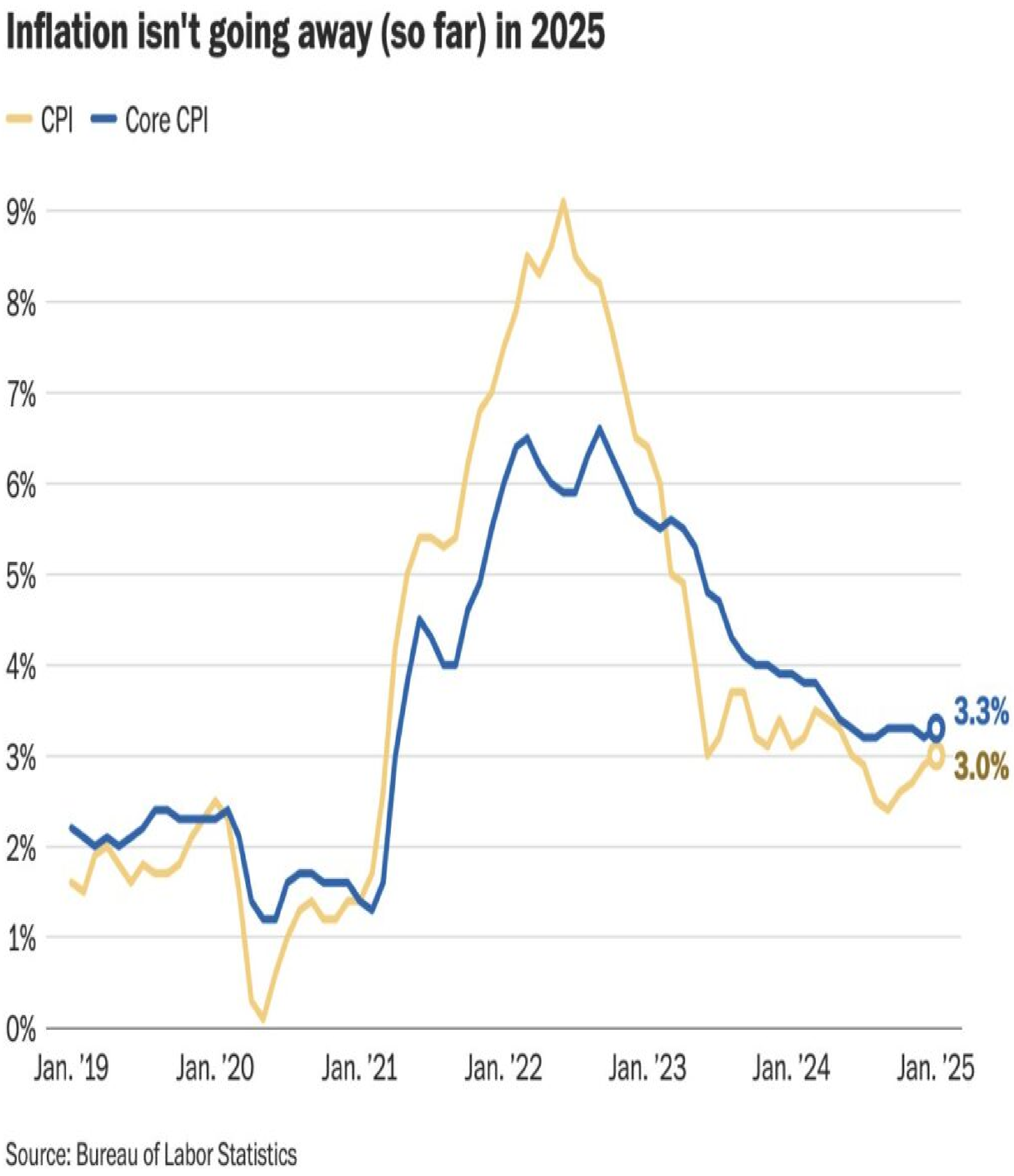
CPI Rose More Than Expected

The January CPI report was troubling as it rose more than expected. The monthly rate rose by 0.5%, about 0.2% above expectations. The core monthly rate was a tenth of a percent above expectations, at 0.4%. The year-over-year CPI rate rose to 3% from 2.9%. The latest CPI data argues inflation is stuck in a range above the Fed?s 2% target. Accordingly, we should assume that the Fed will almost certainly be on hold for quite a while. The market tends to agree with that assessment, pushing the next full rate cut out to December.

