



## Summary

Equities were down last week, with renewed tariff uncertainty, geopolitical tensions, AI-related anxiety, and private market concerns all weighing on investor sentiment. Treasury yields declined across the curve as the risk-off environment encouraged a flight to safety, with the two-year, five-year, and ten-year yields falling 10 bp or more. Price data released last week added additional uncertainty to the Fed's rate-cutting path. The producer

price index (PPI) increased 0.5% month-over-month, and the core PPI was up a hot 0.8%. While goods inflation saw some cooling, service prices paid by firms, which feed into consumer price indices, rose 2.5% in January. Housing prices were also hot, with the Case-Shiller home price index up 1.4% month-over-month, adding pressure to home affordability for new buyers. Construction spending remained robust, rising 0.3% in

December, and single-family residential construction spending rising a massive 1.6%. Conference Board consumer confidence rose to 91.2 in February but remained below its levels from 2022 to 2024. Confidence continues to be weighed down concerns about inflation and the labor market as continued uncertainty about technological change and volatile U.S. policy weighs on respondent sentiment.

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Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Factory Orders (Dec – Mon 10:00)	-0.7%	+0.9%	
S&P Case-Shiller Home Price Index (Dec – Tue 09:00)	+1.4%	+1.4%	
Consumer Confidence (Feb – Tue 10:00)	91.2	86	
Wholesale Inventories (Dec – Tue 10:00)	+0.2%	+0.2%	
MBA Mortgage Applications Index (02/21 – Wed 07:00)	+0.4%	NA	
New Home Sales (Jan – Wed 10:00)	DELAYED	NA	
Initial Claims (02/21 – Thu 08:30)	212K	211K	
Continuing Claims (02/14 – Thu 08:30)	1,833K	NA	
PPI (Jan – Fri 08:30)	+0.5%	+0.3%	Core PPI: +0.8%
Construction Spending (Dec – Fri 10:00)	+0.3%	+0.3%	
Next Week: Indicator	Consensus Expectation*	Prior	Comment
S&P Global U.S. Manufacturing PMI – Final (Feb – Mon 9:45)	NA	51.2	
ISM Manufacturing Index (Feb – Mon 10:00)	52.1%	52.6%	
MBA Mortgage Applications Index (02/28 – Wed 7:00)	NA	+0.4%	
ADP Employment Change (Feb – Wed 8:15)	42K	22K	
S&P Global U.S. Services PMI – Final (Feb – Wed 9:45)	NA	52.3	
ISM Non-Manufacturing Index (Feb – Wed 10:00)	53.9%	53.8%	
Productivity-Prel (Q4 – Thu 8:30)	+4.0%	+4.9%	
Unit Labor Costs-Prel (Q4 – Thu 8:30)	+0.2%	-1.9%	
Initial Claims (02/28 – Thu 8:30)	216K	212K	
Continuing Claims (02/21 – Thu 8:30)	NA	1,833K	
Import Prices (Jan – Thu 8:30)	NA	+0.1%	
Export Prices (Jan – Thu 8:30)	NA	+0.3%	
Nonfarm Payrolls (Feb – Fri 8:30)	60K	130K	
Nonfarm Private Payrolls (Feb – Fri 8:30)	78K	172K	
Unemployment Rate (Feb – Fri 8:30)	+4.3%	+4.3%	
Average Hourly Earnings (Feb – Fri 8:30)	+0.3%	+0.4%	
Average Workweek (Feb – Fri 8:30)	34.3	34.3	
Retail Sales (Jan – Fri 8:30)	-0.1%	+0.0%	
Business Inventories (Jan – Fri 10:00)	NA	NA	
Consumer Credit (Jan – Fri 15:00)	\$9.9B	\$24.0B	



