

CAPITAL MARKETS REPORT - FEBRUARY 17, 2026



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SERVICE BEYOND COMPARISON

Inflation Moderates, Services Prices Remain Sticky

Labor Market Cools Without Sharp Deterioration

Fed Signals Rates Likely to Stay on Hold

Last week's inflation data indicated continued moderation in overall price pressures, particularly across goods categories where supply-chain normalization and softer consumer demand have helped ease costs. However, service sector inflation remains more persistent, reflecting ongoing wage pressures and structural factors in housing and labor-intensive areas. Federal Reserve officials acknowledged the improvement but, emphasized that inflation is still running above the 2% target. As a result, policymakers have reiterated that interest rates are likely to remain unchanged in the near term, preferring to see sustained and broad-based evidence of disinflation before considering any further policy adjustments.

Labor-market conditions continue to cool gradually rather than contract sharply. Job growth has slowed from the stronger pace seen in prior quarters, wage gains are moderating, and job openings have declined from peak levels. Even so, layoffs remain relatively contained and are rising only modestly, suggesting that labor demand is easing without widespread deterioration. This measured cooling supports the Federal Reserve's objective of reducing inflationary pressure while preserving overall economic stability, reinforcing expectations that policymakers can afford to remain patient.

Financial markets have largely aligned with expectations of a steady policy stance, with Treasury yields and equity markets showing measured reactions to recent economic data and central bank communications. Investors appear to be balancing signs of moderating inflation with uncertainties surrounding growth momentum and global conditions. Internationally, economic performance remains uneven, with slower growth in parts of Europe offset by more stable conditions in some Asian economies. Diverging central-bank policies and capricious geopolitical developments continue to influence currency and commodity markets, contributing to a cautious market environment as participants await clearer economic signals.

Market Last Week

	2/6/2026	2/13/2026	Weekly Change In Bps
2 yr. Note	3.50%	3.41%	-9
5 yr. Note	3.76%	3.60%	-16
10 yr. Note	4.21%	4.05%	-16
30 yr. Bond	4.85%	4.69%	-16
SOFR Rate	3.66529%	3.66406%	-0.123

Data This Week

Date/Time (ET)	Economic Data	Market Estimate	Prior Report
2/18/2026 7:00 AM	MBA Mortgage Applications (Feb 13)	--	-0.30%
2/18/2026 8:30 AM	Durable Goods Orders (Dec P)	-2.00%	5.30%
2/18/2026 8:30 AM	Housing Starts (Dec)	1300k	--
2/19/2026 8:30 AM	Philadelphia Fed Business Outlook (Feb)	8.00	12.60
2/19/2026 8:30 AM	Initial Jobless Claims (Feb 14)	224k	227k
2/20/2026 8:30 AM	Personal Income (Dec)	0.30%	0.30%
2/20/2026 8:30 AM	Personal Spending (Dec)	0.40%	0.50%
2/20/2026 8:30 AM	PCE Price Index YoY (Dec)	2.80%	2.80%
2/20/2026 8:30 AM	Core PCE Price Index YoY (Dec)	2.90%	2.80%
2/20/2026 8:30 AM	GDP Annualized QoQ (4Q 2025)	2.80%	4.40%
2/20/2026 10:00 AM	New Home Sales (Dec)	730k	--
2/20/2026 10:00 AM	U. of Mich. Sentiment (Feb F)	57.00	57.30