

Newsletter for Week Ending 2/20/26

Youtube Channel



CHECKING TO SEE WHICH WAY THE WIND IS BLOWING





Dave Ramsey In Critical Condition After Learning Of 50-Year Mortgage



Disclaimer: I am not a financial advisor, and do not make any recommendations on what to buy or sell.

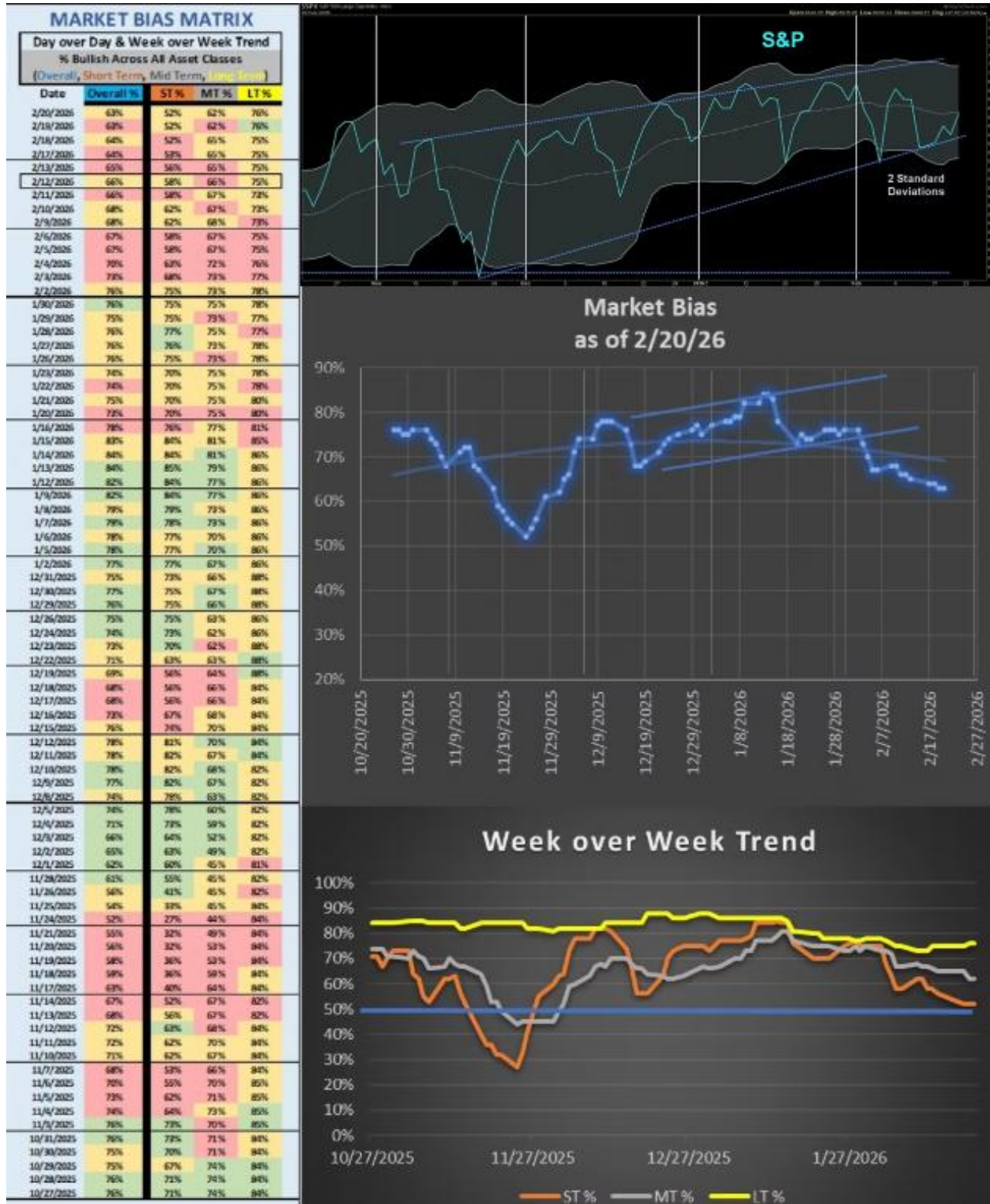
The information offered here is for educational purposes only and does not constitute financial, legal or professional advice. NO ONE, including me, has any idea what the market will do.

Each person must determine their own risk profile, trading/investing style and take responsibility for any trades they make. Always do your own research and due diligence before making any investment decisions.

Past performance does not guarantee future results!

Most of the charts shown in this newsletter are courtesy of StockCharts.com and can be found on the website shown at the top of the page. Here is a link to the StockCharts.com pricing and if you sign up, I would appreciate if you used my email as a referral (danbyrd@comcast.net)

[Service Levels, Data Plans and Pricing | StockCharts.com](#)



Economic Calendar for Last Week:

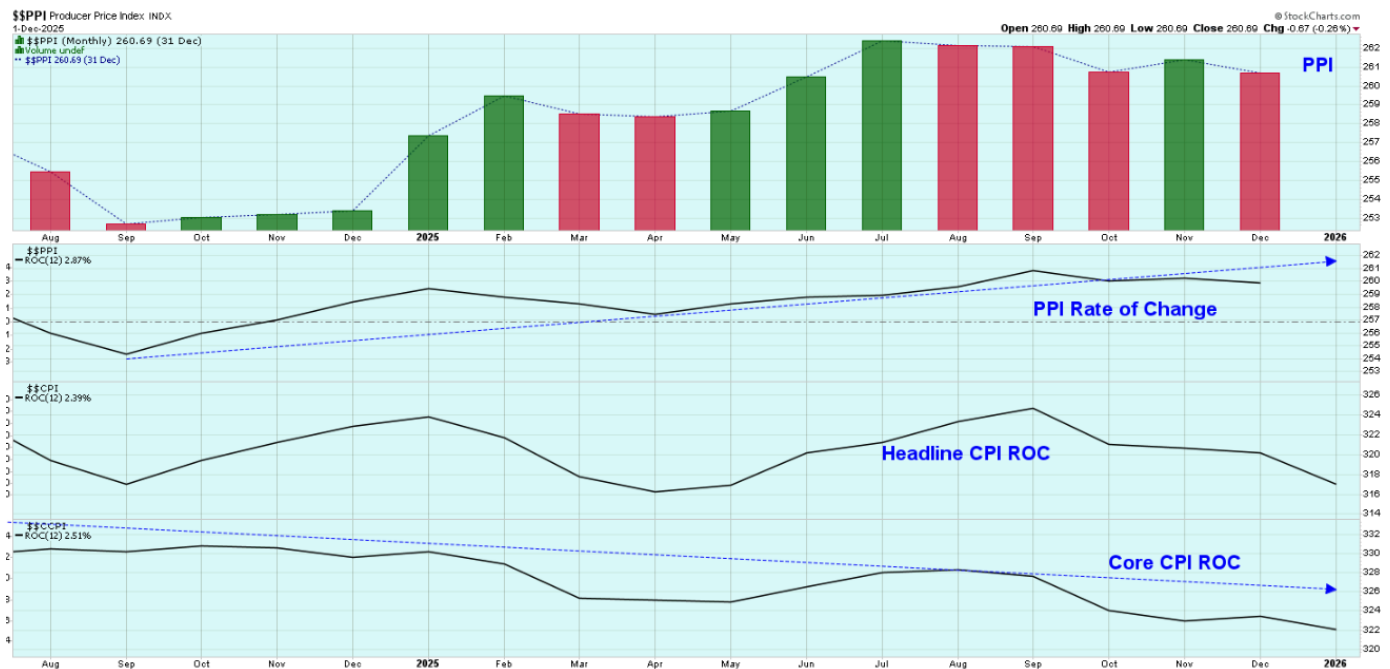
Time	Cur.	Event	Imp.	Actual	Forecast	Previous
Monday, February 16, 2026						
All Day		United States - Washington's Birthday	Holiday			
Wednesday, February 18, 2026						
08:30	 USD	Durable Goods Orders (MoM) (Dec)	P ★★★	-1.4%	-1.8%	5.4%
14:00	 USD	FOMC Meeting Minutes 	★★★			
Thursday, February 19, 2026						
08:30	 USD	Philadelphia Fed Manufacturing Index (Feb)	★★★	16.3	7.5	12.6
08:30	 USD	Initial Jobless Claims	★★★	206K	223K	229K
12:00	 USD	Crude Oil Inventories	★★★	-9.014M	1.700M	8.530M
Friday, February 20, 2026						
08:30	 USD	Core PCE Price Index (MoM) (Dec)	★★★	0.4%	0.3%	0.2%
08:30	 USD	GDP (QoQ) (Q4) P	★★★	1.4%	2.8%	4.4%
08:30	 USD	Core PCE Price Index (YoY) (Dec)	★★★	3.0%	2.9%	2.8%
09:45	 USD	S&P Global Manufacturing PMI (Feb) P	★★★	51.2	52.4	52.4
09:45	 USD	S&P Global Services PMI (Feb) P	★★★	52.3	53.0	52.7
09:59	 USD	New Home Sales (Nov)	★★★	758K		737K
10:00	 USD	New Home Sales (Dec)	★★★	745K	732K	656K
12:45	 USD	U.S. President Trump Speaks 	★★★			

Economic Calendar for Next Week:

Time	Cur.	Event	Imp.	Actual	Forecast	Previous
Tuesday, February 24, 2026						
10:00	🇺🇸 USD	CB Consumer Confidence (Feb)	★ ★ ★		86.0	84.5
21:00	🇺🇸 USD	U.S. President Trump Speaks 🗣️	★ ★ ★			
Wednesday, February 25, 2026						
10:30	🇺🇸 USD	Crude Oil Inventories	★ ★ ★			-9.014M
Thursday, February 26, 2026						
08:30	🇺🇸 USD	Initial Jobless Claims	★ ★ ★			206K
Friday, February 27, 2026						
08:30	🇺🇸 USD	PPI (MoM) (Jan)	★ ★ ★		0.3%	0.5%
09:45	🇺🇸 USD	Chicago PMI (Feb)	★ ★ ★			54.0

The biggest surprise this week was the drop in GDP, although perhaps it should not have been. One component of GDP is imports, which had been dropping a lot due to tariffs, which created an artificially (and temporary?) spike in GDP. This component was normalized and may actually start rising with the decision from the Supreme Court. If so, GDP may drop even more, perhaps even into recession territory of under zero. Something to keep an eye on.

