

Beacon Weekly Investment Insights

The trading week kicked off with a continuation of the previous week's rally and with Super Bowl coverage offering a break from headline-driven volatility, investors were compelled to maintain their risk-on stance by driving technology stocks higher shortly after the opening bell. This early surge led to choppy market conditions as the rest of the week unfolded though, largely due to the AI disruption narrative. Software, cybersecurity, select financials, and even transportation stocks came under intense scrutiny amid concerns that rapid technological advancements in these industries could ultimately undermine their established business models and negatively impact their bottom lines. Adding to the AI frenzy, Google's global bond issuance drew significant institutional demand with total interest exceeding \$30 billion and the historic capital raise was highlighted by a unique, 100-year "Century Bond". This speaks volumes to the level of spending that the major hyperscalers (Amazon, Meta, Google, and Microsoft) are willing to devote to AI infrastructure – with some estimates coming in north of \$600 billion for 2026. Beyond the tech-driven headlines just noted, the rest of the week was primarily characterized by a combination of macroeconomic data and corporate earnings.

On the macroeconomic front, there was no shortage of releases for market participants to sift through and interpret. The first report to make a splash was the publication of December's retail sales, which revealed key insights into recent holiday spending patterns and reinforced a more cautious consumer. The report delivered a downside surprise with sales coming in flat month-over-month and missing the market's expectations for a 0.4% gain. As a corollary, this will likely translate into a lower Q4 GDP reading, as consumer spending accounts for roughly two-thirds of this metric. Parsing through the various categories, weakness in autos and other big-ticket discretionary items were offset by strength in e-commerce and building materials. January's existing home sales were another major market update and they demonstrated a sharp monthly decline (8.4% month-over-month) but this can be partially attributed to seasonality and an unusually cold winter nationwide. Despite lower financing costs and affordability gradually improving, the larger issue remains a lack of supply, with lower interest rates offering a partial remedy to this housing bottleneck.

A read on the health of the labor market was next in line and the non-farm payroll report did not disappoint: it depicted a rather resilient employment situation for January (delayed by a week due to the partial government shutdown), with 130,000 jobs added during the month, causing the unemployment rate to fall to 4.3%. It wasn't all blue skies though, as there were some concerns surrounding the concentration of the new jobs (mainly healthcare) and the level of downward revisions (the back half of the year saw the economy actually lose around 1,000 jobs). Weekly jobless claims offered a muted follow-up to the payroll report, edging lower week-over-week but clocking in above the consensus forecast (227k vs. 225k expected). Rounding out the week, Friday's CPI data showed headline inflation cooling to 2.4% in January (on an annual basis and less than projected) and core inflation (which excludes food and energy) fell in line with formal expectations of a 2.5% year-over-year increase. Shelter costs notably gave up some ground during the month and as the largest component of CPI, this trend must persist in order for inflation to hit the Federal Reserve's 2% target.

With several cross-currents currently at play in the market, equities finished the week on a down note. The Nasdaq Composite bore the brunt of the impact, closing down 2.1%, while the S&P 500 and the Dow Jones Industrial Average followed suit, sliding 1.4% and 1.2% respectively. Dynamics wise, a discernible value tilt has emerged within the broader asset class to start the year, with growth stocks taking a backseat for the time being. Down the capitalization scale, a preference for small-caps remains evident owing to a combination of factors – namely lower interest rates and attractive valuations. Geographically speaking, international markets picked up right where they left off last year, outperforming their domestic counterparts. A falling dollar and a distinct cyclical tilt are acting as powerful tailwinds for these markets. In particular, Japan has witnessed a revival of sorts within the developed

market space, driven by the pro-growth policies (fiscal stimulus and other corporate governance measures) of Prime Minister Sanae Takaichi, following her recent snap election victory.

Switching gears, fixed income volatility resurfaced after a period of relative calm, with yields initially jumping higher on the heels of the stronger-than-expected jobs report; however this was short-lived, as the aforementioned disinflationary developments caused yields to retreat later in the week. The 2-year Treasury closed down 8 basis points for the week, before settling in around 3.40%, while the 10-year Treasury was down 17 basis points and eventually stabilized near 4.05%. This resulted in a flattening of the curve by virtue of long-term rates falling faster than short-term rates. Of note, rate sensitive equity sectors such as utilities experienced inflows as a result of this activity (utilities were the week's top performing sector for reference).

After a period of heightened volatility in the commodities complex, prices have stabilized, suggesting a shift toward consolidation. Gold eked out a marginal weekly gain and continues to perform well year-to-date (up just shy of 17%). On the other hand, crude oil experienced a weekly pullback but also remains in positive territory this year (9% or so increase) – with geopolitical concerns creating sustained upward pressure.

Lastly, it was another busy week for corporate earnings, with close to 75% of S&P 500 constituents having reported thus far. The current earnings season has been another successful one, with over 70% of companies exceeding expectations on both the top and bottom lines. Specifically, earnings growth is on track to post a fifth consecutive quarter of double-digit gains, likely to surpass 13% year-over-year. Recent earnings are substantiating the case for a broader market rally as well, bolstered by strong results in industrials, materials, and financials. This is further validated by the performance differential between the S&P 500 capitalization-weighted index and the S&P 500 equal-weighted version (there is roughly a 6% performance gap year-to-date).

Although the upcoming week will be a shortened one (as the markets were closed on Monday in observance of President's Day), there will be no shortage of news for investors to monitor. Prominent releases include numerous housing reports (housing starts & new home sales), inflation (PCE), consumer sentiment, and the much-awaited Q4 GDP print.

Market Scorecard:	2/13/2026	YTD Price Change
Dow Jones Industrial Average	\$49,500.93	2.99%
S&P 500 Index	\$6,836.17	-0.14%
NASDAQ Composite	\$22,546.67	-2.99%
Russell 1000 Growth Index	\$4,502.22	-5.51%
Russell 1000 Value Index	\$2,200.09	6.20%
Russell 2000 Small Cap Index	\$2,646.70	6.64%
MSCI EAFE Index	\$3116.61	7.74%
US 10 Year Treasury Yield	4.05%	-12 basis points
WTI Crude Oil	\$62.89	9.53%
Gold \$/Oz.	\$5,046.30	16.24%

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