While the headlines are unequivocally bad, it is worth discussing a few details to illuminate the data more clearly.

- *Shelter costs accounted for 60% of the increase. While CPI shelter prices remain stubbornly high, they are known to lag market data. If we substitute CPI data with real-time market data, core and headline CPI is near 2% instead of 3.0/3.3%, respectively.*
- *This marks the third January in a row with higher-than-expected readings. For instance, transportation services added 1.4% versus 0.4% in December. This was led by motor vehicle insurance, which had a similar bump last January. Is there an inadequate seasonal adjustment?*
- *Could the threat of tariffs have pushed some to front-run tariffs? The ISM services survey noted this was occurring.*
- *While the monthly data is disappointing, the annual core rate (blue), as shown below, remains range-bound. CPI is rising but still well within the range of the last two years.*

One report doesn?t make a trend. The next couple of CPI reports will be very telling. Will the January trends persist, or might they be a one-off instance?



What To Watch Today

Earnings

Thursday Feb 13	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Applied Materials AMAT:US		2.28	2.13		7.15B	6.71B	$149.06B	Q1	PM
Palo Alto Networks PANW:US		0.78	1.46		2.24B	2B	$127.11B	Q2	PM
Deere & Company DE:US		3.12	6.23		7.7B	12.19B	$126.69B	Q1	AM
Moody's MCO:US		2.30	2.19		1.59B	1.5B	$91.67B	Q4	AM
Duke Energy DUK:US		1.68	1.51		7.7B	7.21B	$88.1B	Q4	PM
Airbnb ABNB:US		0.59	-0.55		2.43B	2.2B	$84.2B	Q4	PM
Motorola Solutions Msi MSI:U		3.88	3.9		2.99B	2.8B	$79.93B	Q4	PM
Zoetis ZTS:US		1.38	1.24		2.32B	2.2B	$78.29B	Q4	PM
Republic Services RSG:US		1.41	1.41		4.08B	3.83B	$69.57B	Q4	PM
Coinbase Global COIN:US		1.36	1.04		1.59B	953.8M	$68.94B	Q4	AM
Williams Companies WMB:US		0.47	0.48		2.73B	2.78B	$68.58B	Q4	PM
Digital Realty DLR:US		0.27	0.08		1.46B	1.4B	$55.43B	Q4	PM
American Electric Power AEF		1.25	1.23		4.87B	4.6B	$53.07B	Q4	PM
Howmet Aerospace HWM:US		0.72	0.53		1.88B	1.73B	$52.4B	Q4	PM
Datadog DDOG:US		0.43	0.44		714.24M	589.6M	$49.42B	Q4	AM
CBRE Group CBRE:US		2.22	1.38		10.24B	8.95B	$43.69B	Q4	PM
Alnylam Pharmaceuticals AL		-0.58	-0.77		580.61M	439.72M	$35.62B	Q4	AM
Consolidated Edison ED:US		0.9475	1.00		3.59B	3.44B	$33.83B	Q4	PM
Dexcom DXCM:US		0.52	0.50		1.1B	1.03B	$33.5B	Q4	AM
PG&E PCG:US		0.32	0.47		7.19B	7.04B	$32.71B	Q4	AM

Economy

Thursday February 13 2025			Actual	Previous	Consensus	Forecast
07:30 AM	US	PPI MoM JAN		0.2%	0.3%	0.3%
07:30 AM	US	Core PPI MoM JAN		0%	0.3%	0.1%
07:30 AM	US	Initial Jobless Claims FEB/08		219K	215K	215.0K
07:30 AM	US	Continuing Jobless Claims FEB/01		1886K	1880K	1875.0K
07:30 AM	US	Core PPI YoY JAN		3.5%	3.3%	3.5%
07:30 AM	US	Jobless Claims 4-week Average FEB/08		216.75K		216.0K
07:30 AM	US	PPI JAN		146.842		147.2
07:30 AM	US	PPI Ex Food, Energy and Trade MoM JAN		0.1%		0.2%
07:30 AM	US	PPI Ex Food, Energy and Trade YoY JAN		3.3%	3.2%	3.3%
07:30 AM	US	PPI YoY JAN		3.3%		3.4%
09:30 AM	US	EIA Natural Gas Stocks Change FEB/07		-174Bcf		
10:00 AM	US	Total Household Debt Q4		$17.9T		

