

Summary

Economic data for the week included consumer price inflation coming in moderate to slightly higher. Housing data improved, with gains in both existing home sales and housing starts. However, prior quarter GDP was revised down sharply, to below 1%.

Equities fell back around the world, as the Middle East conflict and inflation fears weighed on sentiment, especially abroad. Bonds also declined along with rising yields. Commodities continued to be dominated by volatility in oil prices, which reached near \$100/barrel, due to the conflict.

Economic Notes

(-) The second edition of 4th quarter 2025 **GDP** was revised down from 1.4% to 0.7%, well below expectations for no change. The reduction was largely brought about by downward revisions for personal consumption (down from 2.4% to 2.0%) and net exports, the latter of which can be largely self-correcting quarter to quarter, and likely to remain volatile with tariffs now being overturned by the Supreme Court, others being added, but also potential rebate activity. Within personal consumption, health care spending dropped by most, by nearly -3% to 3%, while other weakness was related to the government shutdown and already noted in the first edition of the report. The GDP deflator was revised up by 0.17% to an annualized rate of 3.78% for Q4, which brought the year-over-year inflation measure up by a few basis points to 3.27%.

(0) **Personal income** for January rose by 0.4%, a tenth below expectations, but a tenth stronger than the prior month. **Personal spending** rose a similar 0.4%, but a tenth above expectations, led by a rise in real services spending, while real goods spending declined. For the past year, personal income is up over 4%, while spending has risen over 5%, more so for services than goods. The personal saving rate rose by 0.5% to 4.5% for the month. **PCE inflation** rose 0.3% on a headline level, while core PCE, removing food and energy prices, rose 0.4%, both being on par with expectations. Year-over-year, the headline PCE index decelerated a tenth to a rounded 2.8%, while core PCE ticked up by 0.2% to 3.1%.

(0) The **Consumer Price Index** for February rose 0.3%, up a tenth from the prior month, while core CPI, ex-food and energy, rose 0.2%, which was down a tenth. These were both largely as expected. The headline segment was dominated by a ramp-up in both energy (0.6%) and food (0.4%) prices. The core side was led by gains in medical care services (0.6%), apparel (1.3%), household furnishings/operations (0.3%), airline fares (1.4%), and education (0.2%). Shelter costs rose only 0.2%, continuing a stretch of deceleration, as home prices and rents have flattened out. On the other hand, declining prices were seen in communication (-0.5%), used cars/trucks (-0.4%), and auto insurance (-0.3%).

Year-over-year, seasonally unadjusted headline CPI came in at 2.4%, while core CPI rose 2.5%, which were little-changed from the prior month on a rounded basis. Underlying components showed a decent degree of variation for the year, as energy commodity prices fell -5%, including gasoline, while electricity and gas utility costs rose 5-10%, which was no doubt related to greater AI buildout. Shelter rose at a 3%

rate, while areas like hospital services, auto repair, and airline fares continued to run at a 5%+ growth rate. However, the alternative core measure of “All items less food, shelter, and energy” gained only 2.1% for the year, showing progress.

Inflation readings have formally continued to improve, with more recent concerns obviously focused on the war in Iran, sharp price spikes for crude oil, natural gas, and derivatives. These are bound to make their way into consumer prices, assuming the spike lasts long enough to make a dent into input costs—which gets to the core of why financial markets are hyper-focused on day-to-day events in Iran.

(0) **Durable goods orders** for January were unchanged in January, despite expectations of a 1.1% increase. Removing transportation boosted that to a 0.4% gain, due to a drop of -1% as defense aircraft fell by -24% in the month, as a lumpy contributor. Core capital goods orders were unchanged as well, falling below the 0.5% forecast. Orders were led by gains in primary metals, computers/electronics, and fabricated metals (all up around 1%), while electrical equipment fell back. Core capital goods shipments fell by -0.1% for the month. Over the past year, total durable goods rose by 10%, while removing transportation (which rose 20%) reduced that to 6%, so decent real growth after inflation was considered. Unsurprisingly, strength has been in the areas of defense and computer infrastructure, which is part of the AI build-out.

