Q4 – Fri 08:30)	1.4%	3.0%	
Chain Deflator-Adv. (Q4 – Fri 08:30)	3.6%	3.3%	
New Home Sales (Dec – W Fri ed 10:00)	745K	714K	
Univ. of Michigan Consumer Sentiment - Final (Feb – Fri 10:00)	56.6	57.3	
Next Week: Indicator	Consensus Expectation*	Prior	Comment
Factory Orders (Dec – Sat 10:00)	0.9%	2.7%	
S&P Case-Shiller Home Price Index (Dec – Sun 09:00)	1.4%	1.4%	
Consumer Confidence (Feb – Sun 10:00)	86.0	84.5	
Wholesale Inventories (Dec – Sun 10:00)	0.2%	0.2%	
MBA Mortgage Applications Index (02/21 – Mon 07:00)	NA	2.8%	
New Home Sales (Jan – Mon 10:00)	NA	NA	
Initial Claims (02/21 – Tue 08:30)	211K	206K	
Continuing Claims (02/14 – Tue 08:30)	NA	1869K	
PPI (Jan – Wed 08:30)	0.3%	0.5%	Core PPI (prior): +0.6%
Construction Spending (Nov – Wed 10:00)	0.3%	0.5%	

*Sources: www.briefing.com and www.federalreserve.gov



Economic Review

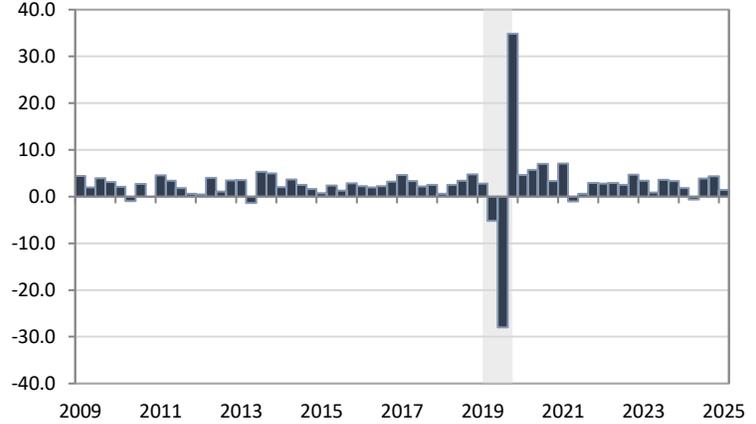
The ADVANCE Q4 GDP ESTIMATE shows growth slowing sharply at year-end, while inflation remained elevated. Real GDP increased at an annual rate of 1.4%, well below consensus expectations of 3.0%, and down from a 4.4% annual rate in the third quarter. The GDP price deflator rose 3.6% (above an expected 3.3%), an improvement from the third quarter reading of 3.8%. Consumer spending decelerated in the fourth quarter, rising 2.4% compared to 3.5% in third quarter; spending was primarily driven by spending on services, which increased at a 3.4% annual rate, while spending on goods decreased at a 0.1% annual rate. Real final sales of domestic product increased only 1.2%, compared to 4.5% in Q3.

NEW HOME SALES declined 1.7% month-over-month to a seasonally adjusted annual rate of 745,000 units in December, down from 758,000 in November. On a year-over-year basis, sales were up 3.8%, indicating modest improvement relative to late 2024 levels. Regionally, performance was uneven. Sales fell sharply in the Northeast (-37.3%) and declined 6.7% in the South, the nation's largest new home market. In contrast, sales rose 31.7% in the Midwest and 9.0% in the West.

Median sales price declined 2.0% year-over-year to \$414,400, while the average sales price increased 4.7% year-over-year to \$532,600. The supply of new homes now stands at 7.6 months, down from 7.7 in November.

Personal income increased 0.3% month-over-month in December, following an upwardly revised 0.4% gain in November. Personal spending rose 0.4%, above expectations, after a downwardly revised 0.4% increase in November; however, the increase was primarily driven by services, with the only major goods categories notching increases being food and energy. Inflation was hotter than expected; both the headline PCE PRICE INDEX and CORE PCE PRICE INDEX (excluding food and energy) rose 0.4% month-over-month. Year-over-year, the headline PCE price index accelerated to 2.9% from 2.8% in November, and the core PCE price index accelerated to 3.0% from 2.8% in November. Inflation for both goods and services remains relatively high, although goods inflation may be cooling, with the price index for goods up 0.4% month-over-month in December and 1.7% year-over-year. The price index for services was up 0.3% month-over-month and 3.4% year-over-year, remaining persistently high.

