

## MARKET HIGHLIGHTS

- Despite struggles among Big Tech and Magnificent 7 stocks early this year, overall equity markets remain resilient** with significantly improved breadth across large caps and outperforming small- and mid-cap stocks. Strong cyclical and defensive performance has driven international equity outperformance over the first five weeks.
- Weekly economic data showed an interesting divergence: manufacturing and consumer surveys unexpectedly strengthened while employment growth slowed.**
- WTI crude oil rose to near \$65 per barrel** after Iran requested changes to the February 6 meeting location and scope. Market participants increasingly worry the US may shift to a military response, potentially blocking the Strait of Hormuz and constraining oil supplies in an oversupplied market.
- Amazon and Alphabet's Q4 earnings highlighted early AI investment benefits.** Tangible returns from massive AI capital expenditures need to materialize this year to support the 2026 economic expansion and bullish equity market thesis, as investor concerns grow about spending magnitude.

## MARKET PERFORMANCE

ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	0.28%	0.39%
Municipal Bonds 1-10Y	0.32%	1.31%
U.S. High Yield	0.12%	0.60%
S&P 500	-0.09%	1.36%
Russell 2500 (SMID cap)	3.01%	8.14%
MSCI EAFE (International)	0.51%	5.75%
MSCI Emerging Markets	-1.40%	7.32%
MSCI ACWI (Global)	-0.13%	2.83%
Crude Oil (NYMEX WTI)	3.21%	11.04%
Gold LBMA PM	4.95%	13.28%
60/40 ACWI/Agg Portfolio	0.04%	1.86%

## WHAT CAUGHT OUR EYES THIS WEEK

### Is the SaaS-pocalypse Upon Us?

Software stocks have been lagging the market for the past six months, and they went into free fall last week after Anthropic released new features aimed at corporate business functions. A developing bear case sees a future where AI helps businesses build new capabilities internally, which would degrade the business models of the enterprise software companies that currently assist with those functions. On the other side is the bull case, where AI integrations—paired with proprietary data—make applications even more productive and further entrenched in the corporate ecosystem. While we believe in AI's ability to improve corporate profitability, we are skeptical it will come from allowing businesses to cancel subscriptions for software that have been deeply embedded in their organization for years, if not decades. The "moat" of these companies isn't just about code. It's about security and reliability that have been built and maintained over the course of years. The real moat is, in a word, trust. Will there be winners and losers? Of course, as there always are. But the indiscriminate selling of anything software-related (including private capital stocks that invest in software companies) doesn't feel very rational.

S&P 500 Software Industry: Percent Off High



Please see important disclosures and other key information on page 4.

## OUR CURRENT OUTLOOK

- > **The U.S. economy is resilient**, but softer labor markets translate into slower (albeit still positive) trends for consumer spending.
- > **Our current expectations of a recession in the next 12 months are moderately low**, which should allow credit spreads to remain tight.
- > **Benefits from the One Big Beautiful Bill Act will accelerate in 2026**, providing a tailwind for consumer spending and capital expenditures.
- > **The Federal Reserve is still looking to cut interest rates**. We expect one or two cuts for 2026.
- > **We expect S&P 500 profits to continue with their momentum from 2025**, growing in the low to mid-teens again in 2026, and broadening to create new sector leaders in the equity markets.
- > **AI capital spending, driven by the hyperscalers, should continue to boost the U.S. economy**, fueling productivity gains and infrastructure growth.
- > **Potential risks to our outlook include** disappointments in return on investment for AI spending, growing signs of speculative excess in certain pockets of equity markets, continued geopolitical uncertainty, and further deterioration in foreign sentiment for U.S. dollar assets.

## IN CASE YOU MISSED IT

### INSIGHTS

[Moving to the UK: The Foreign Income and Gains Regime for US Expats and Returning UK Citizens](#)

[Video: February 2026 Economic and Market Outlook](#)

[How to Invest Your Bonus Wisely](#)