Market Trading Update

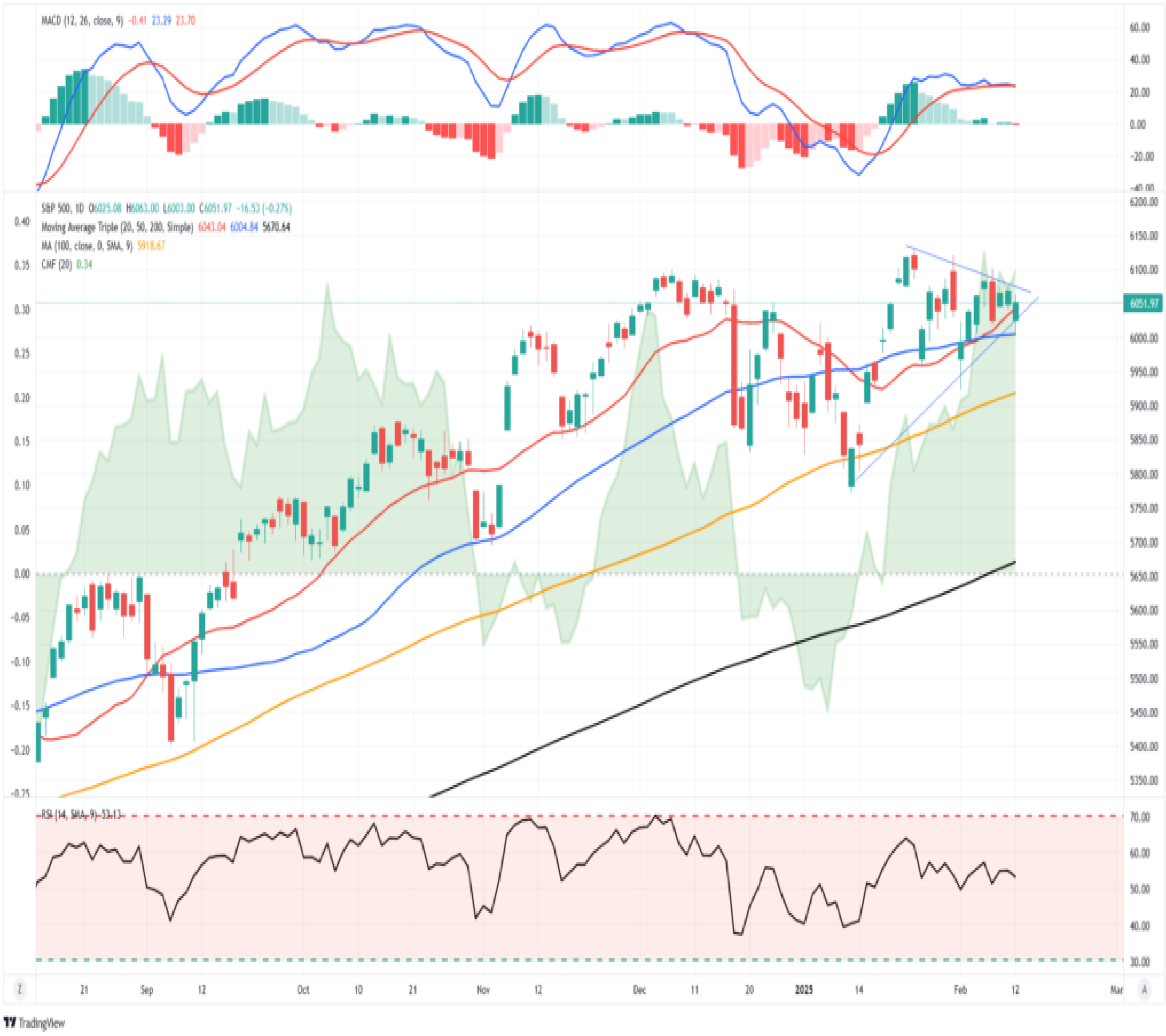
Yesterday, we noted that:

