What's on Our Minds

February 23, 2026

MARKET HIGHLIGHTS

- **A deluge of economic data last week confirmed a slow but still positive growth environment,** although the big event came when the U.S. Supreme Court ruled that the International Emergency Economic Powers Act (IEEPA) does not grant President Donald Trump authority to impose tariffs. Supreme Court Justice Brett Kavanaugh noted in his dissent that the refund process will be "a mess," and the president said refunds will not be made voluntarily. Instead, they will be subject to a yearslong litigation process.
- **Little progress in US–Iran talks has raised speculation that the US may be preparing to attack Iranian nuclear capabilities.** Equity markets remain calm, but WTI crude rose over 5% on concerns about potential Strait of Hormuz closures, which could counteract existing oversupply dynamics.
- **The delayed fourth-quarter gross domestic product (GDP) report showed 1.4% growth,** below the +3.0% consensus and +4.4% in Q3, as the government shutdown caused a 5.1% decline in government spending that detracted 1.15% from Q4 GDP. The US economy grew 2.2% for all of 2025.

MARKET PERFORMANCE

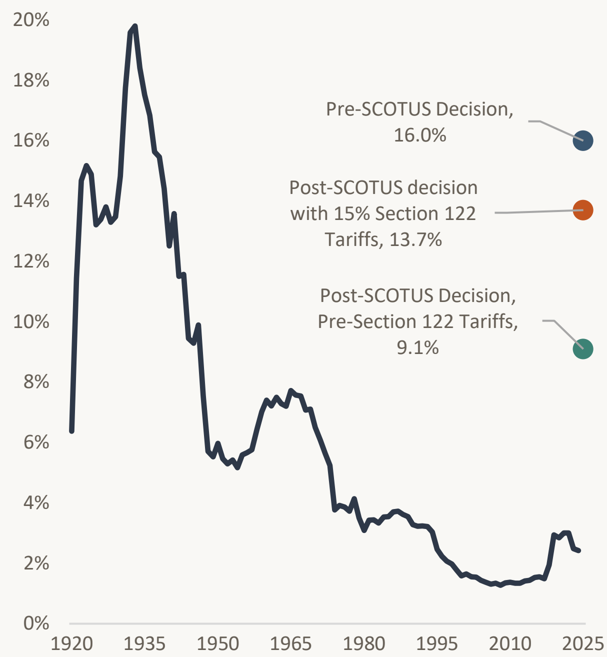
ASSET CLASS	1-WEEK	YTD
U.S. Aggregate Bond (Agg)	-0.08%	1.20%
Municipal Bonds 1-10Y	0.11%	1.73%
U.S. High Yield	0.19%	0.90%
S&P 500	1.11%	1.11%
Russell 2500 (SMID cap)	1.08%	8.57%
MSCI EAFE (International)	0.86%	8.74%
MSCI Emerging Markets	0.79%	11.68%
MSCI ACWI (Global)	1.01%	3.89%
Crude Oil (NYMEX WTI)	5.46%	16.12%
Gold LBMA PM	1.17%	15.69%
60/40 ACWI/Agg Portfolio	0.58%	2.82%

WHAT CAUGHT OUR EYES THIS WEEK

Still More Questions Than Answers on Trade Policy

Friday's Supreme Court tariff ruling didn't do much in the way of reducing trade uncertainty. We now know that the president's reliance on IEEPA was unconstitutional. But we still don't know how refunds might work for the estimated ~$130 billion in tariffs paid. Without direction from the Supreme Court, expect any process to be litigious and drawn out. President Trump took a first step in replacing IEEPA tariffs with a 15% universal tariff through Section 122 of the Trade Act of 1974. This has a limit of 150 days (unless extended by Congress, which is unlikely given upcoming midterms). The tariff will buy the administration time to conduct country-by-country investigations into "unfair trade practices" via Section 301 of the Trade Act of 1974 that would authorize unlimited tariffs for the remainder of Trump's term. Sectoral tariffs under Section 232 of the Trade Expansion Act of 1962 also remain in effect. So, what is the ultimate landing point for trade policy? We still don't know. We get some temporary relief, but that will dissipate as Section 301 tariffs kick in. Then throw in the renegotiation of existing trade deals (including a review of the United States–Mexico–Canada Agreement due this summer).

Average Effective Tariff Rate



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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

Integrating Opportunity Zone Investments and Estate Planning

Moving to the UK: The Foreign Income and Gains Regime for US Expats and Returning UK Citizens

