

OBSERVATIONS

- ▶ Markets were choppy last week but ended lower with the S&P 500 losing 0.4% and small caps (Russell 2000) losing 1.2%, while the yield on the 10-Year Treasury fell 15 basis points to end the week at 3.94%.¹
- ▶ Housing price increases eased in December, with the Cotality S&P National Price Index falling to a 1.3% year-over-year (YoY) increase from November's 1.4% YoY increase.¹
- ▶ The construction spending figures for November and December were finally released last week—delayed to the 2025 government shutdown—and showed the total construction spending for 2025 was 1.4% below 2024 spending due to declines in both residential (-2.6% YoY) and nonresidential (-3.1%) construction.¹
- ▶ Prices at the wholesale level came in higher than expected in January, with the headline PPI index falling only to 2.9% YoY, which was just below December's 3.0% YoY rate. Meanwhile, core-PPI, which strips out food and energy prices, increased in January to 3.6% YoY prices rising from December's 3.3% YoY figure.¹
- ▶ Initial unemployment claims continue to be low and registered 212k new claims last week, which was 4k higher than the week prior, but nearly 27k fewer claims than the same week last year.¹

EXPECTATIONS

- ▶ China will hold its "Two-Sessions" meetings next week, which are the annual assemblies of China's legislature, the National People's Congress (NPC), and the top political advisory body, the National Committee of the Chinese People's Political Consultative Conference (CPPCC) and will layout broad economic policy goals for 2026, including an expected 2026 real GDP growth target of "4.5-5.0%".¹
- ▶ Many of the tariffs imposed by the Trump administration were struck down by the Supreme Court (see RC [23-Feb](#)), but the administration imposed an across the board 10% tariff—excluding items covered under various free trade deals such as the USMCA deal—under Section 232 of the 1974 trade act. These tariffs will only last 150 days—approximately until late July—but may allow the administration the time to conduct sector specific trade analyses and then implement sector specific tariffs related to sections 201 (industry safeguarding - "dumping") or 301 (burdens to commerce - "trade barriers") of the 1974 Trade Act.¹
- ▶ NVIDIA, the largest company in the S&P 500 and the company at the center of the AI sector, reported earnings last week and beat expectations with revenue up 73% YoY and earnings up 94% YoY. Meanwhile, with NVIDIA's earnings released, about 96% of S&P 500 have reported Q4-2025 earnings and 73% of reporting companies have had a positive earnings surprise, which is below the 5-year (78%) and 10-year (76%) average for beats. Overall, Q4 earnings are set to increase an impressive 14.2% YoY.²

ONE MORE THOUGHT: February's Rotations, Dispersions, and Sell-offs - Oh My¹

February was a month of dispersion and contrasts. The S&P 500 fell by -0.8% in February, while the equal-weight S&P and international markets (MSCI ACWI ex US) rose by 3.6% and 5.0%, respectively. Since December 1, 2025, the S&P 500 has traded between roughly 6,750 and 6,980 on a closing basis, a tight 3.4% trading range—see Chart of the Week. Despite a muted headline return, there was a tremendous amount of activity beneath the surface as investors digested the latest wave of AI disruption fears and market gains continued to broaden out to the non-tech parts of the equity market. However, performance dispersion was also particularly notable within the Technology

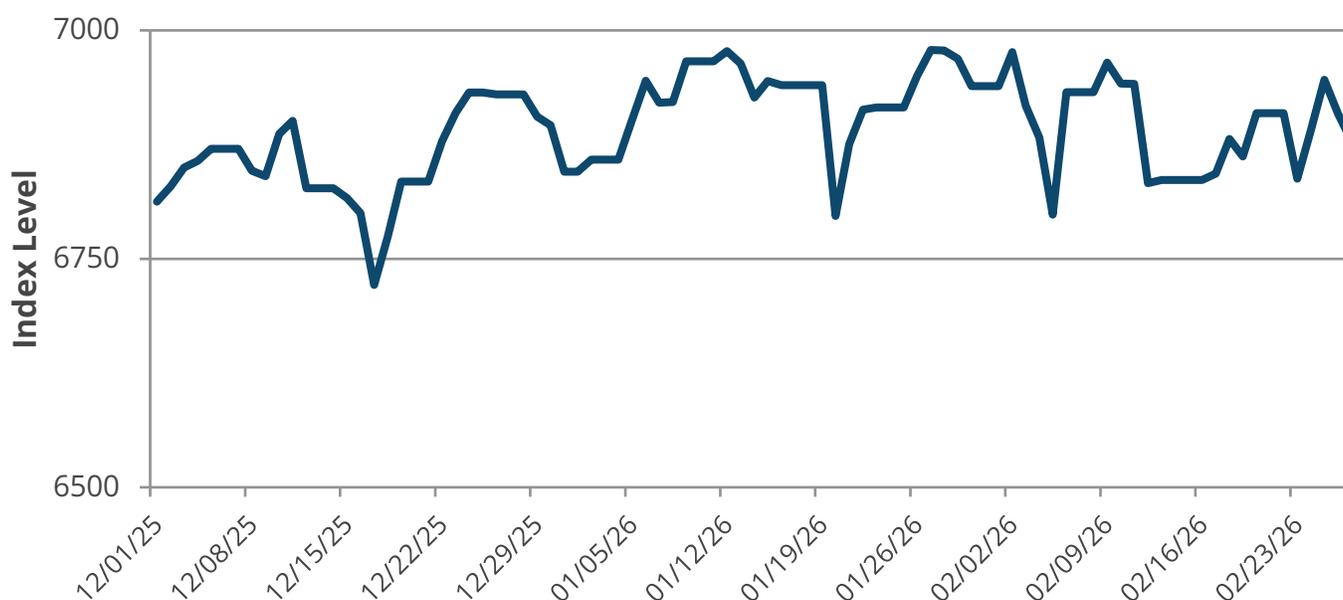
¹ Bloomberg LP, 2/27/2026

² FactSet Earnings Insight 2/27/2026

sector, with memory names like Sandisk (SNDK) rising by 10.3% while financial software stock Intuit (INTU) fell by 18.0%. The Mag-7—Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla—continued to lag the market in February, declining by -7.3%. This handful of mega-cap AI beneficiaries is no longer the sole driver of global index returns, as market breadth improves and cyclical sectors, smaller-cap asset classes, and foreign stocks lead. Investors are increasingly turning to and rewarding cash-flow generators, dividend payers, and cyclical themes rather than speculative growth stocks. February was bright for international equity markets, with developed (MSCI EAFE Index) and emerging markets (MSCI EM Index) rising by 4.6% and 5.5%, respectively, even as the US dollar gained modestly against a broad range of mostly developed-market foreign currencies. South Korea stood out again in February with its equity market (MSCI Korea Index) surging by over 22.6% in dollar terms. US interest rates declined in February as investors concerned about the disruptive nature of AI, the growing tensions between the US and Iran, and the press's obsession with potential problems in private credit turned many investors towards Treasuries in a flight to safety. The US Treasury 10-year yield declined from 4.24% to 3.94%, the 30 basis points decline was similar across the yield curve for Treasuries from 5 to 30 years.

CHART OF THE WEEK

S&P 500 - Trading in a Narrow Range



Source: Clearstead, Bloomberg LP, 2/27/2026

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