

Mega Caps Support Index Gains

The major equity indices logged gains this week. Upside moves were supported by solid buying in the mega cap space.



The market-cap weighted S&P 500 jumped 1.5%.

The outperformance of mega cap shares was also apparent in S&P 500 sector performance. The information technology sector was the top performer by a decent margin, jumping 3.8%, followed by communication services (+2.0%). Both of which contain mega cap constituents.

Market participants were dealing with a lot of economic data, news about tariffs, and commentary from Fed Chair Powell.

Fed Chair Powell's semiannual testimony before Congress was this week and didn't feature any big surprises. He again said that there is no hurry to adjust the policy stance, repeating comments made

at the conclusion of the January FOMC policy meeting.

On the tariff front, President Trump imposed 25% tariffs on steel and aluminum, which will go into effect on March 12 with Australia potentially receiving an exemption.

Also, President Trump's reciprocal tariff plan was seen as less economically provocative as feared. To wit, the tariffs won't be applied until April 1 at the earliest, and at that time will be applied on a case-by-case basis.

Economic releases were mixed:

The New York Fed's January Survey of Consumer Expectations showed one-year ahead inflation expectations unchanged at 3.0% (versus Friday's release of the February Univ. of Michigan Consumer Sentiment Index, which showed year-ahead inflation expectations surging from 3.3% to 4.3%).

Total CPI was up 0.5% month-over-month and 3.0% year-over-year (versus 2.9% in December) while core CPI, which excludes food and energy, was up 0.4% month-over-month and 3.3% year-over-year (versus 3.2% in December), which created more angst about inflation not making it back to the Fed's 2.0% target and the Fed itself not making its way back to cutting rates anytime soon.

The January PPI report was greeted with some relief on the basis that it should help keep the PCE Price Index (the Fed's preferred inflation gauge) in check after various components in the PPI report, like airfares and physician care, showed month-over-month declines.

The retail sales report for January was noticeably weak and the industrial production report for January showed growth without any help from manufacturing or mining output (i.e., cold weather drove a spike in the output of utilities, which was cranking to meet demand for heat).

Treasuries settled with modest gains. The 10-yr yield was one basis point lower than last Friday at 4.48% and the 2-yr yield dropped three basis points this week to 4.26%.

Dow Jones Industrial Average: +0.6% for the week / +4.7% YTD

S&P Midcap 400: -0.3% for the week / +2.5% YTD

S&P 500: +1.5% for the week / +4.0% YTD

Russell 2000: UNCH for the week / +2.2% YTD

Nasdaq Composite: +2.6% for the week / +3.7% YTD

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