## Economic Review

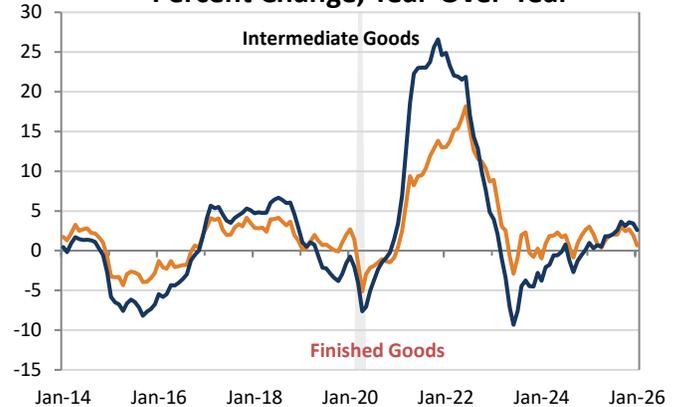
The PRODUCER PRICE INDEX (PPI) remained elevated in January, with the headline PPI increasing 0.5% month-over-month and the core PPI (excluding food and energy) accelerating to 0.8% month-over-month from 0.6% in December. Price increases were driven by service prices, which increased 0.8%; goods fell 0.3%. The PPI for trade services jumped 2.5% in January, suggesting supply chain pressures continue to weigh on prices. Sharp price increases include airline passenger services (+2.6%), portfolio management (+1.5%), and physician care (+0.8%), all of which go into the PCE price index, suggesting consumer inflation will likely be strong in January and complicating the Fed's rate cutting path.

CONSTRUCTION SPENDING increased 0.3% to a seasonally adjusted annual rate (SAAR) of \$2,168.8 billion in December; however, it decreased 0.4% year-over-year. Residential construction was mixed, with a 1.6% increase for single-family construction spending, but a modest 0.1% increase for multi-family construction spending. Nonresidential spending showed the continued impact of data center construction on the U.S. economy. Office spending, which includes data centers, increased

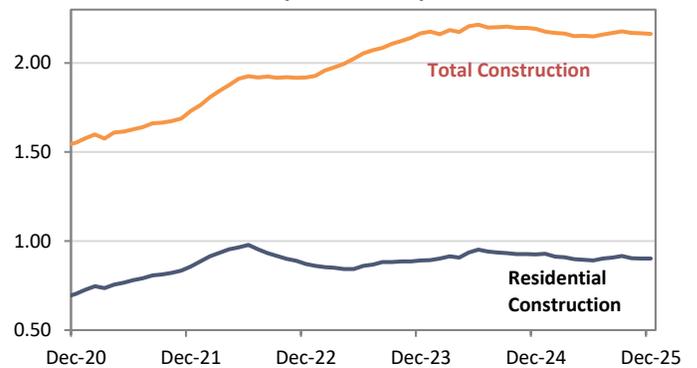
0.4% month-over-month and 2.4% year-over-year; power construction increased 0.8% month-over-month and 5.8% year-over-year; and water supply spending decreased 2.5% month-over-month but increased 8.1% year-over-year. Over the past five years, construction spending on office, power, and water supply has increased 20.7%, 38.6%, and 93.7%, respectively.

The Conference Board CONSUMER CONFIDENCE INDEX increased 2.2 points to 91.2 in February from 89.0 in January but remained well below its 2022 to 2024 levels. This increase was driven by the expectations index, which rose 4.8 points to 72.0 as consumers became slightly less pessimistic about future business conditions and job prospects. The present situation, however, continued to decline. Consumers generally saw less favorable business conditions with only 19.7% saying business conditions were good and 19.0% saying business conditions were bad (up from 17.3%). Additionally, labor market uncertainty continues to concern consumers, with the spread between respondents saying jobs were plentiful and those saying jobs were hard to get expanding to 7.4 percentage points in February from 6.8%.

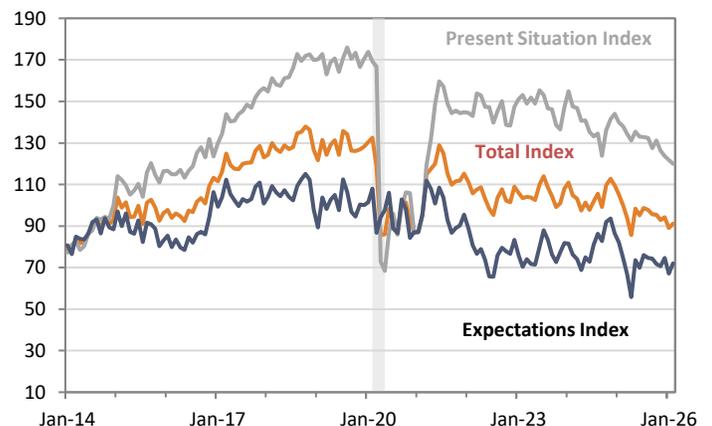
**Producer Price Index**  
Percent Change, Year-Over-Year