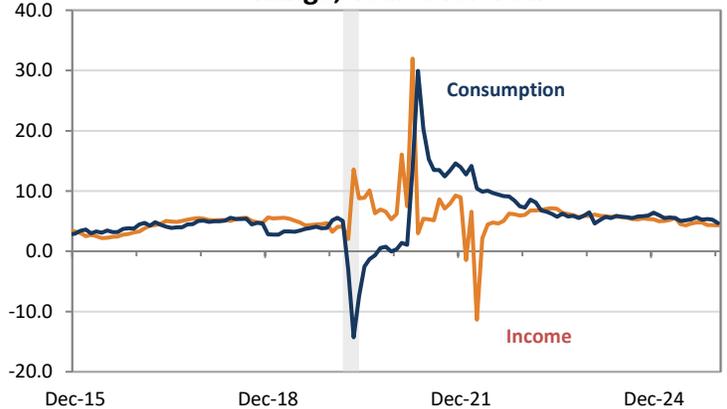
Real Gross Domestic Product Quarterly Annualized Percent Change



New Home Sales Thousands



Personal Income and Consumption Percent Change, Year-Over-Year





Fed Speeches

At the New York Association for Business Economics in New York City on February 17, Governor Michael S. Barr outlined a cautious macroeconomic outlook and spoke of the implications of artificial intelligence on monetary policy. He described an economy in which the labor market has stabilized after last summer's slowdown but is in a fragile equilibrium. Job creation and labor force growth were both near zero last year, and the unemployment rate remains near estimates of its long-run level; however, Barr elaborated that this is still a tenuous position, saying,

"It is a delicate balance, and that means the labor market could be especially vulnerable to negative shocks."

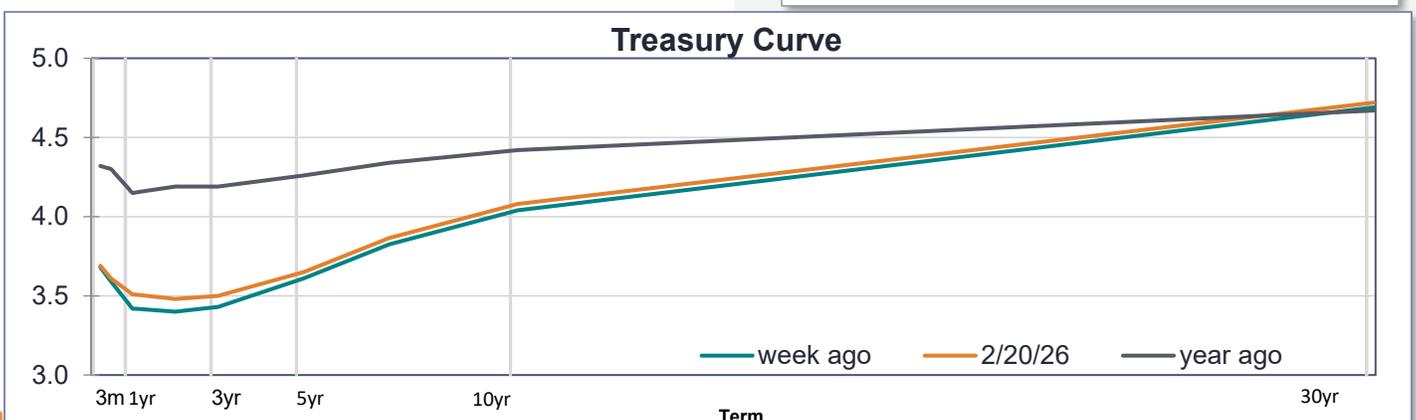
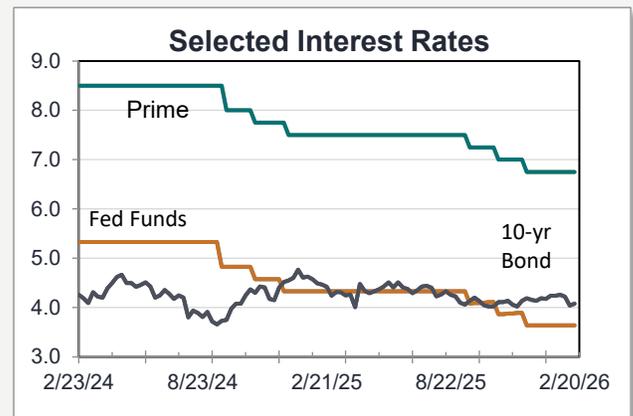
On inflation, Barr emphasized that progress toward the 2% target has stalled. Personal consumption expenditures inflation remains around 3%, roughly unchanged from a year ago, with tariff-driven goods

inflation interrupting the earlier disinflationary trend. While he expects tariff effects to fade later this year, he warned that the risk of inflation remaining persistently above target is meaningful. Barr argued that policy patience is warranted and that further rate reductions should depend on clear evidence that goods price inflation is sustainably retreating and that labor market conditions remain stable.