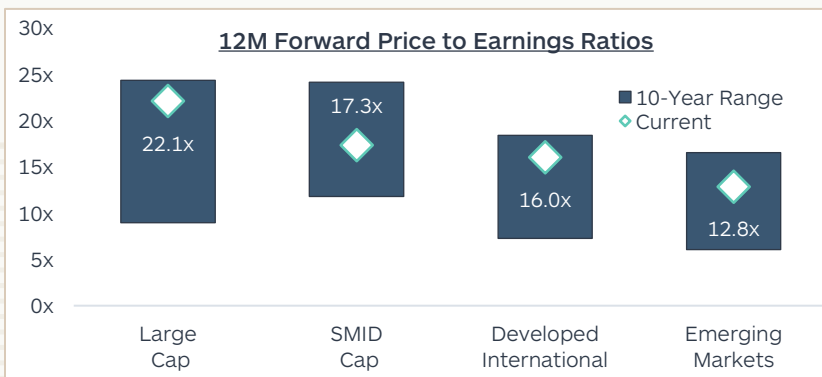
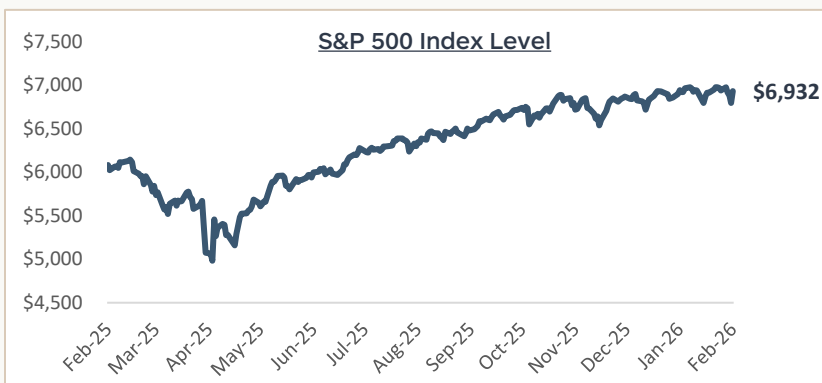
### ARCHIVE

[Historical Economic and Market Outlooks Insights](#)

### WEBINARS

[Recording: Q1 2026 Market & Economic Outlook](#)

## EQUITIES

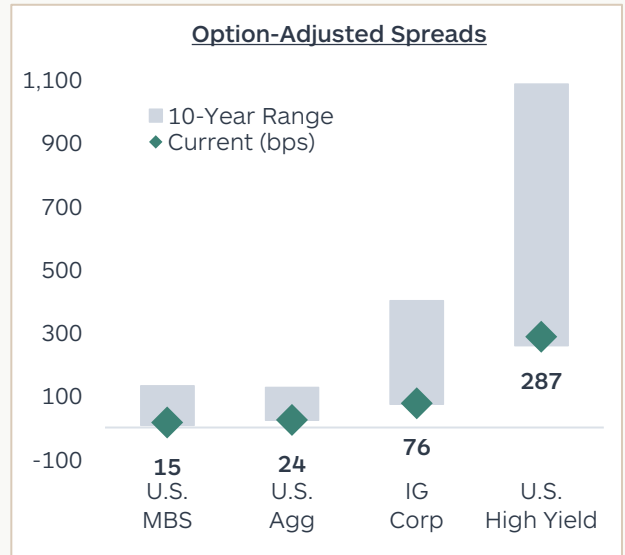


S&P 500 SECTOR	1-WEEK	YTD
Consumer Staples	6.0%	14.2%
Industrials	4.7%	11.7%
Energy	4.4%	19.5%
Materials	3.5%	12.5%
Health Care	1.9%	1.9%
Real Estate	1.5%	4.4%
Financials	1.5%	-0.9%
Utilities	0.2%	1.6%
Information Technology	-1.4%	-3.0%
Comm. Services	-4.4%	1.2%
Consumer Discretionary	-4.6%	-2.9%

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## FIXED INCOME

KEY INTEREST RATES	2/6/2026	Δ YTD
Municipal Bonds 1-10Y	2.71%	-0.26%
Effective Federal Funds Rate	3.64%	0.00%
3M T-Bill	3.67%	0.04%
10Y Treasury Yield	4.20%	0.03%
U.S. Aggregate	4.33%	0.02%
30Y Mortgage Rate	6.31%	0.06%
Prime Rate	6.75%	0.00%
U.S. High Yield	7.11%	0.03%