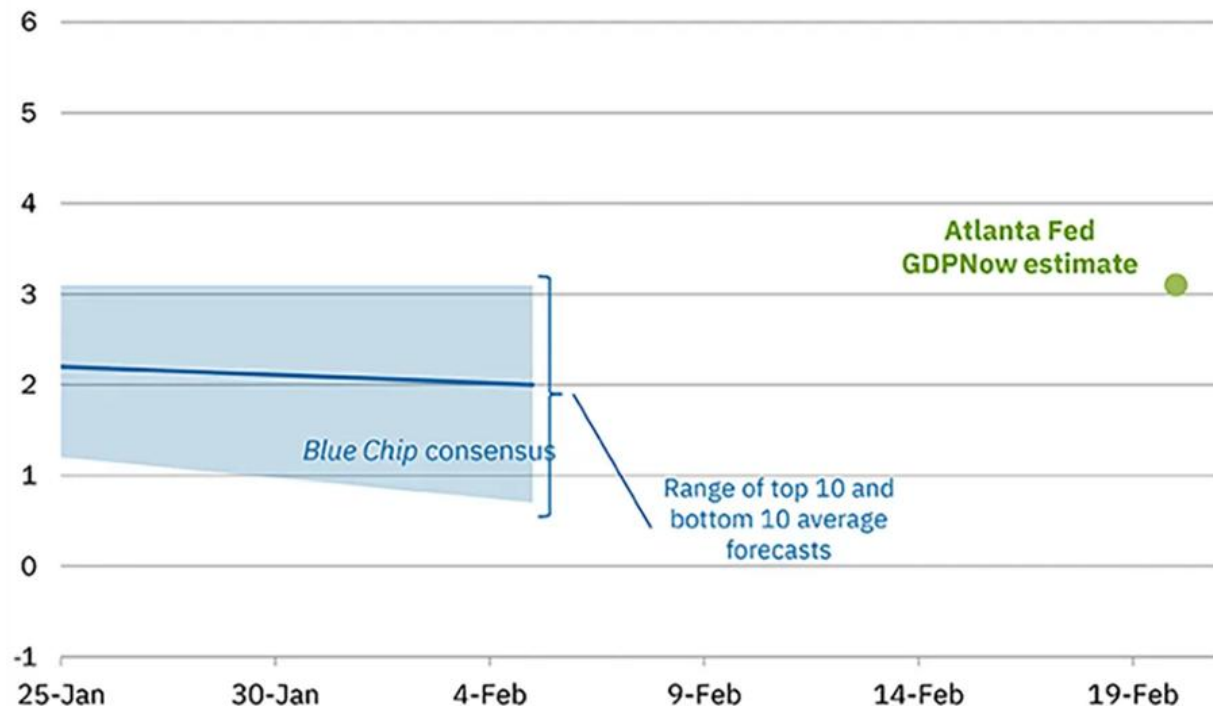
PPI is forecast to decline again on Friday.



CME FEDWATCH TOOL - AGGREGATED MEETING PROBABILITIES				
MEETING DATE	275-300	300-325	325-350	350-375
3/18/2026	0.00 %	0.00 %	3.52 %	96.48 %
4/29/2026	0.00 %	0.00 %	18.00 %	82.00 %
6/17/2026	0.00 %	0.00 %	61.66 %	38.34 %
7/29/2026	0.00 %	0.00 %	98.00 %	2.00 %
9/16/2026	0.00 %	52.79 %	47.21 %	0.00 %
10/28/2026	0.00 %	86.00 %	14.00 %	0.00 %
12/9/2026	22.52 %	77.48 %	0.00 %	0.00 %
1/27/2027	34.00 %	66.00 %	0.00 %	0.00 %
3/17/2027	44.00 %	56.00 %	0.00 %	0.00 %
4/28/2027	44.00 %	56.00 %	0.00 %	0.00 %
6/9/2027	48.43 %	51.57 %	0.00 %	0.00 %
7/28/2027	44.00 %	56.00 %	0.00 %	0.00 %
9/15/2027	41.19 %	58.81 %	0.00 %	0.00 %
10/27/2027	32.00 %	68.00 %	0.00 %	0.00 %
12/8/2027	53.57 %	46.43 %	0.00 %	0.00 %

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q4

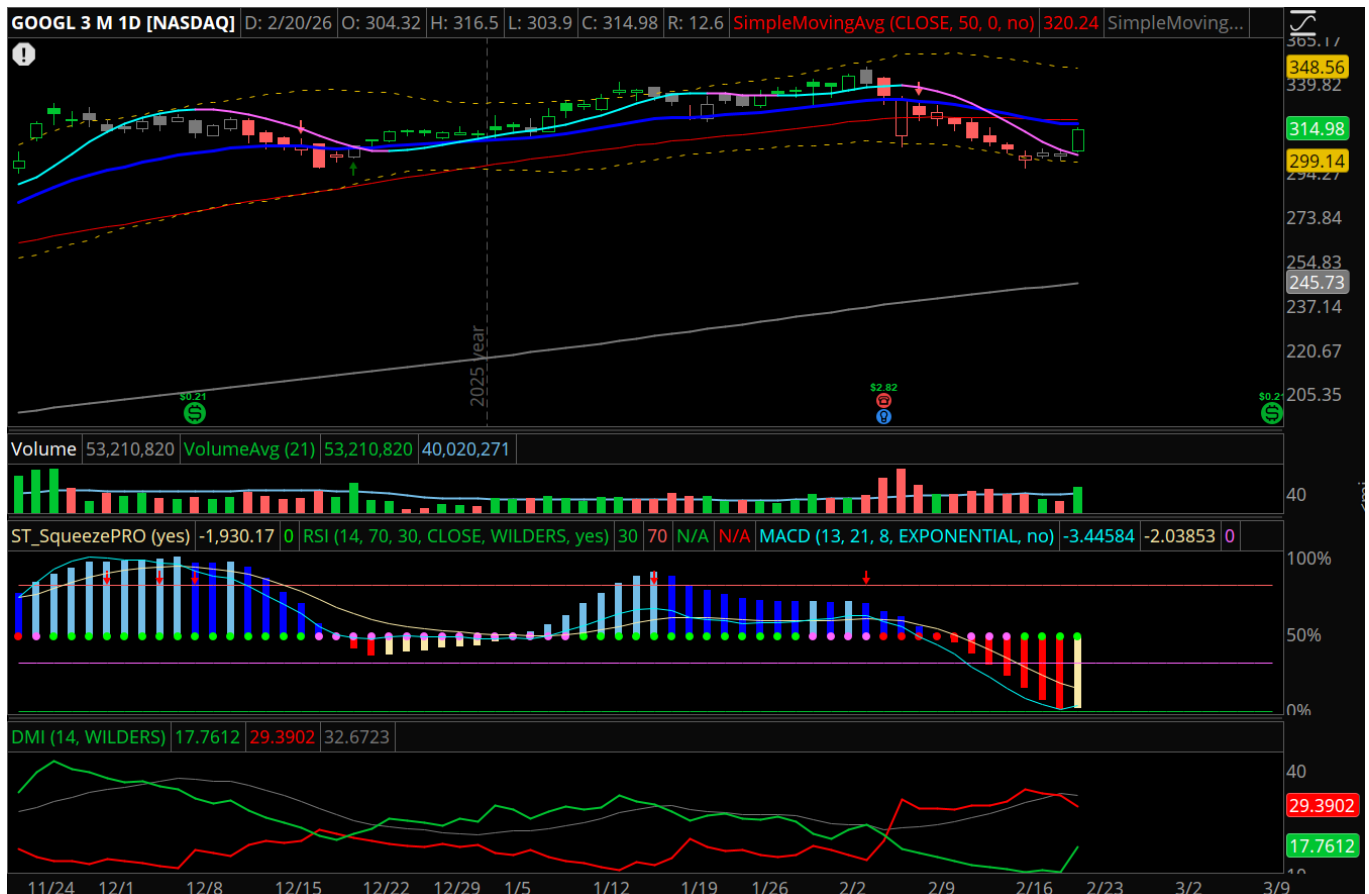
Quarterly percent change (SAAR)



Even though the big tech names got a little rally on Friday, the “Follow the Leaders” matrix continued to decline. According to Jesse Livermore, a sign that the general market is on the verge of a pullback is when the leaders 1) struggle to make new highs and 2) begin to make new lows.

