osaic Research

Market View Monthly

February 2026

Economic indicators in February pointed towards firm economic data despite a weaker-than-expected fourth-quarter GDP figure. Markets continued the selloff in tech, but advantageous advisors could find plenty of opportunities outside of tech stocks in the market.

Economic review[1]

- The ISM Manufacturing PMI burst into expansion in January, rising unexpectedly to 52.6, which was well above expectations and signified the first rise in 12 months.
- In a similar fashion, the ISM Services PMI came in at 53.8, signaling that the service sector is also expanding, though it was flat relative to last month's reading.
- Job openings fell by 500,000 to 6.54 million in December 2025, marking the lowest reading since June of 2020 and falling well below expectations.
- Despite fewer job openings, the economy added jobs for a third straight month, with nonfarm payrolls rising 130,000, primarily driven by further healthcare hiring.
  - The U.S. unemployment rate edged down to 4.3% in January 2026, which matched levels seen last summer as the unemployment rate has fallen from its recent highs.
- The consumer price index (CPI) increased by 0.2% month-over-month (MoM) in January 2026, although the annual inflation rate came down to 2.4%.
  - Core CPI (excluding food and energy) rose by 0.3% MoM, which was higher than headline inflation readings as energy prices fell. Core inflation came in at 2.5% year-over-year (YoY), down slightly from last month.
- The Producer Price Index (PPI) came in hotter than expected in January at 0.5%, with core coming in at 0.8% MoM, both above the 0.3% estimate.
  - YoY figures were also hotter than expected, coming in at 2.9% and 3.6%, respectively.
- Retail sales stalled in December, coming in flat at 0.0% and lower than anticipated, but the stagnant reading came off the back of a stellar November spending number.
  - The control group measure of retail sales (which feeds into GDP) fell -0.1% MoM, signaling lower spending on necessities.
- The US economy expanded at an annualized rate of 1.4% in Q4 2025, well below the estimates of 3.0%. The lower reading was attributed to lower government spending as the longest government shutdown in history took its toll.
- The headline Personal Consumption Expenditures Price Index (PCE) increased 2.9% YoY in December 2025, contrasting with the lower-than-expected reading from CPI.
  - The 0.4% MoM increase was also more than previously anticipated.
- The Federal Reserve (Fed) did not meet in February, but the market still expects two 0.25% interest rate cuts this year.

Monthly insight:

February's data indicates an economy showing mixed signals. Manufacturing activity picked up sharply, with the ISM Manufacturing PMI returning to expansion for the first time in a year, and services activity held steady in growth territory. The labor market, however, saw a decline in job openings while job gains persisted and unemployment edged lower. Inflation is easing on an annual basis but remains somewhat uneven across measures, further conflicting economic signals. Consumer spending softened after a strong holiday season, and GDP growth slowed notably in Q4 due to government shutdowns rather than economic or market-related developments. Overall, the economy is expanding modestly while inflation cools, and a still-functional labor market supports expectations for limited Fed rate cuts later in the year.

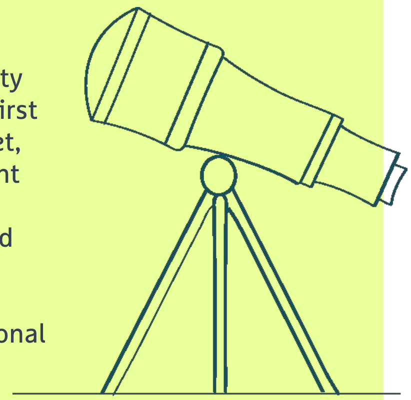
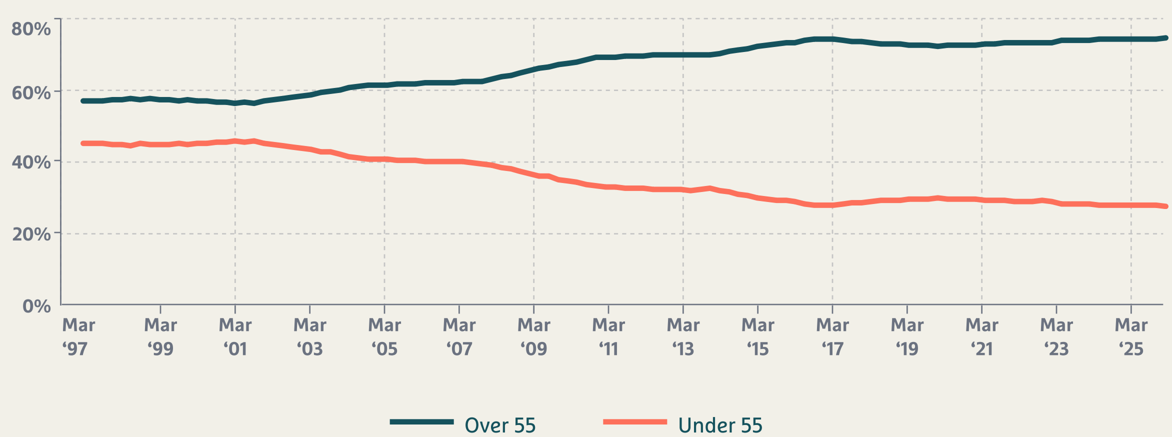


