

## MARKET HIGHLIGHTS

- > **Broad US equity indexes fell last week, with software stocks hit hardest** on fears that AI could render many expensive products obsolete. However, market breadth continued to improve as selling was driven more by sector and geographic rotation than by a broad move away from equities.
- > **December retail sales were flat month over month**, missing the +0.4% estimate after November's sharp 0.6% gain. The control group (excluding autos, gasoline, and building products) fell 0.1% versus the +0.4% estimate.
- > **January nonfarm payrolls rose 130,000, beating the +70,000 estimate**, though the prior two months were revised down by 17,000. Unemployment fell to 4.3% from 4.4%, pushing expectations for the next federal funds rate cut from June to July.
- > **The headline Consumer Price Index declined to 2.4% year over year** from 2.7% in December, with core prices at 2.5%. Core goods were again unchanged while core services rose 0.4%. Previously sticky shelter prices showed signs of disinflation, up just 0.2% compared to +0.4% in December.

## MARKET PERFORMANCE

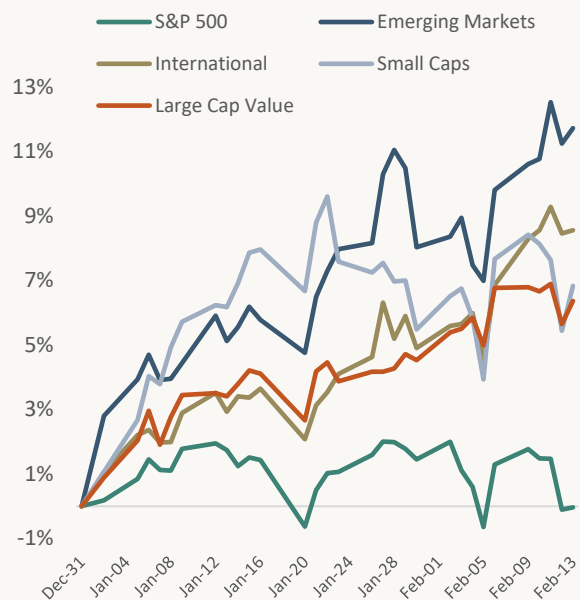
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	0.89%	1.28%
Municipal Bonds 1-10Y	0.31%	1.62%
U.S. High Yield	0.11%	0.71%
S&P 500	-1.35%	0.00%
Russell 2500 (SMID cap)	-0.69%	7.40%
MSCI EAFE (International)	1.94%	7.81%
MSCI Emerging Markets	3.25%	10.81%
MSCI ACWI (Global)	0.02%	2.85%
Crude Oil (NYMEX WTI)	-2.60%	9.76%
Gold LBMA PM	-0.88%	14.36%
60/40 ACWI/Agg Portfolio	0.36%	2.22%

## WHAT CAUGHT OUR EYES THIS WEEK

### A Dash for Diversification

In early innings, 2026 looks like another good year for diversification. Heightened attention is now being paid to artificial intelligence exposure in portfolios—both to the disruptors and to the potentially disrupted. The Magnificent Seven have gone from leaders to laggards, collectively down 11% from their October high. The S&P 500 is about flat on the year, having churned in place at the headline level for over three months. Meanwhile, value sectors like energy, materials, and consumer staples, as well as small caps and foreign stocks, are all off to a strong start. Part of the story here appears to be a global reflationary trade as economic indicators around the world start to perk up. The added tailwind of a hunt for non-AI exposure is supercharging the moves in pockets of the market that went unloved for a long time. Although we believe many of the AI-related fears that have gripped the market narrative are likely overblown, we're nonetheless encouraged to see this broadening performance and view the rotation as a sign of healthy market behavior.

