



STILES FINANCIAL SERVICES
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Stiles Financial Services, Inc
Susan Stiles, CFP®, ChFC®, AIF®, CPFA
7505 Metro Boulevard
Suite 510
Edina, MN 55439
952-988-0452
866-401-7374
info@stilesfinancial.com
stilesfinancial.com



Market Week: February 21, 2023

The Markets (as of market close February 17, 2023)

Investors spent much of last week contemplating the impact of the latest inflation data and favorable economic reports. Consumer prices, producer prices, and export prices rose in January, while retail sales also increased, all of which could prompt more interest-rate hikes from the Federal Reserve. In addition, crude oil prices fell more than 4.0% last week as supplies are plentiful, and rising interest rates could stymie economic growth and slow demand for oil. Stocks ended last week mixed, with the Dow and the S&P 500 slipping lower, while the Russell 2000, the Nasdaq, and the Global Dow edged higher. Ten-year Treasury yields rose by 8.0 basis points. The dollar increased against a basket of currencies, while gold prices fell 1.25%.

Last week began on a high note, as stocks finished higher ahead of the upcoming inflation data. Investors also may have sought some bargains following the previous week's lackluster results. In any case, each of the benchmark indexes listed here posted solid gains, led by the Nasdaq, which rose 1.5%. The Russell 2000 gained 1.2%, followed by the S&P 500 and the Dow at 1.1%, while the Global Dow added 0.7%. Ten-year Treasury yields dipped to 3.71%. Crude oil prices slid 0.6% to \$79.26 per barrel. The dollar and gold prices also ended the day lower.

Investors weren't sure what to make of the latest Consumer Price Index (see below), sending stocks on a topsy turvy ride for most of the day last Tuesday, ultimately closing with mixed results. The Dow (-0.5%) and the Russell 2000 (-0.1%) ended lower, the S&P 500 broke even, while the Nasdaq (0.6%) and the Global Dow (0.2%) finished the day higher. Ten-year Treasury yields climbed higher, reaching 3.76%. Crude oil prices fell for the second straight day, ending at about \$79.11 per barrel. The dollar dipped, while gold prices advanced marginally.

A strong retail sales report (see below) helped drive stocks higher last Wednesday. Among the benchmark indexes listed here, the Russell 2000 led the advance, gaining 1.0%, followed by the Nasdaq (0.9%), the S&P 500 (0.3%), and the Dow (0.1%). The Global Dow was flat on the day. Ten-year Treasury yields continued to climb higher, adding 4.8 basis points to close at 3.80%. The dollar rose 0.6%, while gold prices slid nearly 1.0%. Crude oil prices dipped \$0.41 to close at about \$78.65 per barrel.

Stocks suffered their worst performance in a month last Thursday following a "hot" Producer Price Index (see below), which fueled worries of more interest-rate hikes. The Nasdaq (-1.8%), the S&P 500 (-1.4%), the Dow (-1.3%), and the Russell 2000 (-1.0%) fell by at least 1.0%, while the Global Dow slid 0.2%. Ten-year Treasury yields climbed to 3.84%. The dollar and gold prices advanced. Crude oil prices continued to tumble, falling \$0.53 to \$78.06 per barrel.

The Dow (0.4%) and the Russell 2000 (0.2%) eked out gains last Friday, while the Nasdaq (-0.6%), the S&P 500 (-0.3%), and the Global Dow (-0.1%) declined. The yield on 10-year Treasuries slipped 1.5 basis points to close the day and the week at 3.82%. Crude oil prices dropped 2.75% to about \$76.28 per barrel. The dollar and gold prices moved marginally higher.





