

Consumers Continue to Struggle

Advance retail sales were mostly weaker than expected in February, continuing to indicate a pullback in consumption and overall economic growth to start the year. Headline retail sales, expected to bounce back after a weather-impacted January, climbed by just +0.2% in February, well below the +0.6% median forecast. The previously reported January sales decline was revised even lower, from -0.9% to -1.2%.

Weakness was broad-based as sales in seven of thirteen major categories were lower last month, most notably motor vehicles, gas stations, and restaurants and bars. Sales at non-store retailers (e-commerce) were the primary positive driver last month, adding +0.4 to the overall increase, while food services and drinking establishments subtracted -0.2.

Control group sales (which exclude sales at auto dealers, gasoline stations, building materials stores, and eating and drinking establishments) were actually up +1.0%. However, the increase was somewhat mitigated as the January control group number was revised downward from -0.8% to -1.0%. Because the control group feeds into the GDP calculation and January data was especially weak, the February increase will boost the real time GDP measure for the first quarter.

Before an expected upward revision later this morning, the Atlanta Fed's GDPNow was tracking Q1 growth at -2.4%. Although a negative GDP print is still very unlikely for the first quarter of 2025, it seems apparent that growth has slowed significantly.

In other news this morning, the Empire State Manufacturing Survey showed a sharp decline in factory activity in the New York region as well as an unwelcome rise in prices. The New York Fed's composite manufacturing index fell 26 points in March, to -20, the weakest in 14 months. At the same time, the prices paid index climbed to a two-year high as factory managers struggled to navigate the uncertain tariff environment.

The FOMC meets this week. Although interest rate policy will remain on hold Fed officials will release an updated summary of economic projections, including a fresh dot plot on Wednesday afternoon. The projections will provide committee members' insight on the evolving trade war and its impact on inflation and growth.

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Market Indications as of 9:26 A.M. Central Time

DOW	Up 173 to 41,661 (HIGH: 45,014)
NASDAQ	Down -4 to 17,750 (HIGH: 20,174)
S&P 500	Up 23 to 5,662 (HIGH: 6,144)
1-Yr T-bill	current yield 4.11%; opening yield 4.05%
2-Yr T-note	current yield 4.03%; opening yield 4.00%
3-Yr T-note	current yield 4.01%; opening yield 3.98%
5-Yr T-note	current yield 4.08%; opening yield 4.06%
10-Yr T-note	current yield 4.29%; opening yield 4.29%
30-Yr T-bond	current yield 4.59%; opening yield 4.60%

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