?Notably, consistent buying pressure has kept the MACD&#2013266080;?sell signal?&#2013266080;from triggering while money flows remain strongly positive. Sloppy trading keeps the market from getting short-term overbought; however, the compression in the current trading range sets the market up for a breakout. ***Today, all eyes will be focused on the CPI data. A cooler-than-expected report will send the market back to all-time highs. A hotter-than-expected report will trigger a sell signal and a break of support at the 50-DMA.?***

While the headline report did come in hotter-than-expected, an examination below the headlines showed that major components of CPI declined. As I noted yesterday morning on X:

> Today's #CPI headline surprise was brought to you by several short-term factors that will dissipate in the coming months. The energy price increase (3-mo lag) doesn't reflect the recent drop. Food prices (eggs) will moderate as the avian flu problem is resolved.
> The biggest part? pic.twitter.com/M0rF2G6Hy0
>
> ? Lance Roberts (@LanceRoberts) February 12, 2025

Not surprisingly, the market read through the report to see that short-term anomalies were responsible for the uptick, and the market rallied off of the 50-DMA support. Bonds also rallied back from their weak opening, and buyers continued to step in to buy assets. As of yesterday?s close, the market continues holding support at the 50- and 20-DMA, with positive money flows. Such keeps portfolios allocated at target weights until something changes.



Today, the market will digest the PPI report, likely showing that companies cannot pass on higher costs to consumers. However, it is essential to note that these monthly numbers are meaningless. Variations in the data do little to denote a significant change in the inflation trend, which continues to be lower this year.

Remain focused on what matters most: earnings, buybacks, and money flows.

META Is On A Historic Surge

Shares of META have been up 17 days in a row through Tuesday. For context on this historic winning streak, we lean on Michael Harris. Based on the data table below, courtesy of Richard Dale (@NorgateData), the maximum streak of consecutive gains for an S&P 500 stock is 19 days.

META has been up 17% during its winning streak. Moreover, it has risen sevenfold since late 2022 and almost 40% since the election. META is considered one of the biggest beneficiaries of the AI revolution.META recently laid off approximately 4000 employees but continues to spend significantly on innovation. Between optimism for its advertising revenue and an array of VR gear, Wall Street?s earnings estimates have steadily risen.

However, while the outlook looks strong, those with the most knowledge of the company are selling. Per MarketBeat:

> *Meta Platforms (NASDAQ:META) insiders are selling stock, and the data is worrisome. InsiderTrades tracks 56 trades in the 90 days leading into mid-February and 189 over the trailing twelve months, with activity ramping sequentially in 2024 and into Q1 of 2025.*
>
> *Among the most troubling details is that CEO Mark Zuckerberg leads the pack, having sold more than $2 billion and growing.*

Ticker	Name	Date/Time	# Cons. Up Days	% Return
CE-200402	Concord EFS Inc Common	3/9/1998	19	26.4
WLA-200006	Warner-Lambert Co Common	2/9/1972	18	11.6
MCO	Moody's Corp Common	9/21/2012	18	18.9
SRCL-202411	Stericycle Inc Common	1/25/2019	18	18.8
CE-200402	Concord EFS Inc Common	3/6/1998	18	23.3
DNRCQ-202009	Denbury Resources Inc Common	6/20/2005	18	29.1
NOW	ServiceNow Inc Common	1/26/2018	18	14.8
NOW	ServiceNow Inc Common	1/25/2018	17	11.6
META	Meta Platforms Inc Class A Common	2/11/2025	17	17.7
NYX-201311	NYSE Euronext Common	2/15/2013	17	12.7
O	Realty Income Corp Common	2/27/2014	17	12.3
CLF	Cleveland-Cliffs Inc Common	4/18/2002	17	39.2
DNRCQ-202009	Denbury Resources Inc Common	6/17/2005	17	27.5
CE-200402	Concord EFS Inc Common	3/5/1998	17	22.3
SRCL-202411	Stericycle Inc Common	1/24/2019	17	18.1
MCO	Moody's Corp Common	9/20/2012	17	17.8
MPC	Marathon Petroleum Corp Common	2/10/2015	17	33.0
WLA-200006	Warner-Lambert Co Common	2/8/1972	17	10.8
EVRG	Evergy Inc Common	1/30/2020	17	14.4
JEF	Jefferies Financial Group Inc Com...	10/25/2021	17	16.7

Growth And Value Are Not Mutually Exclusive

Might Nvidia and Tesla, with price-to-earnings ratios (P/E) nearly double and quadruple that of the S&P 500, respectively, be value stocks? Conversely, is it possible that Ford is not a value stock despite a P/E of 10, a price-to-sales ratio (P/S) of .20, and a 7.5% dividend yield? Based solely on that information, answering the question is impossible. Regardless, we bet most investors classify Nvidia and Tesla as growth stocks and Ford as a value stock.