(+) **Existing home sales** rose by 1.7% in February to a seasonally-adjusted annualized pace of 4.09 mil. units, which surpassed the median forecast calling for a decline of -0.8%, in addition to a revision upward for the prior month. Sales rose by over 2% for single-family homes, but fell by over -5% for condos/cop-ops. By region, sales rose 8% in the West to lead the way, while they declined -6% in the Northeast, which appeared to be weather-related. Nationally, sales remained down -1.4% over the past year. Inventories remain tight, at 3.8, remaining below the 5.0 months' supply regular long-term baseline. The median existing home price rose nearly a percent for the month to \$398,000, representing a small gain of 0.3% over the past year. Per the NAR, which tends to have a bias towards the more optimistic side, housing affordability was noted as “improving,” and “consumers are responding,” as the average 30-year Freddie Mac mortgage rate falling to 6.05% in February, down over -0.80% over the past year. Inventory was described as “growing, but sluggishly,” with overall activity still well below pre-pandemic levels.

(+) **Housing starts** rose by 7.2% in January to a seasonally-adjusted annualized pace of 1.487 mil. units, far better than the -4.5% decline expected. Multi-family starts represented the only source of gains, up 30%, while single-family starts fell by -3%, some of which were likely holiday- and weather-related. Regionally, the Northeast rising 47% overwhelmed all others, with the Midwest lagging, down -11%. For the past year, national total starts rose 9.5%, also led by multi-family, up 54%, while single-family fell by over -6%. **Building permits** fell by -5.4% for the month to a seasonally-adjusted annualized rate of 1.376 mil. units, a bit worse than expectations of -2.1%, with single-family down -1% and multi-family down -12%. Total permits fell -6% over the past year.

(-/0) The preliminary March **Univ. of Michigan index of consumer sentiment** showed a decline of -1.1 point to 55.5, but stayed above expectations calling for 54.8. While assessments of present conditions

rose by a point, expectations for the future fell by over -2 points. Inflation expectations for the coming year were steady at 3.4%, while those for the next 5-10 years fell a tenth to 3.2%. Survey interviews were conducted over a span which included the start of U.S.-Iran hostilities, with the sponsor noting that interviews prior “showed an improvement in sentiment from last month,” while post-military action “completely erased those initial gains.” Unsurprisingly, inflation expectations also ramped up after the related spike in oil prices.

(+) **JOLTS** job openings for January rose by 396k to 6.946 mil., surpassing the 6.750 mil. expected. Gains were led by finance/insurance (184k) and health care (150k), while declines were the most significant in professional/business services (-190k). The job openings rate rose by 0.2% to 4.2%, while the hiring rate was unchanged at 3.3%. On the departure side, the layoff rate fell by a tenth to 1.0%, while the quits rate was unchanged at 2.0%. This report ran somewhat counter to a narrative of labor weakness, although openings are far less sticky than actual employment.

(0) **Initial jobless claims** for the Mar. 7 ending week fell back by -1k to 213k, below the 215k median forecast. Continuing claims for the Feb. 28 week fell by -21k to 1.850 mil., almost matching the 1.849 mil. expected. Layoffs overall remain low, with little change recently, along with some likely fading weather-related effects.

Market Notes

Period ending 3/13/2026	1 Week %	YTD %
DJIA	-1.91	-2.75
S&P 500	-1.56	-2.86
NASDAQ	-1.23	-4.77
Russell 2000	-1.75	0.14
MSCI-EAFE	-2.02	0.61
MSCI-EM	-1.96	4.84
Bloomberg U.S. Aggregate	-0.92	-0.16

U.S. Treasury Yields	3 Mo.	2 Yr.	5 Yr.	10 Yr.	30 Yr.
12/31/2025	3.67	3.47	3.73	4.18	4.84
3/6/2026	3.69	3.56	3.72	4.15	4.77
3/13/2026	3.72	3.73	3.87	4.28	4.90