As of 2/20/26							As of 2/13/26						
Following the Leaders							Following the Leaders						
For this column only	Jesse Livermore Criteria		Overall % Bullish				For this column only	Jesse Livermore Criteria		Overall % Bullish			
	For these 2 columns, Green < 60% Bearish, Red > 60% Bearish		For ALL columns, Green > 60% Bullish, Red < 60% Bullish					For these 2 columns, Green < 60% Bearish, Red > 60% Bearish		For ALL columns, Green > 60% Bullish, Red < 60% Bullish			
82%	71%		34%				76%	65%		38%			
Symbol	New Highs?	New Lows?	Beating Peers?	Mvg Avg 21 > 50?	Positive Momentum?	Positive Acc/Dis?	Symbol	New Highs?	New Lows?	Beating Peers?	Mvg Avg 21 > 50?	Positive Momentum?	Positive Acc/Dis?
NVDA	N	N	N	Y	Y	N	NVDA	N	N	N	Y	Y	N
AAPL	N	Y	N	N	Y	N	AAPL	N	Y	N	N	Y	N
MSFT	N	Y	Y	N	N	N	MSFT	N	Y	Y	N	N	N
AVGO	N	N	N	N	N	N	AVGO	N	N	N	N	N	N
AMZN	N	Y	N	N	N	Y	AMZN	N	Y	N	N	N	Y
GOOGL	N	N	Y	N	N	Y	GOOGL	N	N	Y	Y	N	Y
TSLA	N	Y	N	N	N	N	TSLA	N	N	N	N	N	N
META	N	Y	N	Y	N	N	META	N	Y	N	Y	N	N
NFLX	N	Y	N	N	N	N	NFLX	N	Y	N	N	N	N
PLTR	N	Y	Y	N	N	N	PLTR	N	Y	Y	N	N	N
COST	Y	N	Y	Y	Y	Y	COST	Y	N	Y	Y	Y	Y
AMD	N	Y	Y	N	N	N	AMD	N	Y	Y	N	N	N
ANET	N	Y	N	Y	Y	N	ANET	N	N	N	Y	Y	N
ORCL	N	Y	N	N	N	N	ORCL	N	Y	N	N	N	N
LLY	N	N	N	N	Y	N	LLY	N	N	Y	N	Y	N
MU	Y	N	Y	Y	Y	Y	MU	Y	N	Y	Y	Y	Y
GEV	Y	N	Y	Y	Y	Y	GEV	Y	N	Y	Y	Y	Y

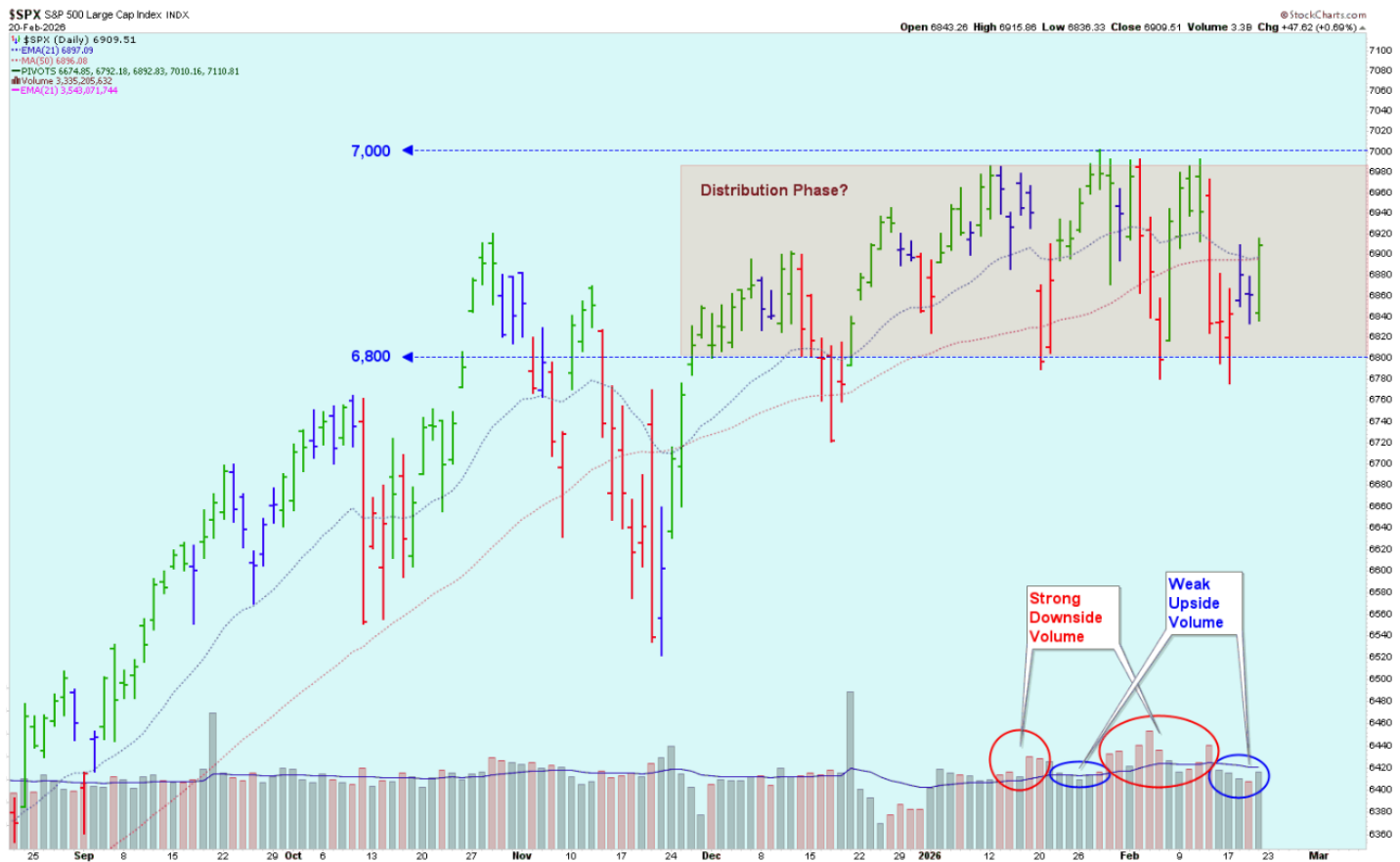
Even though GOOGL changed from Green to Red this week, due to the 21 EMA falling below the 50 MA, it had a nice bounce on Friday. Maybe the start of a recovery for these stocks?



Let's take a look at the S&P from a wider view. It looks like a Distribution Phase is forming between 6,800 – 7,000. Watch what happens if/when it breaks above 7,000, especially if it can't hold those all time highs.

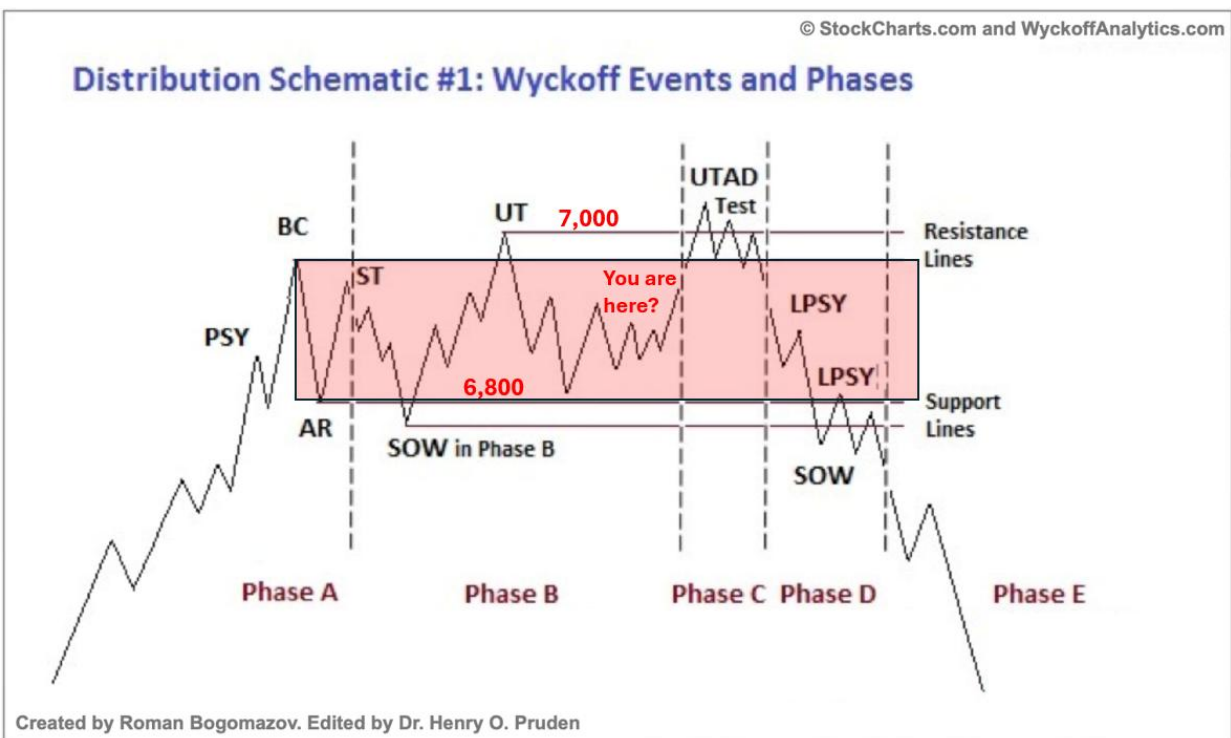


And a zoomed in view:



Now compare that to the Wyckoff Market Phase at Distribution, taken from the Stockcharts "Chart School" area. I added some annotation for the current market.