Key Dates/Data Releases

2/21: Existing home sales

2/23: GDP

2/24: New home sales, personal income and outlays


Stock Market Indexes

Market/Index	2022 Close	Prior Week	As of 2/17	Weekly Change	YTD Change
DJIA	33,147.25	33,869.27	33,826.69	-0.13%	2.05%
Nasdaq	10,466.48	11,718.12	11,787.27	0.59%	12.62%
S&P 500	3,839.50	4,090.46	4,079.09	-0.28%	6.24%
Russell 2000	1,761.25	1,918.81	1,946.36	1.44%	10.51%
Global Dow	3,702.71	3,959.77	3,978.16	0.46%	7.44%
Fed. Funds target rate	4.25%-4.50%	4.50%-4.75%	4.50%-4.75%	0 bps	25 bps
10-year Treasuries	3.87%	3.74%	3.82%	8 bps	-5 bps
US Dollar-DXY	103.48	103.58	103.89	0.30%	0.40%
Crude Oil-CL=F	\$80.41	\$79.83	\$76.28	-4.45%	-5.14%
Gold-GC=F	\$1,829.70	\$1,875.20	\$1,851.80	-1.25%	1.21%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- The Consumer Price Index rose 0.5% in January after increasing 0.1% in December. Despite the January jump, prices actually declined for the 12 months ended in January, falling 0.1 percentage point to 6.4%. This was the smallest 12-month increase since the period ended October 2021. Housing costs drove inflation higher last month, with shelter prices advancing 0.7%, accounting for nearly half of the overall CPI increase. Prices for food rose 0.5%, while energy prices rebounded, climbing 2.0%. Core prices, less food and energy, rose 0.4% last month and 5.6% for the last 12 months ended in January, the smallest 12-month increase since December 2021. This report, coupled with last month's robust jobs data, will likely support more interest-rate increases by the Federal Reserve.
- Prices producers received for goods and services were higher than expected in January. The Producer Price Index increased 0.7% last month after falling 0.2% in December. The January increase was the highest since June 2022. The PPI rose 6.0% for the 12 months ended in January. Last month, prices for goods increased 1.2%, while prices for services rose 0.4%. In January, food prices fell 1.0% but are up 11.6% over the last 12 months. Energy prices rebounded from a December swoon (-6.7%), increasing 5.0% in January. Producer prices, less foods, energy, and trade services, rose 0.6% in January, the largest advance since March 2022.
- Retail sales increased 3.0% in January after decreasing 1.1% in December. Retail sales advanced 6.4% from January 2022. Retail trade sales advanced 2.3% last month and 3.9% for the 12 months ended in January. Helping to drive retail sales in January was a 6.4% increase in sales of automobiles and other motor vehicles. Department store sales jumped 17.5% last month, food services and drinking places sales rose 7.2%, while internet sales climbed 1.3%.
- Import prices fell 0.2% in January, following a 0.1% (revised) decline in December. In contrast, export prices rose 0.8% last month after falling 3.2% in December. Despite the recent declines, import prices advanced 0.8% over the past year. The 12-month increase in January was the smallest over-the-year rise since import prices fell 0.3% from December 2019 to December 2020. Import fuel prices dropped 4.9% in January, while nonfuel import prices increased 0.3%. The January increase in export prices was the first monthly advance since June 2022. Agricultural export prices fell 0.2% last month, while nonagricultural export prices increased 0.8%.
- The number of residential building permits issued in January rose 0.1% over December's total but were 27.3% below the January 2022 rate. Single-family residential building permits issued in January slid 1.8% from the previous month. Last month, housing starts fell 4.5% from the December total and 21.4% under the January 2022 figure. Single-family housing starts in January were 4.3% under the December total. Housing completions rose 1.0% in January from the December rate and 12.8% above the January 2022 figure. Single-family housing completions in January were 4.4% over the December total.
- Industrial production was unchanged in January after falling 0.6% and 1.0% in November and December, respectively. In January, manufacturing output moved up 1.0% and mining output rose 2.0%, following two months with substantial decreases for each sector. Utilities were a drag on industrial production, falling 9.9% in January as unseasonably warm weather in January depressed the demand



for heating. Total industrial production in January was 0.8% above its pace from a year earlier.

- Average regular retail gas prices slid lower for the second consecutive week, according to the U.S. Energy Information Administration. The national average retail price for regular gasoline was \$3.390 per gallon on February 12, \$0.054 per gallon less than the prior week's price and \$0.097 less than a year ago. Also, as of February 13, the East Coast price decreased \$0.067 to \$3.339 per gallon; the Gulf Coast price dipped \$0.074 to \$3.018 per gallon; the Midwest price fell \$0.061 to \$3.236 per gallon; the West Coast price decreased \$0.001 to \$4.106 per gallon; and the Rocky Mountain price increased \$0.071 to \$3.765 per gallon. Residential heating oil prices averaged \$4.390 per gallon on February 13, \$0.073 below the previous week's price but \$0.434 per gallon more than a year ago.
- For the week ended February 11, there were 194,000 new claims for unemployment insurance, a decrease of 1,000 from the previous week's level, which was revised down by 1,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended February 4 was 1.2%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended February 4 was 1,696,000, an increase of 16,000 from the previous week's level, which was revised down by 8,000. States and territories with the highest insured unemployment rates for the week ended January 28 were New Jersey (2.6%), Rhode Island (2.5%), California (2.3%), Minnesota (2.3%), Alaska (2.2%), Massachusetts (2.2%), Montana (2.1%), Illinois (2.0%), Puerto Rico (2.0%), Connecticut (1.9%), and New York (1.9%). The largest increases in initial claims for unemployment insurance for the week ended February 4 were in California (+6,820), Ohio (+3,528), Illinois (+1,533), Kansas (+611), and Florida (+568), while the largest decreases were in Georgia (-1,463), New Jersey (-1,291), Texas (-859), Oregon (-692), and Arkansas (-632).

Eye on the Week Ahead

The second estimate of the fourth-quarter gross domestic product is available this week. The initial estimate, based on incomplete data, showed that the economy expanded at a rate of 2.9%. The January figures on sales of new and existing homes are also out this week. Existing home sales plunged 34.0% in 2022, while sales of new, single-family homes fell 26.6%. The report on personal income and outlays for January is released at the end of this week. Consumer spending slipped in December, while prices for goods and services decreased 0.2%, an indication of waning inflationary pressures. Based on the CPI and PPI, it is expected that the personal consumption expenditures price index will show an increase in January.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.



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