U.S. stocks fell for the third straight week, continuing to be negatively influenced by the U.S.-Israel-Iran conflict, which continued into another week with little sign of a clear end point. Economic data was also mixed, with inflation remaining sticky aside from expectations higher due to this month’s oil price spike, in addition to some headline concerns in private credit and trade policy/tariffs, although those appeared to be on the back burner. By sector, energy stocks led the way, up 2% along with oil prices rising, followed by utilities, as investors looked for safe havens. Lagging the most were more cyclical assets, including

financials, consumer discretionary, and industrials, all of which were down -3% or more for the week, as these were deemed most exposed to potential economic weakness looking ahead.

Foreign stocks fared similarly poor to a bit worse, at least for U.S. investors, due the headwind of a stronger U.S. dollar for the week. Emerging markets outperformed developed, with Europe and Japan being in the crosshairs of the most dramatic impact from higher Middle East oil prices and more difficult transportation, with the U.S. now being more self-sufficient on the energy side. Chinese stocks were one of the few positive-returning areas last week, with stronger export growth. The Chinese National People's Congress meetings last week had been working on how to sustain the post-pandemic economic recovery, while addressing problems such as property markets, tariffs from the U.S., and weak domestic spending, all while also attempting to avoid additional expensive stimulus payments.

Bond prices fell back again, as rising energy costs continued to raise concerns about higher upcoming inflation readings, pressuring yields higher. U.S. Treasuries outperformed investment-grade credit slightly, while floating rate bank loans represented the only segment with positive returns. International bonds were down across the board, not helped by a sharp rise in the dollar. Concern continues to fester in some corners of private credit markets, as the recent pullback in software-as-a-service tech companies due to competitive threats from AI has drifted into greater uncertainty for the value of underlying loan collateral.

Commodities experienced another strong week, led by energy, while metals prices fell back. Gold prices served as less of a safe haven with inflation expectations rising, coupled to a strong dollar and rising Treasury yields. Crude oil prices rose another 8% last week to \$98/barrel, bringing the month-to-date rise to a dramatic 47%. On Wednesday morning, the Group of Seven released a total of 400 mil. barrels from their strategic petroleum reserves (of the 1.8 bil. held by government and commercial reserves). This was the largest announced draw ever, in efforts to stabilize the conflict-driven price spike as vessels continue to be struck in the Strait of Hormuz. While prices fell just after, the realization that the conflict could last for longer than thought pushed oil prices higher again. More dramatic estimates for a worst-case oil spike remain somewhere around \$150/barrel, which would seemingly require a closed Strait of Hormuz for up to several months and/or damage to production elsewhere. At the same time, prices that rise too high for comfort eventually have tended to result in demand destruction along with other more severe economic effects.

Have a good week.

Ryan M. Long, CFA
Palouse Capital Management

Pending as of this month, the FocusPoint Solutions investment division is being rebranded under the affiliated firm Palouse Capital Management, as part of the merger with Wealth Enhancement Group. The decades-long investment philosophy, process, and strategies remain unchanged.

Sources: Palouse Capital Management, American Association for Individual Investors (AAII), Associated Press, Barclays Capital, Bloomberg, Citigroup, Deutsche Bank, FactSet, Financial Times, First Trust, Goldman Sachs, Invesco, JPMorgan Asset Management, Marketfield Asset Management, Morgan Stanley, MSCI, Morningstar, Northern Trust, PIMCO, Standard & Poor's, StockCharts.com, The Conference Board, Thomson Reuters, T. Rowe Price, Univ. of Michigan, U.S. Bureau of Economic Analysis, U.S. Federal Reserve, Wall Street Journal, The Washington Post. Index performance is shown as total return, which includes dividends. Performance for the MSCI-EAFE and MSCI-EM indexes is quoted in U.S. Dollar investor terms.

Notes key: (+) positive/encouraging development, (0) neutral/inconclusive/no net effect, (-) negative/discouraging development.

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Kevin Canterbury – Managing Director

kevin@redstonecapitalmanagement.com Direct: 480 685 2931