Distribution: Wyckoff Events



PSY—preliminary supply, where large interests begin to unload shares in quantity after a pronounced up-move. Volume expands and price spread widens, signaling that a change in trend may be approaching.

BC—buying climax, during which there are often marked increases in volume and price spread. The force of buying reaches a climax, with heavy or urgent buying by the public being filled by professional interests at prices near a top. A BC often coincides with a great earnings report or other good news, since the large operators require huge demand from the public to sell their shares without depressing the stock price.

AR—automatic reaction. With intense buying substantially diminished after the BC and heavy supply continuing, an AR takes place. The low of this selloff helps define the lower boundary of the distribution TR.

ST—secondary test, in which price revisits the area of the BC to test the demand/supply balance at these price levels. For a top to be confirmed, supply must outweigh demand; volume and spread should thus decrease as price approaches the resistance area of the BC. An ST may take the form of an upthrust (UT), in which price moves above the resistance represented by the BC and possibly other STs before quickly reversing to close below resistance. After a UT, price often tests the lower boundary of the TR.

SOW—sign of weakness, observable as a down-move to (or slightly past) the lower boundary of the TR, usually occurring on increased spread and volume. The AR and the initial SOW(s) indicate a change of character in the price action of the stock: supply is now dominant.

LPSY—last point of supply. After testing support on a SOW, a feeble rally on narrow spread shows that the market is having considerable difficulty advancing. This inability to rally may be due to weak demand, substantial supply or both. LPSYs represent exhaustion of demand and the last waves of large operators' distribution before markdown begins in earnest.

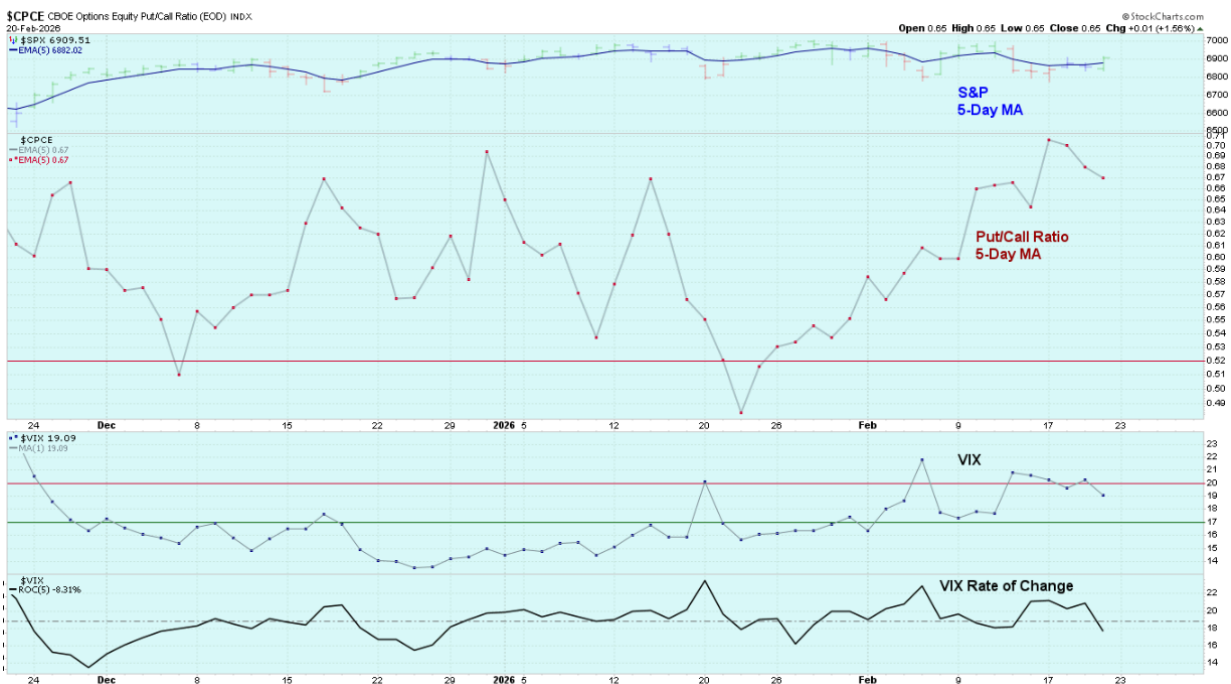
UTAD—upthrust after distribution. A UTAD is the distributional counterpart to the spring and terminal shakeout in the accumulation TR. It occurs in the latter stages of the TR and provides a definitive test of new demand after a breakout above TR resistance. Analogous to springs and shakeouts, a UTAD is not a required structural element: the TR in Distribution Schematic #1 contains a UTAD, while the TR in Distribution Schematic #2 does not.

To be clear, none of this means a big selloff is guaranteed. This is just an example of the Wyckoff Method that has been around for 125 years.

The other thing to keep an eye on is the VIX. As you can see, even though the price has basically moved sideways, the VIX moving averages have been moving higher.



Although the Put/Call Ratio is at levels that sometimes imply a short term rally:



Weekly Performance:



Note that the defensive Sectors lagged this week...

TIMEFRAME

One Week

Columns

☐ Send Daily Report

☐ Send Weekly Report

	SYMBOL	NAME	% CHG	+/-	DATE
	XLC	XLC - Communication Services Select Sector SPDR Fund	+1.94%		02-20, 16:00
	XLI	XLI - Industrial Select Sector SPDR Fund	+1.76%		02-20, 16:00
	XLF	XLF - Financial Select Sector SPDR Fund	+1.63%		02-20, 16:00
	\$GOLD	\$GOLD - Gold - Continuous Contract (EOD)	+1.28%		02-20, 14:30
	\$NDX	\$NDX - Nasdaq 100 Index	+1.13%		02-20, 16:00
	XLY	XLY - Consumer Discretionary Select Sector SPDR Fund	+1.09%		02-20, 16:00
	\$SPX	\$SPX - S&P 500 Large Cap Index	+1.07%		02-20, 16:00
	XLE	XLE - Energy Select Sector SPDR Fund	+0.98%		02-20, 16:00
	XLK	XLK - Technology Select Sector SPDR Fund	+0.95%		02-20, 16:00
	IWM	IWM - iShares Russell 2000 ETF	+0.63%		02-20, 16:00
	XLRE	XLRE - Real Estate Select Sector SPDR Fund	+0.14%		02-20, 16:00
	XLU	XLU - Utilities Select Sector SPDR Fund	-0.37%		02-20, 16:00
	XLV	XLV - Health Care Select Sector SPDR Fund	-0.54%		02-20, 16:00
	XLB	XLB - Materials Select Sector SPDR Fund	-0.66%		02-20, 16:00
	XLP	XLP - Consumer Staples Select Sector SPDR Fund	-1.81%		02-20, 16:00
	\$BTCUSD	\$BTCUSD - Bitcoin to US Dollar	-2.80%		02-21, 00:52