Year-to-Date Total Returns



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](#)

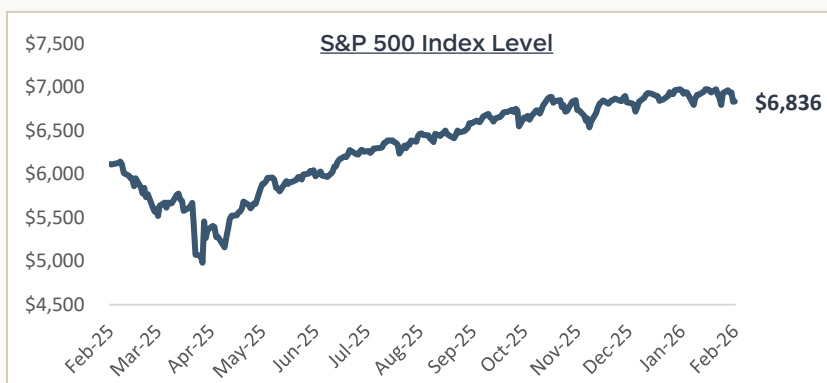
### ARCHIVE

[Historical Economic and Market Outlooks Insights](#)

### WEBINARS

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

## EQUITIES

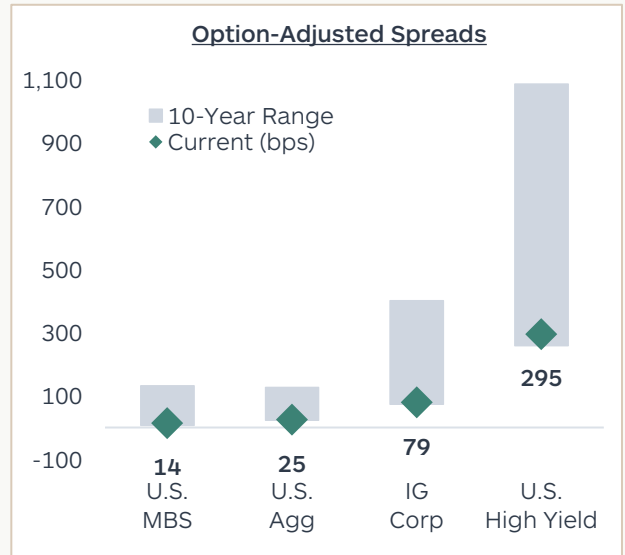


S&P 500 SECTOR	1-WEEK	YTD
Utilities	7.3%	9.0%
Real Estate	3.9%	8.5%
Materials	3.7%	16.6%
Energy	1.9%	21.8%
Consumer Staples	1.4%	15.8%
Industrials	0.6%	12.3%
Health Care	0.0%	1.9%
Information Technology	-2.0%	-4.9%
Consumer Discretionary	-2.1%	-4.9%
Comm. Services	-3.5%	-2.4%
Financials	-4.8%	-5.6%

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## FIXED INCOME

KEY INTEREST RATES	2/13/2026	Δ YTD
Municipal Bonds 1-10Y	2.65%	-0.32%
Effective Federal Funds Rate	3.64%	0.00%
3M T-Bill	3.68%	0.04%
10Y Treasury Yield	4.05%	-0.12%
U.S. Aggregate	4.21%	-0.11%
30Y Mortgage Rate	6.18%	-0.07%
Prime Rate	6.75%	0.00%
U.S. High Yield	7.12%	0.05%



## COMMODITIES, CURRENCIES, CRYPTO

Asset Class	2/13/2026
Crude Oil	\$62.85
Gold	\$4,994.95
U.S. Dollar Index	\$96.92
Bitcoin	\$68,835.00

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## THE WEEK AHEAD



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# What's on Our Minds

February 17, 2026

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

**CHART OF THE WEEK:** iShares Russell 2000 ETF, iShares MSCI EAFE ETF, iShares MSCI Emerging Markets ETF, iShares Russell 1000 Value ETF, Vanguard 500 Index ETF return through 2/13/2026. Ycharts, Cerity Partners. Collective drawdown of the Magnificent Seven is as represented by the MAGS ETF.

**MARKET PERFORMANCE:** All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 2/13/26. 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 2/13/26 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 2/13/26. 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 2/13/26.

**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 2/13/26. 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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