

The Data

- Equities were lower last week as the S&P enter negative territory for the year.
 - S&P 500 -1.28% Dow -1.23% Russell 2000 -0.78%, Nasdaq -2.10%.¹
 - The All-Country World Index ended the week flat.¹
 - S&P 500 sub-sectors were mostly higher last week despite losses at the index level.
 - Utilities, Materials, Real Estate, & Energy led to the upside.¹
 - Financials & Consumer Discretionary led to the downside.¹
 - The CBOE Volatility Index (VIX) rose 16% to end at 20.62.¹
- US Treasury bond yields were lower last week.
 - US 2yr -0.09% at 3.41%, 10yr -0.15% to 4.05%, 30yr -0.15% to 4.70%.¹
 - Softer than expected inflation data seemed to boost confidence in further rate cuts.
- Commodities as an aggregate asset declined last week.
 - WTI Crude declined -1.21%.¹
 - Gold rose +1.49%.¹
 - The US Dollar index declined -0.77%.¹
- In our opinion, U.S. economic data was mixed last week.
 - The Small Business Optimism index declined slightly last month.¹
 - Jobless claims came in below expectations as the unemployment rate ticked lower to 4.3%.¹
 - The consumer price index dropped to 2.4% from 2.7% showing cooling inflation.¹
- An index of equities outside the US (FTSE All-World ex-US) gained +1.58%.¹

¹ Source: Bloomberg – 2/13/2026

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Conclusion

- Stocks fell for the 4th week in 5 despite corporate earnings that continues to beat analysts' expectations as shifting beliefs about AI prospects and tech stocks drove things lower.
 - The Nasdaq led major indices lower with a loss of over 2%.¹
 - Small-caps were the best performer with a loss of -0.78%.¹
 - The S&P 500 Index, which reached record levels last month, dropped nine of the past 12 sessions before finishing roughly flat on Friday.
- S&P 500 subsectors were surprisingly mostly positive last week.
 - Sectors most linked to interest rates led to the upside. (Utilities/Real Estate)
 - Consumer Discretionary & Tech were two of the worst performers as anxiety about inflated valuations tied to artificial intelligence usage weighed on them.
 - Cyclical areas of Materials, Industrials, & Energy also gained over 3%.¹
- The overall price stability seen in the S&P 500 is masking one of the most unusual equity environments in recent years.
 - While SPX has been roughly flat over the past month, the average constituent has moved 10.8% — a 99th percentile dispersion reading.¹
 - With the VIX volatility index closing the week above the critical 20 level, a critical level was crossed where market maker's positioning shifts from dampening downside moves to reinforcing them.
 - As such this could cause a much more fragile market environment.
- Non-US equities outperformed the US by a wide margin, finishing with a gain of +1.58%.¹
 - So far in 2026, foreign investors have put more into non-US equity markets than they did in all of 2025.¹
- US Treasury yields ended the week substantially lower across the board.
 - Classic risk off trading helped drive yields down and bond prices up as did economic data coming in softer than expected.
 - This drove participants to begin pricing in more aggressive Federal Reserve rates cuts than the previous week.

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