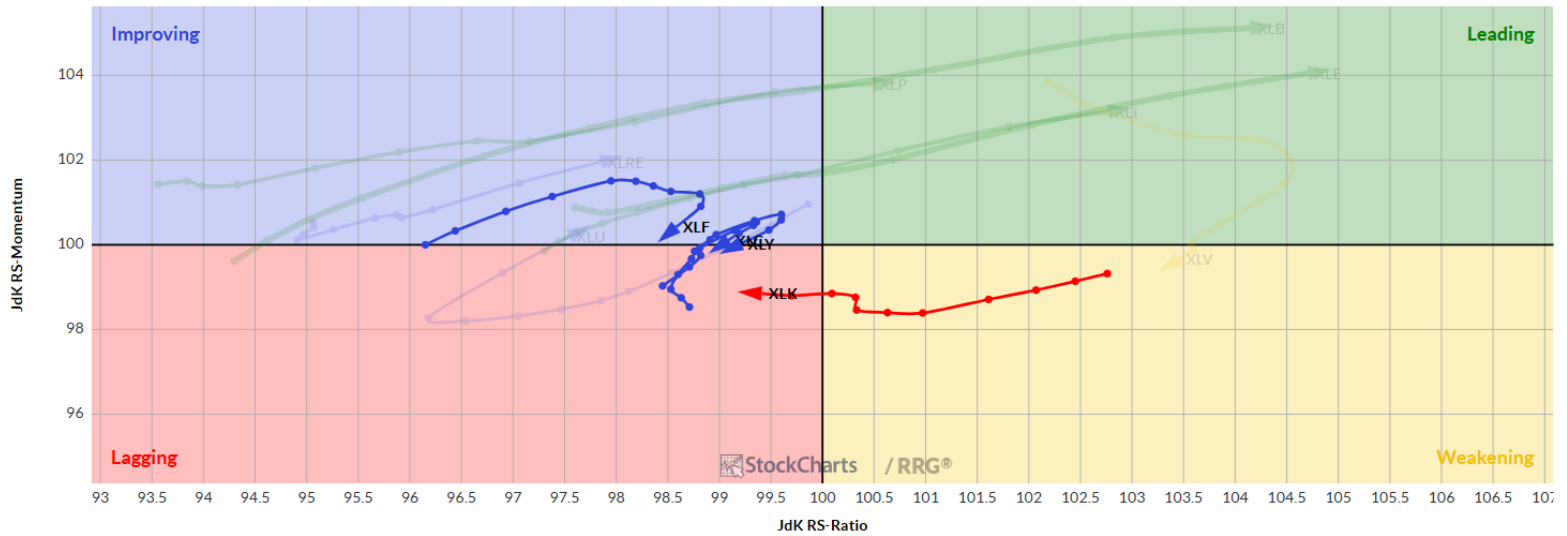


CHART	VISIBLE	TAIL	SYMBOL	NAME	SECTOR	INDUSTRY	PRICE	% CHG
☒	☒	☒	XLB	Materials Select Sector SPDR Fund			\$52.96	+17.90%
☒	☒	☒	XLE	Energy Select Sector SPDR Fund			\$54.88	+21.62%
☒	☒	☒	XLI	Industrial Select Sector SPDR Fund			\$177.23	+13.46%
☒	☒	☒	XLP	Consumer Staples Select Sector SPDR Fund			\$87.89	+11.55%
☒	☒	☒	XLV	Health Care Select Sector SPDR Fund			\$156.82	+2.22%
☒	☒	☒	XLK	Technology Select Sector SPDR Fund			\$140.88	-1.81%
☒	☒	☒	XLRE	Real Estate Select Sector SPDR Fund			\$43.56	+8.06%
☒	☒	☒	XLU	Utilities Select Sector SPDR Fund			\$46.33	+8.98%
☒	☒	☒	XLF	Financial Select Sector SPDR Fund			\$52.49	-4.14%
☒	☒	☒	XLC	Communication Services Select Sector SPDR Fund			\$116.80	+0.54%
☒	☒	☒	XLY	Consumer Discretionary Select Sector SPDR Fund			\$117.45	-2.50%
☒	☒	☒	SPY	SPDR S&P 500 ETF			\$689.43	+1.42%

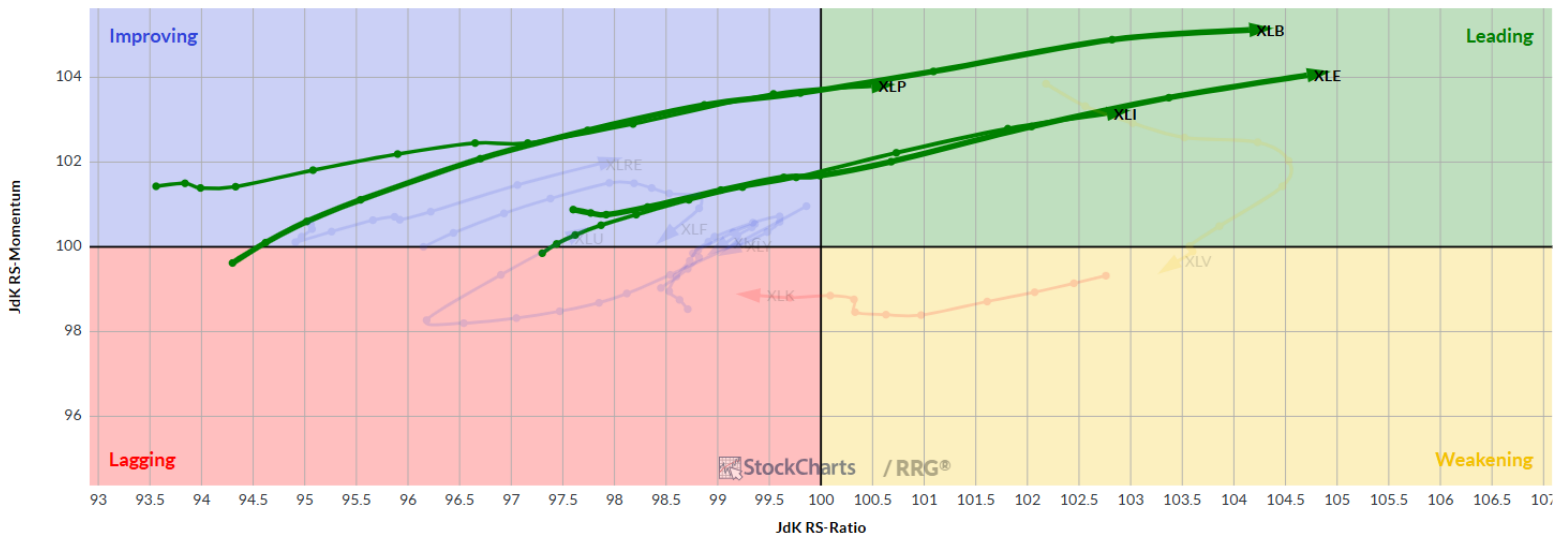
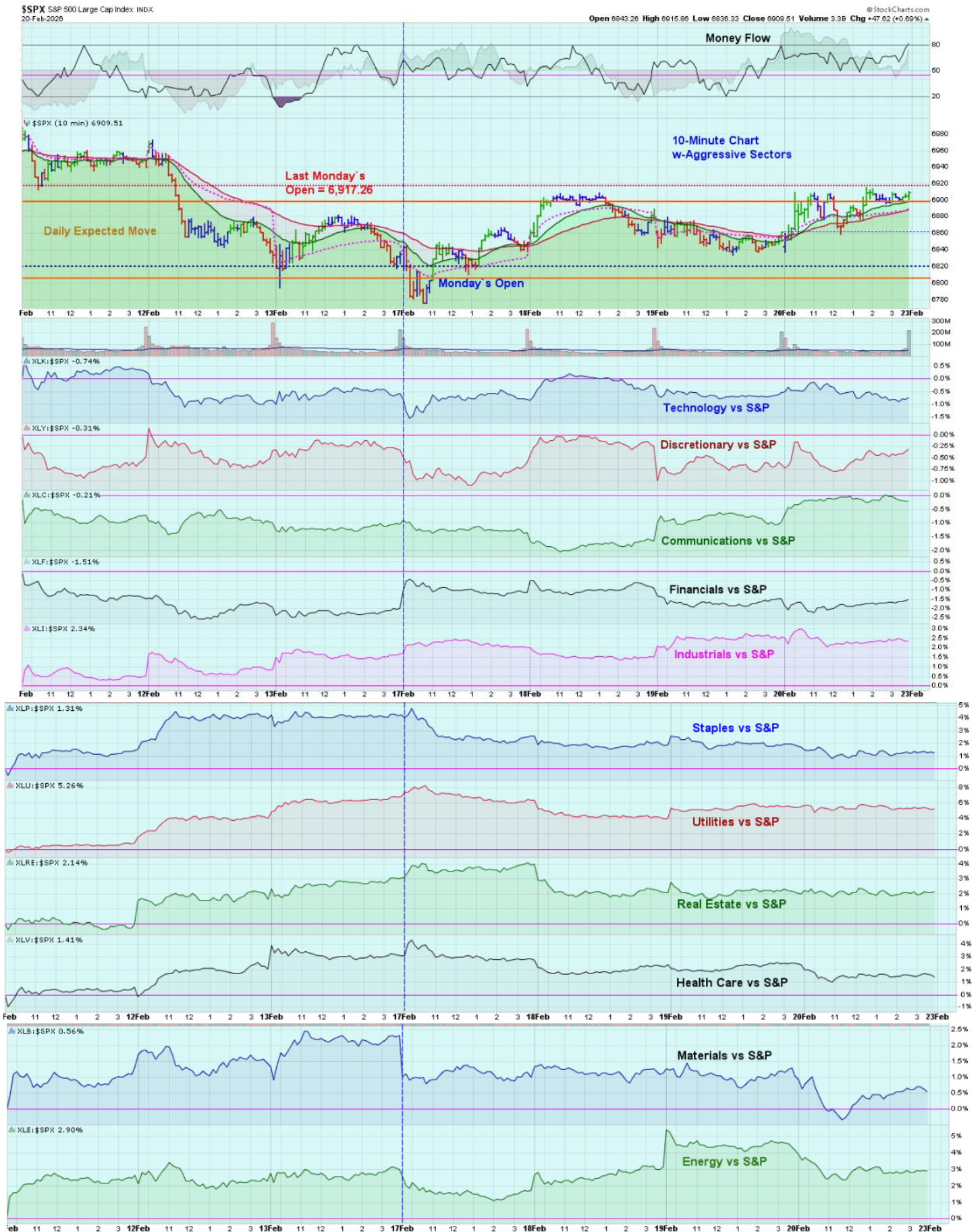
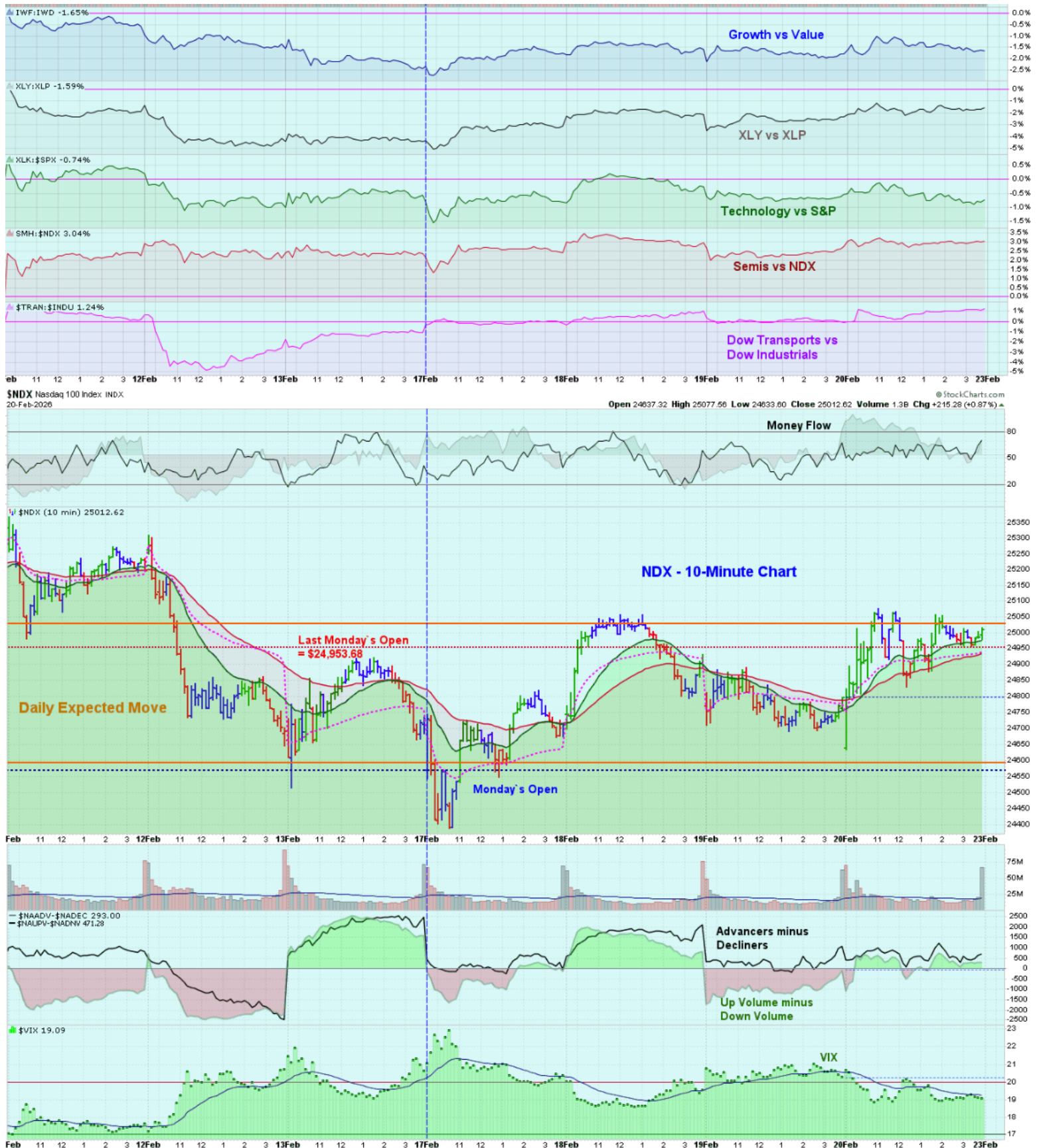