This article introduces GARP- Growth at a Reasonable Price. **As we will detail, by introducing earnings growth expectations into traditional valuation equations, some value stocks may not be quite the gems investors think. Likewise, some growth stocks may be value stocks.** &#2013266080;

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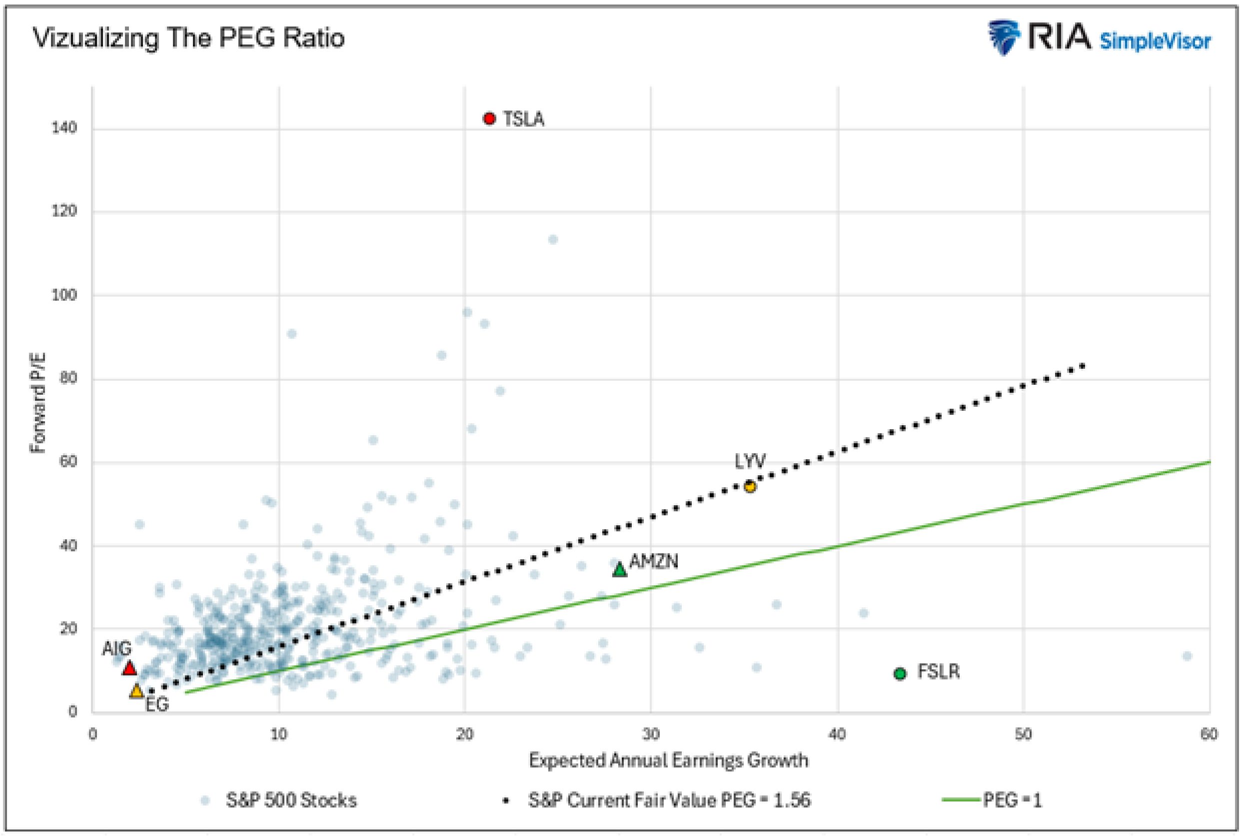

Tweet of the Day

Andreas Steno Larsen @AndreasSteno · 7m

Is the trade inflation market or @truflation right here?

One of the bigger trend discrepancies I have seen in a long while. The market is totally unprepared if inflation drops back in January/February.

?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.?](#)

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