Chart of the month[2]

Over the past few years, resilient consumer spending has driven the economy forward and kept corporate earnings high, but the composition of that spending and asset ownership has been changing. Home and stock prices have risen precipitously over the last decade, and those who are either in or close to retirement now find themselves more asset-rich than before. Secondarily, Baby Boomers are living longer than previous generations, so older, wealthier Americans now account for a larger percentage of the total population, as well. The result? A massive increase in the percentage of consumption attributed to older consumers. The chart below shows a breakdown of the total asset ownership by age. Those over the age of 55 have a larger and growing share of assets, which has subsequently made them more significant consumers.

Chart 1

Net Worth Breakdown By Age Range



Market Update[3]

Chart 2

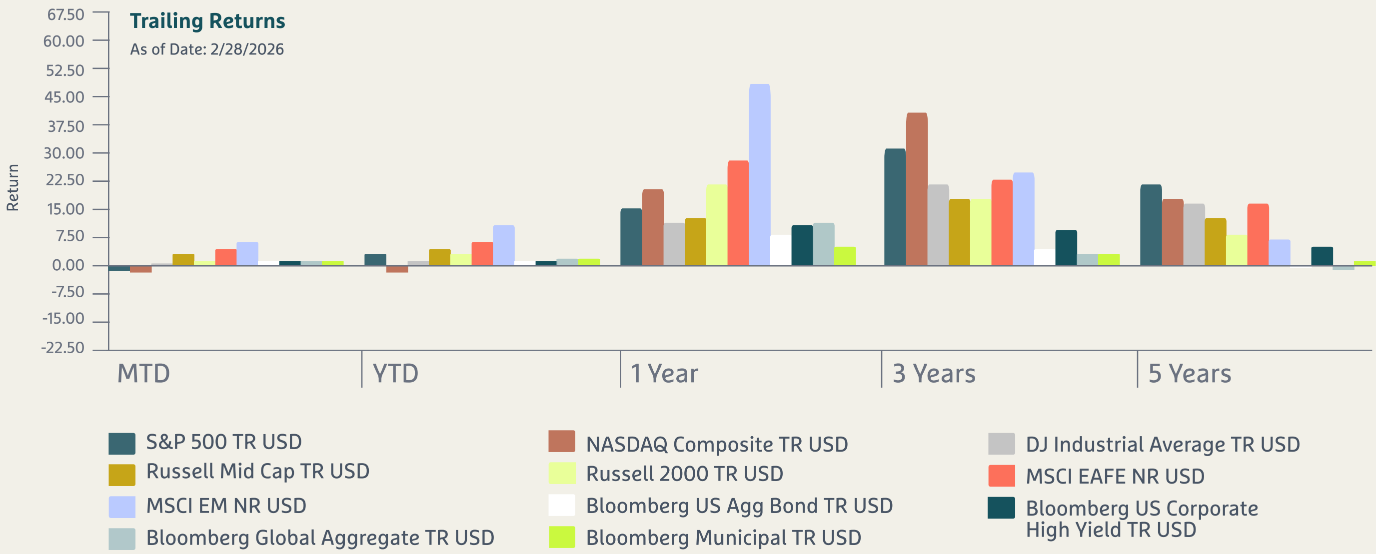


Table 1

Investments (as of 2/28/2026)	Trailing Returns MTD	YTD	1 YR	3 YR	5 YR	Equity Evaluations P/E Ratio	P/B Ratio
S&P 500	-0.76%	0.68%	16.99%	21.80%	14.19%	27.87	5.12
NASDAQ	-3.33%	-2.39%	21.04%	26.45%	12.26%	32.02	7.19
Dow Jones Industrial Average	0.31%	2.12%	13.59%	16.61%	11.73%	23.60	5.07
Russell Mid-Cap	3.82%	6.99%	16.82%	14.83%	9.02%	22.27	2.93
Russell 2000 (Small Cap)	0.80%	6.20%	23.34%	13.14%	5.05%	18.64	2.15
MSCI EAFE (International)	4.63%	10.09%	34.63%	18.77%	10.78%	18.98	2.19
MSCI Emerging Markets	5.50%	14.83%	49.96%	21.53%	6.31%	17.25	2.26
Bloomberg US Agg Bond	1.64%	1.75%	6.26%	5.12%	0.42%	—	—
Bloomberg High Yield Corp.	0.19%	0.69%	7.18%	9.42%	4.51%	—	—
Bloomberg Global Agg	1.12%	2.06%	8.23%	4.74%	-1.23%	—	—
Bloomberg Municipal	1.25%	2.20%	4.96%	4.44%	1.44%	—	—

Market Review[1]

Equities

In February, equity market leadership continued to broaden, reflecting more attractive valuations down the cap spectrum and across recently unloved sectors, as well as general weakness in the tech sector. The growth-oriented NASDAQ finished down -3.33%, while the S&P 500 slightly outperformed, but still fell -0.76%. The value-focused Dow Jones rose 0.31%, while mid-caps led the month, rising 3.82%. Sector performance emphasized the broadening trend, with defensive sectors like Utilities, Materials, and Energy posting the strongest performance. Despite intermittent volatility tied to concerns around AI disruption and shifting trade policy, markets rebounded into late February, underscoring resilient market sentiment. International equities continued their rally, outpacing domestic equities for a second straight year. Although the Supreme Court struck down Trump's initial wave of tariffs, that positive news was offset by stronger-than-anticipated inflation, which may indicate fewer rate cuts from the Fed this year. Overall, broadening market leadership has reestablished the importance of diversification as a critical tool to protect portfolios from market volatility.