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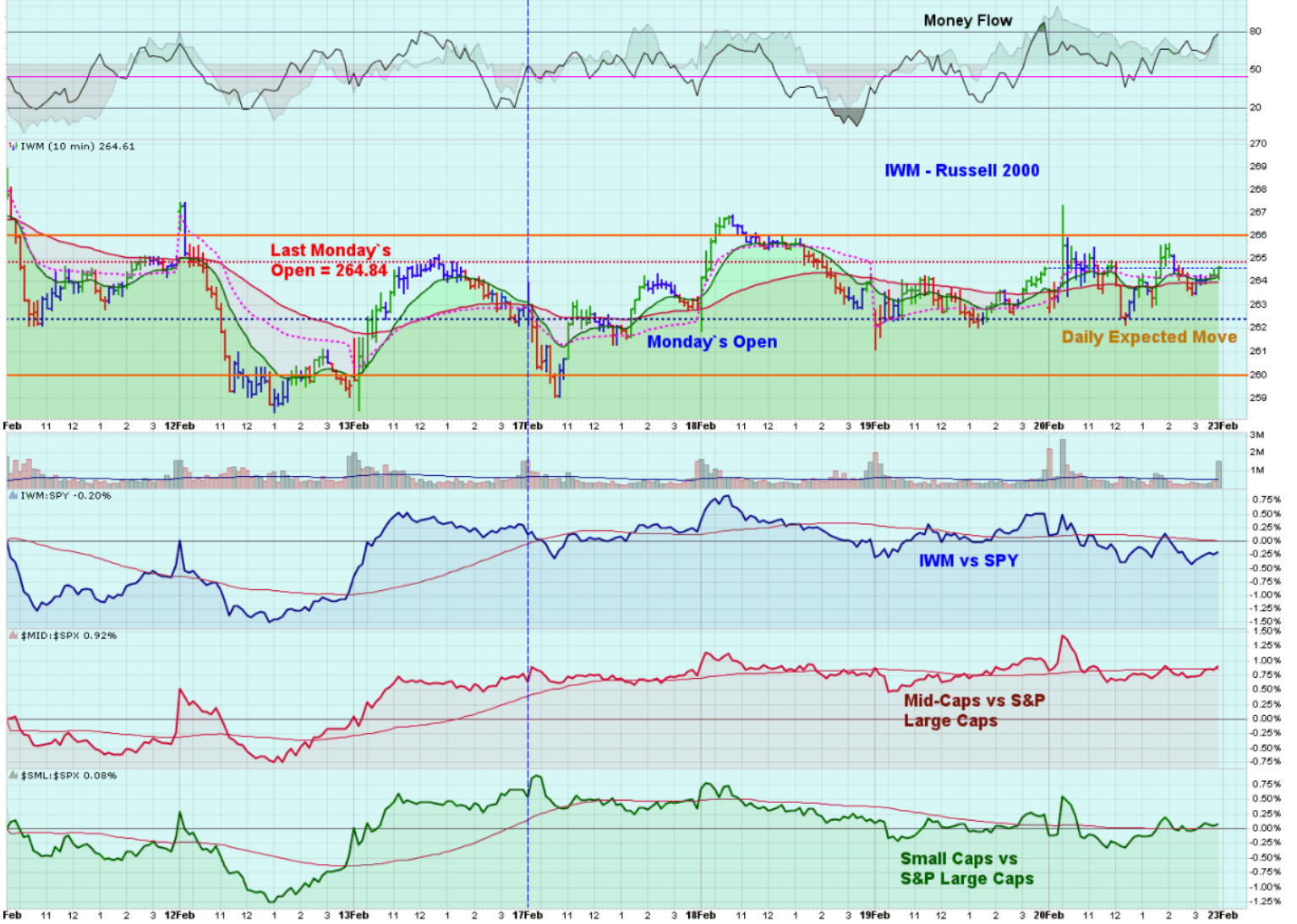
10-Minute Charts:





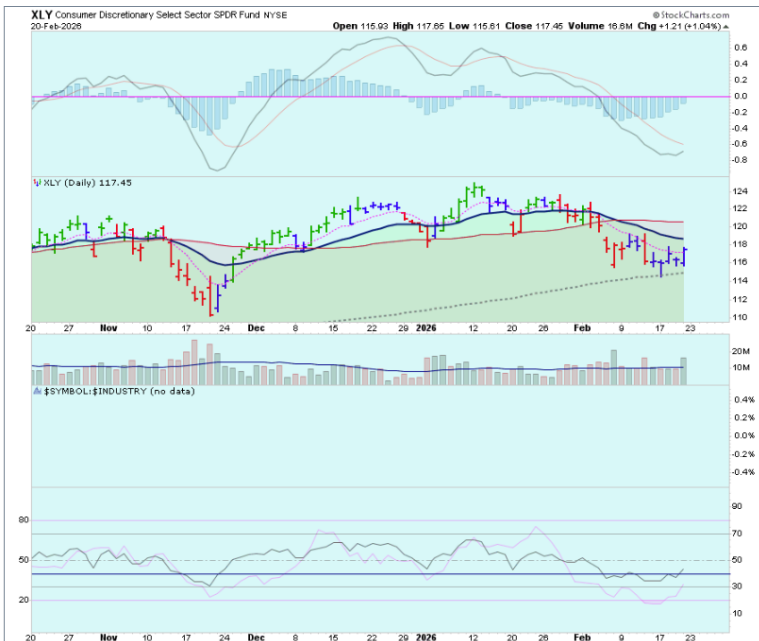
IWM iShares Russell 2000 ETF NYSE
20-Feb-2026

