



The Weekly Market Update – 2/17/26: Noisy Jobs Data Turns Positive, Inflation Recedes

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,836.17	-1.39%	-0.14%	-0.14%	13.17%	6,978.60	2.1%
Dow Jones Industrial Average	49,500.93	-1.23%	2.99%	2.99%	11.13%	50,188.14	1.4%
NASDAQ Composite	22,546.67	-2.10%	-2.99%	-2.99%	14.87%	23,958.47	6.3%
Russell 2000	2,646.70	-0.89%	6.64%	6.64%	15.69%	2,718.77	2.7%
MSCI EAFE (USD)	3,116.61	1.92%	7.74%	7.74%	30.96%	3,145.20	0.9%
MSCI Emerging Markets (USD)	1,555.12	3.24%	10.73%	10.73%	42.23%	1,570.44	1.0%
Bloomberg Commodity Index	117.35	-0.52%	6.98%	6.98%	14.72%	237.95	102.8%
Barclays U.S. Aggregate Bond	94.90	0.85%	0.88%	0.88%	4.63%	112.07	18.1%

Source: FactSet

U.S. jobs growth surged in January, and the unemployment rate moved lower, a good report that was offset by sharp downward revisions to previously reported jobs data in 2025. According to the Bureau of Labor Statistics (BLS), January nonfarm payrolls (jobs) increased by +130 thousand (K), the strongest monthly gain since late 2024, and well-above the +70K FactSet consensus estimate. The U.S. unemployment rate was 4.3%, down from 4.4% in December and 4.5% in November (2025), the lowest rate since August. Wages (as measured by average hourly earnings, or AHE) increased +3.7%, compared to +3.8% the prior month. The private economy jobs growth was even stronger because government jobs decreased -42K, so private nonfarm payrolls increased +172K. Private jobs gains were most pronounced in healthcare +82K, social assistance +42K, construction +33K, and restaurants and bars +28K. In addition to weakness in government employment, January jobs were weaker in financial activities -22K, information (technology) -12K, transportation -11K, and hotels -11K. Over the past year, since January 2025, federal government jobs decreased -324K. While this creates headwinds for total U.S. jobs growth, it can be a positive factor addressing federal budget deficit concerns. Despite those government layoffs, the unemployment rate has moved lower. We view the January jobs data positively, but investors' reaction was negative as the S&P 500 equity index declined -1.4% last week, including a drop of -1.5% from the employment report on Wednesday (2/11) through Friday. The tepid reaction is likely due to the negative revision to 2025 jobs reports following the BLS' annual recalibration. Prior to the revision, 2025 full-year nonfarm payrolls increased +584K (an average of +40K per month); BLS revised that to just +181K for the year (a monthly average of +15K). Such a low number, if it continues, is unlikely to sustain above-trend economic growth. However, when adjusting for the loss of federal government jobs in 2025, the monthly increase was +42K, and over the past three months (Nov. '25, Dec. '25, and Jan. '26), the monthly average was +73K. The recent trend is more important than the past year revisions and we believe that changes in U.S. immigration policy over the past year have created data collection challenges that can be resolved.

The consumer price index (CPI) showed solid year-over-year (Y/Y) improvement, but month-to-month (M/M) metrics were less positive. BLS data showed that January headline CPI increased +2.4%, down from +2.7% in December and the lowest level since May 2025 (8 months). Core CPI, which excludes food and energy prices, increased +2.5%, marginally below +2.6% in December but at the lowest level since March 2021 (nearly 5 years). Price pressure was more prevalent in core services (+2.9% Y/Y) than goods (+1.1%) with above-average increases in shelter and medical care. On a M/M basis, core CPI increased +0.3%, the highest since August 2025. The monthly uptick covered a broad range of service sectors and could feed higher inflation readings in the next couple of months. For now, inflation trends are positive, but the Federal Reserve Bank is likely to wait for more data before implementing new interest rate cuts.

After a long delay, we expect a key economic growth report for the fourth quarter (4Q25) at the end of the week. The Bureau of Economic Analysis (BEA) is scheduled to report 4Q25 U.S. gross domestic product (GDP) on 2/20/25, several weeks later than normal (due to the government shutdown in 4Q). The FactSet consensus estimate is for annualized inflation-adjusted growth of +1.8%, but monthly data already reported for consumer spending and business investment suggests potential upside to the estimate.

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The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Growth sectors are those that generally drive expected annual sales and earnings growth that exceed market and sector average. Value stocks will typically trade at valuation levels below peer group averages. Cyclical sectors tend to be more economically sensitive, with more volatility in sales and earnings growth when the economy is either decelerating or accelerating. Defensive sectors (which often include Consumer Staples, Health Care and Utilities) tend to outperform during periods of economic uncertainty or slow down, as many of the products and services in these sectors are essential in daily life and less impacted by economic swings. Both the S&P 500 Software sub-industry group and Semiconductors and Semiconductors Capital Equipment subgroup are part of the broader Information Technology sector. The subgroups are provided by S&P Global and MSCI.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric. Calculations on the percentage price change on indices is provided by FactSet.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work. One measure of wages, average hourly earnings (AHE), measures hourly earnings on a monthly basis. AHE in January 2026 was \$37.17, compared to \$35.84 in January 2025. The unemployment rate is the number of unemployed as a percentage of the labor force. People who have left a job and are not expected back and are no longer looking for a job, are not considered part of the eligible labor force. The unemployment rate can change both if people return to the eligible labor force, or if people are newly employed or newly unemployed. Many believe that changes in U.S. immigration policy (affectively, a closed southern border since February 2025) has contributed to lower monthly jobs increases over the past year. While the BLS does not check citizenship or immigration status of workers in its surveys, it does measure workers based upon birth place origin (native or foreign born). From January 2025 to January 2026, the number of native-born U.S. workers increased, while foreign-born workers decreased.

The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics. Core-CPI excludes price for food and energy and is useful as Federal Reserve interest rate policy is considered to have less of an impact on these two categories. Overall price changes are collected for thousands of data points and also reflected price changes for spending on both goods and services.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP. On 12/23/25, the BEA reported that 3Q25 GDP increased +4.4% annualized from the previous quarter. This was inflation-adjusted, or "real GDP".