**Construction Spending**  
(\$ Trillions)



**Consumer Confidence**  
Index 1985 = 100





## Fed Speeches

At the National Association of Business Economics Annual Economic Policy conference, Chicago Fed President Austan Goolsbee discussed the U.S. economic outlook and challenges facing policymakers. In this speech, he argued the U.S. economy entered 2026 on solid footing, with consumer spending—not artificial intelligence investment—the primary engine of growth.

Real consumption grew at nearly a 3% annualized pace in the second half of 2025, supported by broad-based gains across income groups. Goolsbee pushed back on claims that growth has been narrowly driven by wealthy households or AI-related capital spending. While AI data center investment has drawn outsized attention, he noted that its net contribution to GDP growth this year was modest after accounting for import content, likely amounting to less than 0.2 percentage points.

The labor market, he argued, remains steady

despite weak headline payroll gains. With unemployment hovering around 4.2% for a year and layoffs subdued, Goolsbee said rate-based indicators point to balance rather than deterioration. Low hiring alongside low firing reflects elevated uncertainty, not imminent recession.

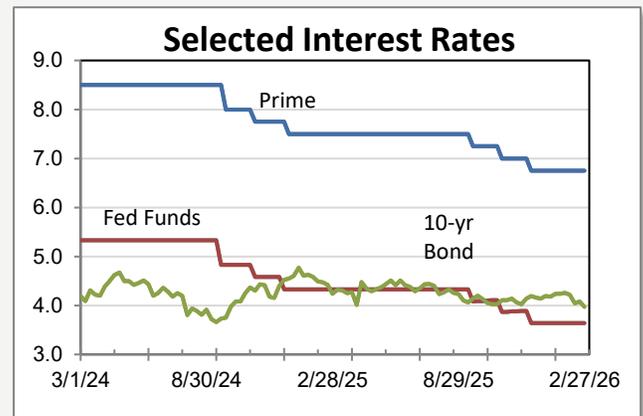
Inflation, however, remains the central challenge. Core PCE ran near 3% in 2025, with services ex-housing particularly sticky at 3.3%. Goods prices have also firmed, partly reflecting tariff pass-through.

*“Three percent inflation is not good enough, and it’s not what we promised when the Federal Reserve committed to the 2% target.”*

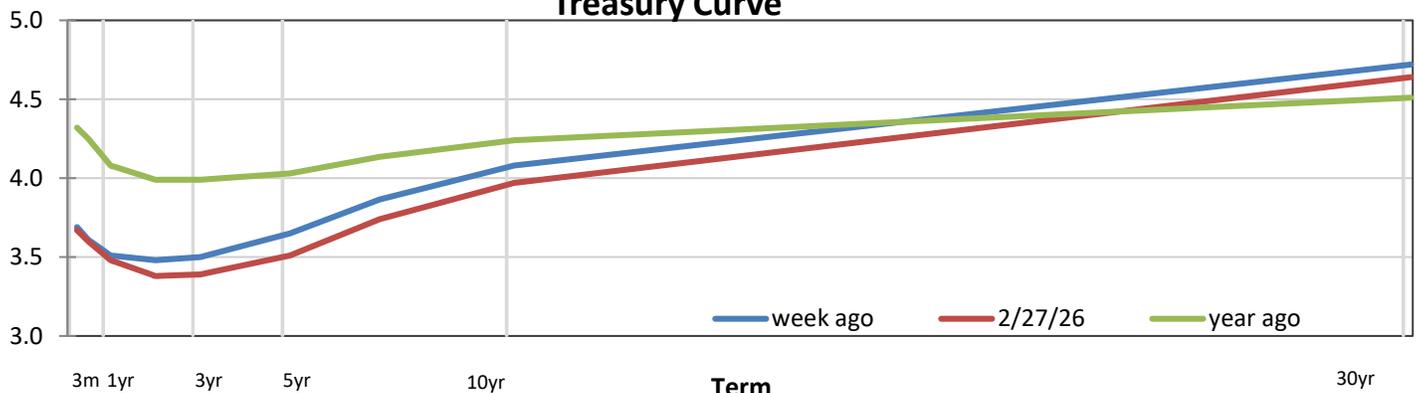
While Goolsbee said he remains open to additional rate cuts this year, he cautioned against front-loading easing before clearer evidence that inflation is returning sustainably to target.