Open 262.85 High 267.33 Low 262.14 Close 264.61 Volume 47.1M Chg +0.01 (+0.00%)

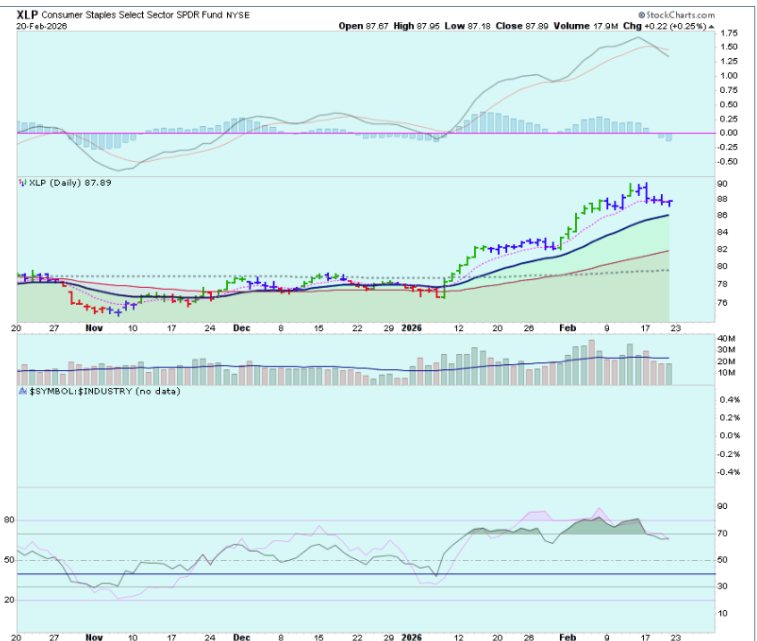


XLY vs XLP

DAILY VIEW



DAILY VIEW



Top 10 Best & Worst Large Caps for the Week:

NAME	SECTOR	INDUSTRY	LAST	CHG	% CHG	+/-	SCTR	U
SHOP - Shopify, Inc.	Technology	Software	126.20	+13.50	+11.98%		19.5	lrg
CSGP - CoStar Group, Inc.	Real Estate	Real Estate Services	49.87	+4.88	+10.85%		3.3	lrg
DASH - DoorDash Inc.	Discretionary	Special Consumer Services	176.29	+15.95	+9.95%		8.4	lrg
DE - Deere & Co.	Industrial	Commercial Vehicles	662.49	+59.57	+9.88%		89.7	lrg
GE - GE Aerospace	Industrial	Diversified Industrials	343.22	+27.81	+8.82%		78.5	lrg
APP - Aplovin Corp.	Technology	Software	418.68	+28.13	+7.20%		14.0	lrg
CCEP - Coca-Cola Europacific Partners Plc	Staples	Soft Drinks	105.70	+6.19	+6.22%		71.2	lrg
LULU - Lululemon Athletica Inc.	Discretionary	Clothing & Accessories	187.30	+10.88	+6.17%		21.2	lrg
AMAT - Applied Materials, Inc.	Technology	Semiconductors	375.38	+20.91	+5.90%		97.7	lrg
AMZN - Amazon.com, Inc.	Discretionary	Broadline Retailers	210.11	+11.32	+5.69%		20.6	lrg
NAME	SECTOR	INDUSTRY	LAST	CHG	% CHG	+/-	SCTR	U
PANW - Palo Alto Networks Inc.	Technology	Telecom Equipment	148.70	-18.25	-10.93%		7.9	lrg
ZS - Zscaler, Inc.	Technology	Software	159.75	-17.97	-10.11%		2.2	lrg
TEAM - Atlassian Corp.	Technology	Software	75.98	-8.40	-9.95%		0.1	lrg
CRWD - CrowdStrike Holdings, Inc.	Technology	Software	388.60	-41.04	-9.55%		13.4	lrg
WMT - Walmart Inc.	Staples	Food Retailers	122.99	-10.90	-8.14%		61.2	lrg
DDOG - Datadog Inc.	Technology	Software	115.66	-9.54	-7.62%		12.4	lrg
ORCL - Oracle Corp.	Technology	Software	148.08	-12.06	-7.53%		3.7	lrg
FTNT - Fortinet Inc.	Technology	Software	80.00	-5.56	-6.50%		29.0	lrg
MDLZ - Mondelez International, Inc.	Staples	Food Products	58.80	-3.79	-6.06%		27.4	lrg
INTC - Intel Corp.	Technology	Semiconductors	44.11	-2.68	-5.73%		89.1	lrg

DAILY VIEW



DAILY VIEW

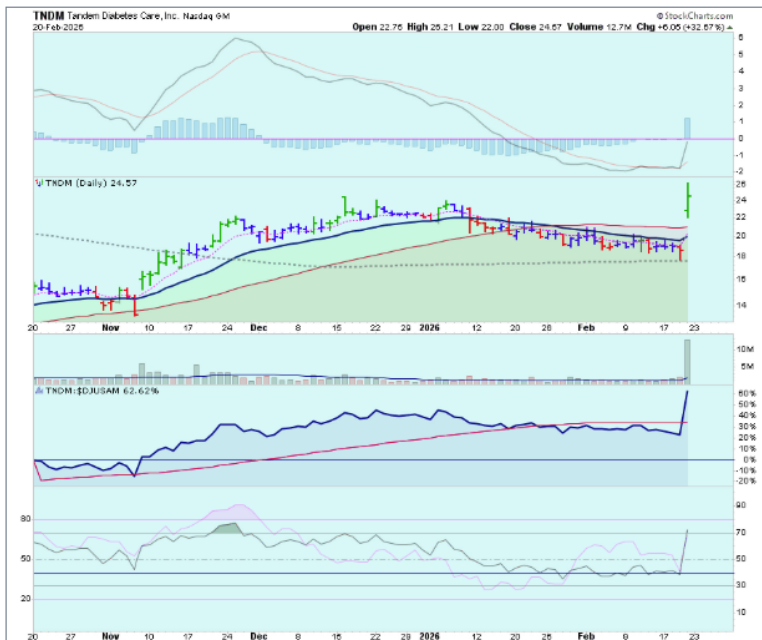


Top 10 Best & Worst Small/Mid-Caps for the Week:

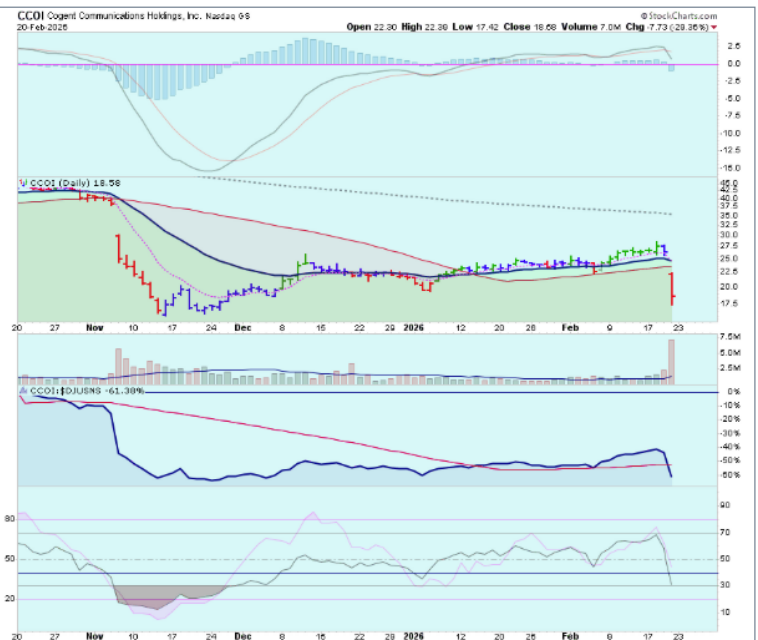
NAME	SECTOR	INDUSTRY	LAST	CHG	% CHG	+/-	SCTR	U
MASI - Masimo Corp.	Health Care	Medical Equipment	175.10	+44.95	+34.54%		77.1	mid
TNDM - Tandem Diabetes Care, Inc.	Health Care	Medical Equipment	24.57	+5.62	+29.66%		95.7	sml
PRG - PROG Holdings, Inc.	Financial	Consumer Finance	40.50	+7.13	+21.37%		88.1	sml
DFIN - Donnelley Financial Solutions, Inc.	Industrial	Business Support Services	47.43	+8.31	+21.24%		35.8	sml
AMN - AMN Healthcare Services, Inc.	Health Care	Health Care Providers	19.32	+3.07	+18.89%		46.4	sml
LITE - Lumentum Holdings Inc.	Technology	Telecom Equipment	667.77	+105.03	+18.66%		99.7	lrg
FLR - Fluor Corp.	Industrial	Heavy Construction	53.69	+8.21	+18.05%		79.5	mid
MCW - Mister Car Wash Inc.	Discretionary	Special Consumer Services	7.03	+1.06	+17.76%		83.4	sml
WING - Wingstop Inc.	Discretionary	Restaurants & Bars	260.89	+39.24	+17.70%		21.0	mid
TTMI - TTM Technologies, Inc.	Technology	Electrical Components	107.93	+16.13	+17.57%		98.6	lrg

