

## Beacon Weekly Investment Insights

Last week was characterized by market volatility driven by continued market rotation and sentiment shifts rather than broad economic weakness. While inflation trends and job data have been relatively supportive, fear of AI disruption and tech sector vulnerability dominated investor behavior. This has led to a broadening in the equity market down the capitalization scale as well as investors, seeking cheaper valuations and higher yields, gravitating outside of the US. For the week, the DJIA rose 0.25%, the S&P gained 1.07%, the NASDAQ advanced 1.51%, the MSCI ACWI ex US increased 1.19% and the Russell 2000 rose 0.65%.

Though there was an abundance of very important economic releases to be discussed shortly the big news of the week was the much-awaited Supreme Court decision on the legality of President Trump's tariff policy. The Court ruled Friday in a 6-3 decision that the President over-reached his authority under the International Emergency Economic Powers Act (IEEPA). The ruling came just over one year into Trump's second term and after skeptical questioning from key justices during oral arguments last November and appears set to immediately halt a massive section of Trump's tariffs that were first announced last year on "Liberation Day". "IEEPA does not authorize the President to impose tariffs," read the decision, written by Chief Justice John Roberts. Tariffs are viewed as a form of taxation and, therefore, only Congress has the authority to implement such legislation. The ruling also raised the question of refunds, which could return an estimated \$129 billion to importers in the months ahead though nothing in the ruling provides guidance on how this is to occur and when. As the President said in his press conference "this could be tied up in the courts for years". The ruling upholds two lower courts — including the US Court of International Trade — that previously found Trump did not have the authority to impose global tariffs using the 1977 law.

The decision will likely have wide-ranging ramifications, affecting global trade, consumers, companies, inflation and the pocketbooks of every American. The President responded swiftly by imposing sweeping global 15% tariffs under Section 122 of the 1974 Trade Act for up to 150 days which seems to contradict his recent rollback of some tariffs on metals as he and his administration seek to battle an affordability crisis ahead of the midterm elections. In summation, the decision will have significant impact as it was the foundation for the One Big Beautiful Bill, deficit reduction, and the President's negotiation leverage with foreign countries. Suffice it to say that uncertainty will continue as politics play out.

There was important macro data worth mentioning as it will surely influence upcoming FOMC debates on the direction of interest rates in 2026. The December PCE, the Fed's preferred inflation gauge, came in at 0.4% versus the consensus estimate of 0.3% and prior month's 0.2%. The core was 0.4% in line with expectation but hotter month over month. This coupled with a weaker read on 4Q GDP, possibly impacted by the government shutdown but surprising nonetheless, of 1.4% vs 3% consensus and 3Q 4.3% should give the doves on the committee support for leaving rates unchanged. Recall the market is forecasting 1 or 2 cuts in the back half of the year. If this trend persists the President's nominee to succeed Chair Powell, Kevin Warsh, could have a challenging time convincing other members that a cut in short term rates are warranted or prudent.

Other developments worth noting is the escalation of tensions between the US and Iran over nuclear proliferation. President Trump has vowed to strike Iran unless meaningful discussions occur resulting in Iran agreeing not to develop nuclear weapons. He has ordered further military buildup in the region to back up those threats. On the earnings front, approximately 85% of the S&P 500 have reported with earnings increasing 13% vs expectations of 8%.

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This is an important week as Nvidia, Home Depot, Lowes, TJ Maxx, Salesforce, Intuit, Dell, HP and CrowdStrike report not to mention others. This could lead to volatility as the tech sector has been pressured of late especially software.

Congratulations to our US Olympic Team for their awesome showing in Milan and a special shout-out to the Women and Men's Hockey teams both winning gold in OT thrillers versus Canada.

Market Scorecard:	2/20/2026	YTD Price Change
Dow Jones Industrial Average	\$49,625.97	3.25%
S&P 500 Index	\$6,909.51	0.93%
NASDAQ Composite	\$22,886.07	-1.53%
Russell 1000 Growth Index	\$4,567.21	-4.41%
Russell 1000 Value Index	\$2,213.73	6.86%
Russell 2000 Small Cap Index	\$2,663.78	7.73%
MSCI EAFE Index	\$3,141.50	7.82%
US 10 Year Treasury Yield	4.09%	-8 basis points
WTI Crude Oil	\$62.89	15.20%
Gold \$/Oz.	\$5,059.30	16.73%

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