## Financial Markets

Equities declined last week, with the DJIA down 1.3%, NASDAQ off 1.0%, and the S&P 500 down 0.4%. The NASDAQ is 3.4% lower than its value four weeks ago as continued concerns about AI disruptions weigh on software stocks. Additional market pressures from renewed tariff threats and geopolitical uncertainty encouraged a flight to safety, with investors sending bond yields lower across the board despite last week’s hot inflation read. The five-year yield is down 14 bp; the ten-year yield down 11 bp; and the two year yield is off 10 bp. Gold prices also rose due to the risk-off sentiment and geopolitical uncertainty and was up 3.7% last week; while elevated, the price remains below the highs reached during January. Oil prices have steadily climbed as tensions in the middle east raise concerns about future output and possible supply chain disruptions. WTI rose 1.1% this week to 67.21 per barrel and is up 15.8% over the past 13 weeks.



## Treasury Curve





## 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 <sup>st</sup> Qtr '26	6.75	3.64	3.66	3.60	3.52	4.18	4.82	6.08
2 <sup>nd</sup> Qtr	6.58	3.46	3.49	3.50	3.45	4.03	4.64	5.98
3 <sup>rd</sup> Qtr	6.50	3.38	3.40	3.45	3.44	3.93	4.47	5.93
4 <sup>th</sup> Qtr	6.25	3.13	3.15	3.21	3.30	3.80	4.28	5.79
1 <sup>st</sup> Qtr '27	6.08	2.96	2.98	3.06	3.18	3.73	4.22	5.70

March 2026

## FINANCIAL MARKET SUMMARY

	As of 02/27/26	As of 02/20/26	Weekly Change	4-Week Change	13-Week Change
<b>MONEY MARKETS (Changes in BPs)</b>					
Prime	6.75	6.75	0	0	(25)
Secured Overnight Financing Rate (SOFR)	3.67	3.67	0	2	(45)
Fed Funds (Wed close)	3.64	3.64	0	0	(25)
<b>TREASURIES (BE) (Changes in BPs)</b>					
3 Months	3.67	3.69	(2)	0	(21)
6 Months	3.60	3.61	(1)	(1)	(14)
1 Year	3.48	3.51	(3)	0	(13)
2 Years	3.38	3.48	(10)	(14)	(9)
5 Years	3.51	3.65	(14)	(28)	(8)
10 Years	3.97	4.08	(11)	(29)	(5)
30 Years	4.64	4.72	(8)	(23)	(3)
<b>MUNICIPALS- AAA G.O. &amp; Mortgage (Changes in BPs)</b>					
2-Year Muni	2.03	2.06	(3)	(19)	(44)
5-Year Muni	2.09	2.11	(2)	(15)	(32)
10-Year Muni	2.49	2.51	(2)	25	(25)
30-Year Muni	4.10	4.14	(4)	(11)	(1)
30-Year Conventional Mortgage	5.98	6.01	(3)	(12)	(25)
<b>MARKET INDICATORS (Changes in %)</b>					
DJIA	48,977.92	49,625.97	(1.3)	0.2	2.6
S&P 500	6,878.88	6,909.51	(0.4)	(0.9)	0.4
NASDAQ	22,668.21	22,886.07	(1.0)	(3.4)	(3.0)
CRB Futures	394.20	391.84	0.6	(2.0)	4.7
Oil (WTI Crude)	67.21	66.48	1.1	9.6	15.8
Gold	5,298.20	5,107.45	3.7	8.3	24.5
Yen / Dollar	156.05	155.05	0.6	0.2	(0.2)
Dollar / Euro	1.18	1.18	0.2	(0.3)	1.8



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