Video: February 2026 Economic and Market Outlook

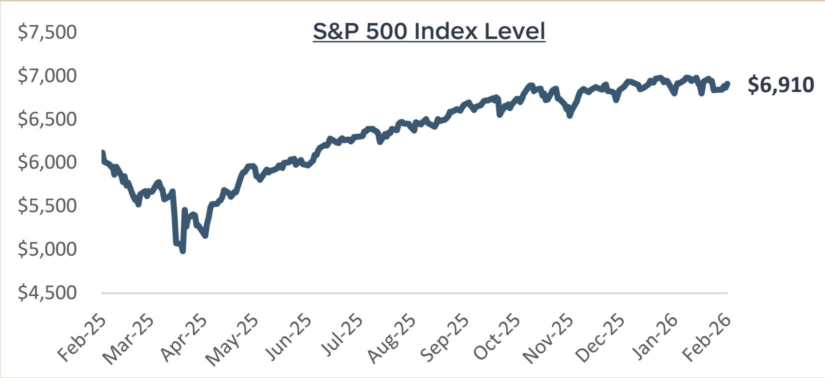
ARCHIVE

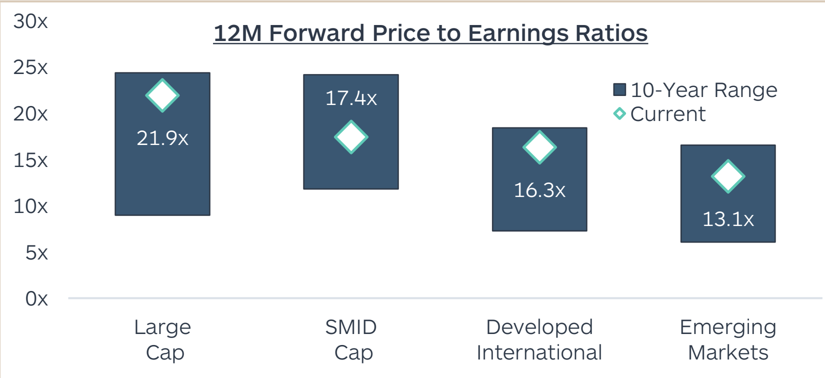
Historical Economic and Market Outlooks Insights

WEBINARS

Recording: Q1 2026 Market & Economic Outlook

EQUITIES





S&P 500 SECTOR	1-WEEK	YTD
Comm. Services	2.3%	-0.1%
Industrials	1.7%	14.3%
Consumer Discretionary	1.7%	-3.3%
Financials	1.6%	-4.2%
Information Technology	1.6%	-3.4%
Energy	0.8%	22.7%
Real Estate	0.0%	8.5%
Materials	-0.3%	16.3%
Utilities	-0.4%	8.6%
Health Care	-0.6%	1.3%
Consumer Staples	-2.3%	13.2%

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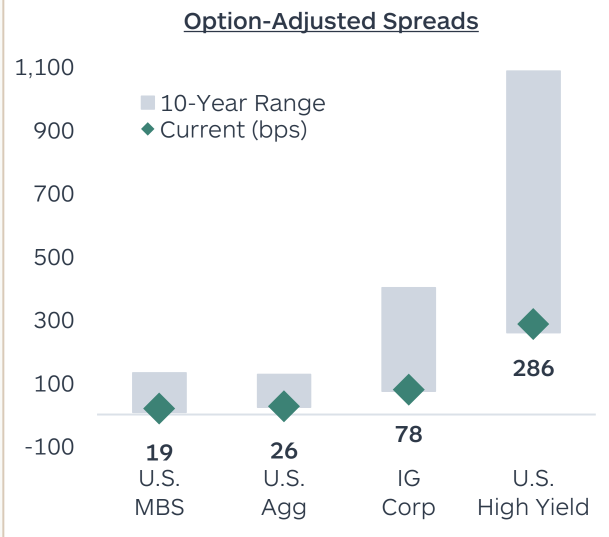
FIXED INCOME

KEY INTEREST RATES	2/20/2026	Δ YTD
Municipal Bonds 1-10Y	2.64%	-0.33%
Effective Federal Funds Rate	3.64%	0.00%
3M T-Bill	3.68%	0.05%
10Y Treasury Yield	4.08%	-0.09%
U.S. Aggregate	4.24%	-0.07%
30Y Mortgage Rate	6.20%	-0.06%
Prime Rate	6.75%	0.00%
U.S. High Yield	7.05%	-0.03%



COMMODITIES, CURRENCIES, CRYPTO

Asset Class	2/20/2026
Crude Oil	$66.49
Gold	$5,053.20
U.S. Dollar Index	$97.80
Bitcoin	$67,825.00

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THE WEEK AHEAD

Feb. 23 (Mon)
- Dec. Factory Orders

Feb. 24 (Tue)
- Dec. HFA Home Price Index
- Dec. Consumer Confidence

Feb. 25 (Wed)
- NVDA Earnings

Feb. 26 (Thu)
- Initial Claims

Feb. 27 (Fri)
- Jan. PPI
- Feb. Chicago PMI
- Jan. Wholesale Inventories
- Dec. Construction Spending

Coming Up
- Q4 Productivity (03/05)
- Feb. Employment Report (03/06)
- Feb. CPI (03/11)

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

CHART OF THE WEEK: Cerity Partners, Yale Budget Lab "State of U.S. Tariffs," February 21, 2026. Effective tariff rates are as projected by the Yale Budget Lab, before substitution impacts.

MARKET PERFORMANCE: All returns represent total return for the stated period. 1-Week and Year-to-Date (YTD) returns are as of 2/20/26. 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 2/20/26 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 2/20/26. 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 2/20/26.

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 2/20/26. 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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