Barr broadened the discussion to artificial intelligence, framing generative AI as a potential general-purpose technology capable of reshaping productivity, research and development, and labor demand. Over the long run, he expects AI to raise productivity and potentially increase the economy's equilibrium interest rate, but he stressed that monetary policy cannot resolve structural labor market disruptions and must instead remain focused on balancing inflation risks with employment stability.

Financial Markets

Equity markets rebounded last week as solid January economic data and the Supreme Court decision to strike down IEEPA tariffs alleviated investor worries of continued policy uncertainty and economic volatility. The DJIA rose 0.3%, the S&P 500 gained 1.1%, and the NASDAQ climbed 1.5%, recovering part of its recent losses, though the NASDAQ remains down 2.6% over the past four weeks. Treasury yields moved higher across the curve, with the most significant increases occurring in the one- and two-year maturities, which rose 9 and 8 basis points, respectively. The pronounced rise at the front end suggests markets are dialing back expectations of imminent policy easing in response to firmer economic data and Fed minutes that revealed an appetite for slower easing. The 30-year conventional mortgage rate declined to 6.01%, the lowest level since 2022. Oil prices surged 5.7% and are now up nearly 12% over the past four weeks, reflecting tightening energy markets and renewed geopolitical uncertainty and the possibility of conflict in the Middle East, and gold rose 1.3% and remains more than 25% above its level thirteen weeks ago





Interest Rate Forecast*

During the Fed's January policy meeting, the Federal Open Market Committee (FOMC) maintained the federal funds target rate at 3.50% to 3.75%. In the statement released following the meeting, the FOMC stated, "In support of its goals, the Committee decided to maintain the target range for the federal funds rate at 3-1/2 to 3-3/4 percent. In considering the extent and timing of

additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data,

the evolving outlook, and the balance of risks. The Committee is strongly committed to supporting maximum

employment and returning inflation to its 2 percent objective."

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
1 st Qtr '26	6.75	3.63	3.66	3.60	3.53	4.14	4.82	6.10
2 nd Qtr	6.58	3.46	3.49	3.49	3.48	3.97	4.63	5.98
3 rd Qtr	6.50	3.38	3.40	3.44	3.48	3.90	4.45	5.93
4 th Qtr	6.25	3.13	3.15	3.22	3.31	3.79	4.27	5.79
1 st Qtr '27	6.08	2.96	2.98	3.06	3.19	3.72	4.20	5.70

February 2026

FINANCIAL MARKET SUMMARY

	As of 02/20/26	As of 02/13/26	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	6.75	6.75	0	0	(25)
Secured Overnight Financing Rate (SOFR)	3.67	3.65	2	3	(24)
Fed Funds (Wed close)	3.64	3.64	0	0	(24)
TREASURIES (BE) (Changes in BPs)					
3 Months	3.69	3.68	1	(1)	(21)
6 Months	3.61	3.59	2	0	(14)
1 Year	3.51	3.42	9	(2)	(11)
2 Years	3.48	3.40	8	(12)	(3)
5 Years	3.65	3.61	4	(19)	3
10 Years	4.08	4.04	4	(16)	2
30 Years	4.72	4.69	3	(10)	1
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.06	2.07	(1)	(18)	(42)
5-Year Muni	2.11	2.12	(1)	(16)	(30)
10-Year Muni	2.51	2.53	(2)	24	(23)
30-Year Muni	4.14	4.18	(4)	(8)	3
30-Year Conventional Mortgage	6.01	6.09	(8)	(8)	(25)
MARKET INDICATORS (Changes in %)					
DJIA	49,625.97	49,500.93	0.3	1.1	7.3
S&P 500	6,909.51	6,836.17	1.1	(0.1)	4.6
NASDAQ	22,886.07	22,546.67	1.5	(2.6)	2.8
CRB Futures	391.84	385.93	1.5	(0.1)	6.2
Oil (WTI Crude)	66.48	62.89	5.7	11.8	10.6
Gold	5,107.45	5,042.04	1.3	2.4	25.6
Yen / Dollar	155.05	152.70	1.5	(1.9)	0.3
Dollar / Euro	1.18	1.19	(0.7)	(0.4)	2.4



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