



# Weekly Market Commentary

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**February 16, 2026**

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## Weekly Market Commentary & GRIP Summary – Week Ending February 13, 2026

### Summary

The latest economic data confirm our view that the U.S. economy is decelerating yet remains resilient, while market leadership continues to rotate away from mega-cap technology names toward sectors tied to the real economy. Disinflation is progressing, and policy should become more accommodative, though the timing and magnitude of rate cuts remain uncertain. Below we review the week's key data and market signals through the **GRIP** framework—**Growth, Risk Appetite, Inflation and Policy**.

### Growth

- **Retail sales have slowed sharply.** December retail sales were flat month over month and up about **2.4% year over year**, indicating the lowest growth rate in years. Consumers remain cautious as higher financing costs and inflation weigh on discretionary spending.
- **Job growth surprised on the surface, but underlying momentum is weak.** Nonfarm payrolls increased by **130 000** in January, the biggest gain in thirteen months, but benchmark revisions showed only 181 000 jobs were added in all of 2025 and average monthly job growth was a paltry 15 000. Employment gains were concentrated in health care and social assistance, while private-sector hiring decelerated. The year-over-year growth rate of payrolls is now roughly **0.2%**, effectively at a standstill. Job openings fell to **6.542 million**, the lowest level in more than five years<sup>[1]</sup>, and planned layoffs surged 205% in January to the highest level for that month since 2009.
- **Housing remains under pressure.** Existing home sales collapsed **8.4%** in January to a seasonally adjusted annual rate of **3.91 million units**, the weakest since December 2023, and sales were **4.4% below a year earlier**<sup>[2]</sup>. Mortgage rates near 6.7% continue to suppress transactions, and inventories remain tight. This weakness in the largest component of consumption underscores the fragility of demand.
- **Labor market slack emerges.** Although the unemployment rate remained below 4%, the level of unemployment is above its 12-month moving average and up more than **7%** from a year ago (not cited). Together with slowing job creation and rising layoffs, this supports the notion that a softening labor market could soon give the Fed cover to cut rates more aggressively.



## Risk Appetite

- **Risk-off leadership emerges.** Last week saw a notable shift toward defensive areas. Low-volatility stocks broke out to new all-time highs and outperformed the broader market. The “**Magnificent 7**” cohort fell more than **3%**, moving into short- and medium-term negative trends, with only Tesla and Microsoft eking out gains. Utilities were the top-performing sector, rising nearly **9%** relative to the market. Treasury bonds outperformed high-yield bonds, and the 10-year Treasury yield fell about **17 basis points**, reflecting a flight to quality. Crypto markets slid further; Bitcoin and Ethereum dropped sharply and remain in negative trends.
- **Safe-haven flows extend to commodities and currencies.** Stocks hit fresh lows relative to gold, while copper prices retreated despite a weaker dollar; the Japanese yen strengthened significantly, signaling liquidity preference.
- **Positive undercurrents persist.** Despite the rotation out of technology, cyclical and real-asset sectors continued to lead. Materials, energy, semiconductors, international equities, value stocks, small caps and mid caps all rallied to new highs. High-yield spreads remain historically tight and high-yield bonds remain in positive trends. Our risk composite remains positive for now, though short-term caution is warranted as leadership rotates.

## Inflation

- **Disinflation continues.** The Consumer Price Index increased **0.2% month over month** in January and **2.4% year over year**, down from 2.7% in December<sup>[3]</sup>. Core CPI rose 0.3% month over month and 2.5% year over year<sup>[4]</sup>. Inflation expectations continue to drift lower, suggesting further moderation ahead.
- **Inflation risks remain contained.** Although Brent crude oil and other commodities have rebounded recently, inflation expectations anchored near the Fed’s target and declining rental inflation indicate that price pressures should remain manageable.



## Policy

- **Monetary policy remains too tight given the data.** With growth slowing and inflation trending toward 2%, the case for policy easing is strengthening. The **Fed funds rate remains above the 2-year Treasury yield**, a classic sign that policy is restrictive. We expect the Federal Reserve to deliver at least **three rate cuts** this year. Cutting sooner rather than later would help support the economy and reduce the risk of overtightening.
- **Risks from policy missteps persist.** Ongoing investigations into Fed Chair Jerome Powell and political pressure could delay cuts, while the Fed may be reluctant to ease aggressively ahead of the U.S. election. Fiscal policy, meanwhile, is neutral to mildly supportive, with government spending steady but no major new stimulus on the horizon.

## Conclusion

Last week's data and market action highlight a shifting landscape: economic growth is losing steam but remains resilient; risk appetite is rotating away from expensive mega-cap technology into cyclical and real-asset plays; inflation pressures are fading; and the policy stance is poised to shift toward easing. Investors should remain balanced—tilting toward value, real assets, and small caps—while hedging against further bouts of volatility as leadership rotates and policy begins to catch up with the data.



## Sources

1. Reuters, "US retail sales stall in December."
2. Reuters, "US job growth surges in January, but labor market far from turning around," detailing 130 k job gain and low job openings<sup>[1]</sup>.
3. Reuters, "US existing home sales drop to more than two-year low in January."
4. Reuters, "US consumer prices increase marginally, but inflation pressures persist."
5. Reuters, "Stocks drop with tech slide and caution over inflation; yields also fall."

<sup>[1]</sup> US job openings drop to more than five-year low in December | Reuters  
<https://www.reuters.com/business/us-job-openings-drop-more-than-five-year-low-december-2026-02-05/>

<sup>[2]</sup> US existing home sales drop to more than two-year low in January | Reuters  
<https://www.reuters.com/business/us-existing-home-sales-drop-more-than-two-year-low-january-2026-02-12/>

<sup>[3]</sup> <sup>[4]</sup> US consumer prices increase marginally, but inflation pressures persist | Reuters  
<https://www.reuters.com/business/us-consumer-prices-rise-less-than-expected-january-2026-02-13/>



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