Fixed Income

Interest rates declined in February, as lower job growth, lower GDP, and the elimination of many existing tariffs all increase the potential for Fed rate cuts later this year. Falling interest rates lead to rising bond prices. Longer-duration bonds performed best, but intermediate-term and even short-duration bonds performed well. High yield spreads remained near all-time lows as investors continue to favor larger coupons over investment-grade quality, but at current levels, credit broadly presents asymmetrical risk skewed strongly to the downside. International debt performed well, largely due to the continued weakening of the U.S. Dollar. President Trump's appointment of Kevin Warsh as the next Fed Chair instilled confidence in the bond market, which had expressed concerns about Fed independence with less objective candidates. Fixed income continues to be a source of real income and meaningful diversification, helping to protect against equity volatility.

Conclusion

February was defined by a bifurcation of both economic data and financial market returns. The U.S. economy is moving forward, but at a more gradual pace than seen in late 2025. Lower consumer spending, declining job availability, and slower GDP Growth are taking their toll. Growth in the manufacturing sector and continued hiring in healthcare are both reasons to be optimistic. Although the tech sector continues to sell off, the removal of tariffs and the appointment of a less overtly polarizing Fed Chair boosted the performance of defensive sectors, while fixed income markets produced positive returns and rewarded investors who remained diversified across asset classes.

Economic Definitions

ISM Manufacturing Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

Initial Jobless Claims: Initial unemployment claims track the number of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

Job Openings – JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

Producer Prices – PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e., prices received by domestic producers for their outputs either on the domestic or foreign market).

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg US Agg Bond: The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg High Yield Corp: The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.

Bloomberg Global Agg: The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Municipal Bond Index: The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Disclosures

---

1 Data obtained from Bloomberg Terminal as of 2/28/2026

2 Rich Old People - A Wealth of Common Sense

3 Returns obtained from Morningstar as of 2/28/2026