



# Weekly Market Commentary

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**February 23, 2026**

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## Weekly Market Commentary & GRIP Summary – Week Ending February 20, 2026

### Growth

Economic growth remained resilient yet slower, with the housing sector offering a mixed picture and leading indicators still contracting:

- Home-builder sentiment softened. The NAHB/Wells Fargo Housing Market Index slid to 36, its second monthly decline, as affordability issues and high rates continued to weigh on builders.
- US New Single-Family Houses Sold is at a current level of 745.00K, down from 758.00K last month and up from 718.00K one year ago. This is a change of -1.72% from last month and 3.76% from one year ago.
- Housing starts improved but remain in a downtrend. Headline starts jumped 6.2% in December to an annual pace of 1.4 million units, and single-family starts increased 4.1%. However, starts were still down 7.3% year-over-year and building permits declined 2.2%, signaling that the longer-term trend continues to make lower highs.

This combination—rising new-home sales and starts yet falling builder confidence—suggests that housing is bottoming but not yet ready to contribute meaningfully to growth. Retail sales and payrolls released earlier this month also pointed to slowing momentum, while the labor market continues to deteriorate.

### Leading and Coincident Indicators

The Conference Board's Leading Economic Index (LEI) registered its fifth straight monthly decline in December, falling 0.2% to 97.6 (2016=100) after a 0.3% drop in November. The LEI has now contracted 1.2% over the second half of 2025, though that pace is less severe than the 2.8% decline in the first half. Positive contributions came from building permits and the yield spread turning positive, but these were outweighed by weaknesses in consumer expectations, new orders, unemployment claims and shorter hours worked. The persistence and breadth of the decline signal that the economy is likely to soften further in early 2026.

By contrast, the Coincident Economic Index (CEI) rose 0.2% in December to 115.0, marking continued (though modest) expansion in current conditions. Taken together, the divergence between a falling LEI and a rising CEI reinforces our view that near-term growth will slow before rebounding later in the year.



## Risk Appetite

Markets delivered a two-way message: short-term risk-off signals emerged even as leadership rotated toward cyclical, real-asset-heavy sectors.

- Energy was the standout sector. In the futures markets, heating oil surged 8.3%, Brent crude gained 5.9% and WTI added 5.8%. Within equities, the equal-weight energy sector led all peers and broke to a new high.
- Cyclical styles outperformed. Small- and mid-cap equities, especially small-cap growth, gained ground, while the S&P 500 Equal-Weight Index and the global ACWI both notched new all-time highs.
- Risk remains isolated. Private credit stress deepened after Blue Owl Capital permanently halted redemptions in one of its credit funds, triggering losses across the industry and underscoring liquidity concerns. Crypto markets continued to slide, with both Bitcoin and Ethereum in negative trends.

Overall, risk appetite is transitioning from mega-cap technology to real-economy exposures. The rotation toward energy, materials, industrials and small-cap/value styles is typical of early-cycle recoveries. Our proprietary risk composite remains positive, though the outperformance of low-volatility stocks, decline in crypto assets, and growing cracks in private credit warrant close monitoring.

## Inflation

The inflation picture remains mixed:

- Inflation expectations drifted lower, reflecting confidence that disinflation will continue.
- However, commodity prices are firming. National gasoline prices ticked up US Retail Gas Price is at a current level of 3.057, up from 3.033 last week and down from 3.253 one year ago. This is a change of 0.79% from last week and -6.03% from one year ago. Taken together, inflation trends still support easing in the short run, but the nascent rebound in energy and commodity prices could reintroduce inflationary pressures later this year.



## Policy

The Federal Reserve remains on hold, caught between slowing growth and elevated—albeit falling—inflation. With both growth and inflation trending lower and the labor market softening, markets believe the Fed should cut rates more aggressively, but policymakers are reluctant to ease prematurely. The Fed funds rate remains above the two-year Treasury yield, signaling relatively tight policy.

Fiscal policy is increasingly important. The One Big Beautiful Bill has begun delivering tax refunds that could inject roughly \$100 billion into household incomes. This fiscal impulse, combined with ongoing incentives for AI and energy infrastructure investment, underscores the emergence of fiscal dominance—economic resilience and investment are increasingly driven by government support rather than monetary stimulus.



## Mega-Trend Developments

### Deglobalization

The U.S. Supreme Court ruled that the International Emergency Economic Powers Act (IEEPA) does not authorize presidents to impose tariffs. This landmark decision struck down former President Trump's national-security tariffs and highlights the judiciary's role in policing trade policy. Markets largely shrugged off the ruling—oil traders noted it had little immediate effect on crude prices—but the decision may constrain future administrations' ability to use emergency powers to set trade barriers, reinforcing the broader trend toward rule-based deglobalization.

### AI as a Real-Asset Trade

Capital is rotating away from pure software toward tangible infrastructure. Analysts note that market leadership is shifting from mega-cap technology to a reflationary regime defined by accelerating growth and real-asset outperformance. Equal-weight exposures and sectors tied to the real economy—industrials, materials, energy and commodity-linked assets—continue to outperform growth-heavy benchmarks. Long-term projections suggest AI-driven demand for data-center capacity could spur \$4 trillion in capital expenditures by 2030, straining power grids and driving up energy and commodity prices. This underscores our view that AI is evolving from a software-only story into a capital-intensive real-asset trade.

### Fiscal Dominance

With monetary policy constrained, fiscal support is becoming the primary lever for maintaining growth. Government incentives for digital and energy infrastructure are attracting capital, while tax refunds and direct payments from recent legislation provide near-term stimulus. This reliance on fiscal policy illustrates the shift toward fiscal dominance, where government spending and targeted subsidies drive investment and consumption even as the Fed pauses.



## GRIP Summary

- **Growth:** Economic activity continues to slow, but early signs of stabilization are emerging in housing as new-home sales and starts improve. The NAHB index remains depressed, indicating builders are still cautious. We expect growth to pick up later this year as housing and investment recover.
- **Risk Appetite:** Leadership is rotating from mega-cap technology toward cyclicals and real assets. Energy, industrials, materials and small-cap exposures hit new highs. Private credit and crypto weakness suggest isolated pockets of risk; overall, our risk composite remains positive but watchful.
- **Inflation:** Disinflation continues, but rising gasoline and crude prices may reintroduce inflationary pressure. Market-based expectations remain anchored for now.
- **Policy:** Monetary policy is tight but expected to ease later this year. Fiscal policy has taken the lead, with tax refunds and infrastructure spending providing support. The Fed's pause means that fiscal measures and structural investment will determine the trajectory of growth and inflation.

## Outlook

We maintain a constructive stance on the medium-term outlook. The rotation into real-economy sectors signals that the market is positioning for an investment-led recovery. At the same time, we remain mindful of late-cycle risks—tight credit conditions, potential re-acceleration of inflation from commodity prices, and policy missteps. We continue to favor equal-weight, value-oriented strategies and real-asset exposures while avoiding areas with deteriorating fundamentals, such as private credit and speculative technology.



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