

Hot inflation data and consolidation efforts lead to losses

The major indices settled with relatively modest declines this week.



The Dow Jones Industrial Average was unchanged from the prior week, the S&P 500 declined just 0.1%, and the Nasdaq Composite logged a 0.7% loss. Meanwhile, the Russell 2000 underperformed, dropping 2.1%.

Market participants received two inflation readings suggesting price pressures remain stubborn. Both the Consumer Price Index (CPI) and Producer Price Index (PPI) for February came in hotter than expected, but stocks seemed to large take this in stride.

The S&P 500 even reached a new record high on Tuesday following the hot CPI reading. This report didn't spook the market due to the notion that the largest factor in the increase -- the index

for shelter -- will lessen in coming months.

The relatively muted response in the stock market was due also to the notion that the Fed's policy decision on Wednesday may provide more clarity on how these reports factor into the Fed's thinking.

The Treasury market had a more pronounced response to the data. The 10-yr note yield jumped 21 basis points this week to 4.30% and the 2-yr note yield settled 23 basis points higher at 4.72%.

Other data this week included a February retail sales report that was a bit weaker than expected but still up nicely versus the prior month, and some initial and continuing jobless claims data that reflected ongoing strength in the labor market.

The modestly negative bias in the stock market was also related to a growing sense among some participants that stocks are due for a pullback.

Six of the 11 S&P 500 sectors logged declines. The rate-sensitive real estate sector was the worst performer by a decent margin, dropping 3.1%. The consumer discretionary sector was the next worst performer, declining 1.2%. Meanwhile, the energy sector saw the largest gain, jumping 3.7% and the materials sector registered a 1.5% gain.

- S&P 500: -0.1% for the week / +7.3% YTD
- Nasdaq Composite: -0.7% for the week / +6.4% YTD
- S&P Midcap 400: +1.0% for the week / +5.1% YTD
- Dow Jones Industrial Average: UNCH for the week / +2.7% YTD
- Russell 2000: -2.1% for the week / +0.6% YTD

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