

Cold Weather and Empty Pockets Slow Spending in February

Retail Sales dropped -3.0% last month as consumers battled freezing temperatures and waited on the next round of stimulus checks. The only major spending category that showed an increase last month was gasoline station sales, which simply reflected the sharp rise in pump prices. The already impressive January gain was revised higher from +5.3% to +7.6%, which further exaggerated the month-over-month sales decline. *There was a lot of noise in the numbers.*

Bond prices are up slightly in early trading as investors think through the implications of this morning's report. February sales clearly disappointed, but the much larger stimulus checks deposited into accounts this week promise a significant reversal next month. At the end of the day, it'll be the taming of the virus and subsequent reopening of the service sector that will allow for organic spending to accelerate.

The Fed meets today and tomorrow. FOMC members will consider and likely look beyond today's weak numbers. It's become apparent that GDP will be much stronger in 2021 than most had imagined when the year began. Powell has acknowledged the improvement, shrugged off the possibility of overheating, and believes Fed policy is appropriate. Powell has repeatedly said any inflationary pressure that emerges later this year will be transitory. *Not everyone agrees with this.*

The Fed's accommodated stance isn't expected to change this year, although investors will pay particular attention to the updated "dot plot" charting future rate expectations of the various committee members. The last dot plot suggested the Fed would hold the overnight target steady for at least two more years. This outlook could shift tomorrow.

The FOMC will also consider several technical adjustments at this week's meeting. Market participants will be listening for word on how the Fed will address the possibility of short yields turning negative as T-bill supply dries up in the coming months.

Stocks opened mixed this morning with the DOW retreating a step after four days of progressively higher record highs, while the Nasdaq is adding to yesterday's gain.

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Market Indications as of 10:10 A.M. Central Time

DOW	Down 114 to 32,839 (HIGH: 32,953)
NASDAQ	UP 137 to 13,597 (HIGH: 14,095)
S&P 500	UP 7 to 3,976 (NEW HIGH)
1-Yr T-bill	current yield 0.07%; opening yield 0.07%
2-Yr T-note	current yield 0.15%; opening yield 0.15%
5-Yr T-note	current yield 0.81%; opening yield 0.83%
10-Yr T-note	current yield 1.60%; opening yield 1.61%
30-Yr T-bond	current yield 2.36%; opening yield 2.36%

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