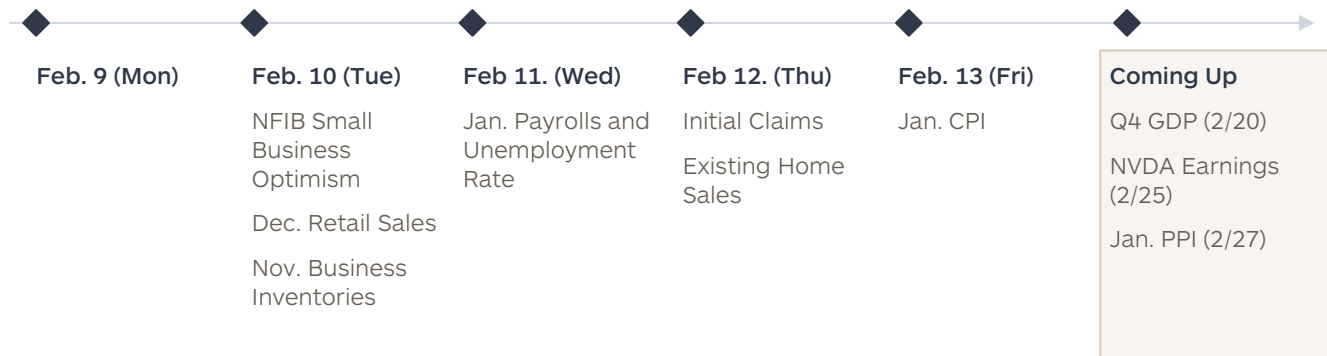


## COMMODITIES, CURRENCIES, CRYPTO

Asset Class	2/6/2026
Crude Oil	\$63.58
Gold	\$4,948.00
U.S. Dollar Index	\$97.63
Bitcoin	\$70,260.00

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## THE WEEK AHEAD



Please see important disclosures and other key information on page 4.

# What's on Our Minds

February 9, 2026

**ABBREVIATIONS:** Agg: Aggregate. EM: Emerging Markets. SOFR: Secured Overnight Financing Rate. MBS: Mortgage-backed securities. IG: Investment Grade.

**CHART OF THE WEEK:** Ycharts, Cerity Partners, 2/6/2026

**MARKET PERFORMANCE:** All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 2/6/26. Underlying indices are in descending order: Bloomberg US Aggregate provided by Bloomberg Capital; Bloomberg Municipal Bond 10 Yr provided by Bloomberg Capital; ICE BofA US High Yield Index provided by Bloomberg Capital; S&P 500; provided by: Standard & Poor's. Index; Russell 2500; provided by: Russell Investments; MSCI Europe, Australasia, and the Far East (EAFE) provided by MSCI net official pricing; MSCI EM provided by MSCI net official pricing; MSCI All Country World Index (ACWI) provided by MSCI net official pricing; Crude Oil (WTI) provided by CME; LBMA Gold Price PM provided by FactSet. The 60/40 ACWI/Agg Portfolio (60% ACWI / 40% AGG) is not a recommendation and is provided for reference purposes only.

**EQUITIES:** Top Left-hand Chart. S&P 500 Index Level as of 2/6/26 and provided by Standard & Poor's. Bottom Left-hand Chart. Forward Price to Earnings Ratios refers to the price-to-earnings ratio for the forward 12 months, which is a valuation measure applied to respective broad equity indices as of 2/6/26. Large Cap data is proxied with the S&P 500 and provided by FactSet. SMID data is proxied by the Russell 2500 and provided by FactSet. Developed International data is proxied with the MSCI EAFE and provided by FactSet. Emerging Markets data is proxied by the MSCI EM and provided by FactSet. S&P 500 Sector performance table. Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends. 1-Week and Year-to-Date (YTD) returns are as of 2/6/26.

**FIXED INCOME:** Top Table. Effective Federal Funds Rate provided by FactSet. Composite Municipal Bond Yield provided by FactSet. Bloomberg US Aggregate provided by FactSet. 3-Month Treasury Bill rate provided by FactSet. 10-Year Treasury Yield provided by FactSet. 30-Year Mortgage Rate provided by FactSet. ICE BofA US High Yield Index provided by FactSet. Prime Rate provided by FactSet. Bottom Table. Option Adjusted Spreads as of 2/6/26. Bloomberg US Aggregate Securitized – MBS, Bloomberg US Aggregate, ICE BofA US Corporate, ICE BofA US High Yield data provided by Bloomberg Capital.

**COMMODITIES, CURRENCIES, CRYPTO:** WTI NYMEX Crude Oil provided by FactSet. Gold is proxied with the LBMA Gold PM and provided by FactSet. Bitcoin is proxied by the Bitcoin (CME) Continuous index and provided by FactSet. U.S Dollar prices are proxied with the U.S. Dollar Index and provided by FactSet.

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