NAME	SECTOR	INDUSTRY	LAST	CHG	% CHG	+/-	SCTR	U
CCOI - Cogent Communications Holdings, Inc.	Comm. Services	Internet	18.59	-7.88	-29.76%		9.9	sml
SXC - SunCoke Energy Inc.	Energy	Coal	6.22	-1.65	-20.97%		24.5	sml
DNOW - NOW Inc.	Energy	Oil Equipment & Services	13.23	-3.20	-19.48%		15.3	mid
HRMY - Harmony Biosciences Holdings Inc.	Health Care	Biotechnology	29.16	-6.85	-19.02%		9.3	mid
CAR - Avis Budget Group, Inc.	Discretionary	Travel & Tourism	96.47	-21.88	-18.49%		4.8	mid
CRSR - Corsair Gaming Inc.	Technology	Computer Hardware	5.62	-1.17	-17.23%		25.9	sml
CC - Chemours Co.	Materials	Specialty Chemicals	17.04	-3.48	-16.96%		74.1	sml
OLED - Universal Display Corp.	Technology	Electrical Components	104.07	-20.83	-16.68%		9.0	mid
ACLS - Axcelis Technologies, Inc.	Technology	Semiconductors	80.16	-14.39	-15.22%		23.0	mid
MTUS - Metallus Inc.	Materials	Steel	17.58	-3.12	-15.07%		43.9	sml

DAILY VIEW



DAILY VIEW



From Real Investment Advice:

[The Business Cycle Narrative & War With Iran - RIA](#)

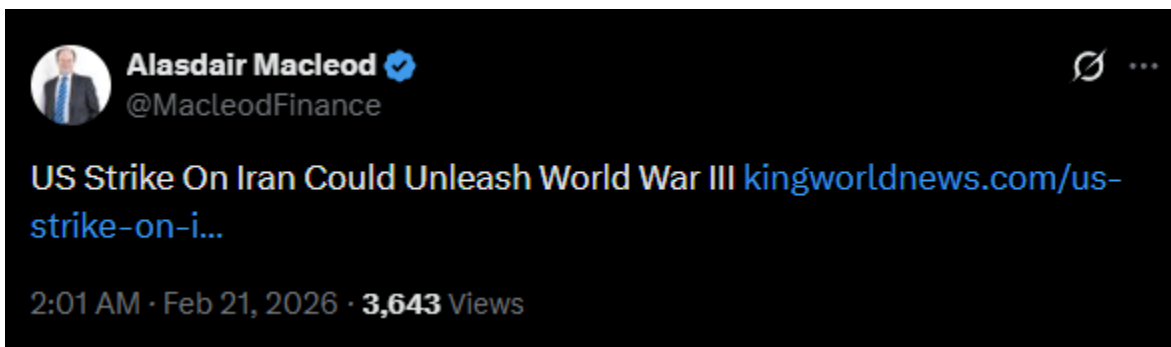
Excerpt:

 Market Brief – War With Iran

On Friday, the **Supreme Court struck down Trump's signature tariffs**. The ruling affects tariffs levied under the International Emergency Economic Powers Act (IEEPA) which includes the so-called reciprocal tariffs at various levels against nations all around the world to address trade imbalances, as well as ones on China, Mexico and Canada ostensibly over flows of fentanyl into the U.S. It doesn't impact tariffs on products including automobiles, steel, aluminum and copper under a separate authority known as Section 232.

Unsurprisingly, the Administration said it would **immediately impose a 10% global tariff** under Section 122 of the Trade Act of 1974. As President Trump noted, the Trade Act allows the president to impose tariffs for up to 150 days. During that time, the administration will also investigate using Section 301, which could result in more permanent tariffs. Much uncertainty remains around tariffs, what happens to the tariffs already collected (ie, *refunds*), and the implications for future trade. We will continue to monitor accordingly.

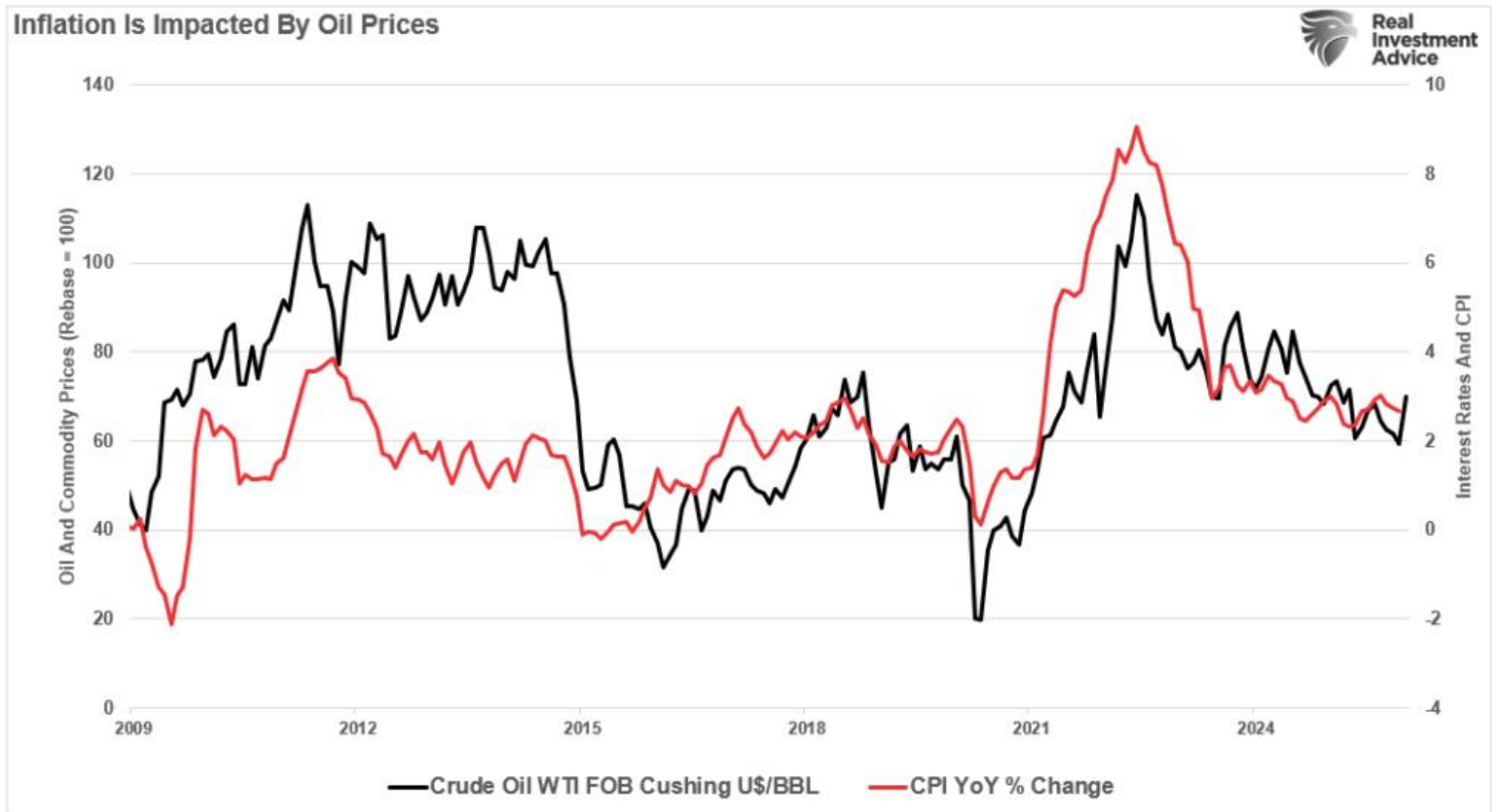
The other big news this week is rising concerns over Iran. Whenever tensions rise between the US and Iran, the "*perpetual purveyors of doom*" quickly start posting clips stating that "*WWIII is imminent.*"



Such is unlikely, but let's discuss what is happening and what it means for the markets.

The Iran story the market is pricing right now is less about ideology and more about **energy chokepoints and escalation math**. In the past two weeks, reporting has centered on a sharper U.S. force posture in the region, including a meaningful buildup of air and naval assets, alongside continued indirect diplomacy and Iranian signaling around the Strait of Hormuz. That mix is why crude has caught a bid: Hormuz is a "*single-point-of-failure*" for global oil flows, and even temporary disruptions can quickly

reprice inflation risk. (However, notice that even with the recent spike, oil prices are still well contained in a downtrend from the previous spike when Russia invaded Ukraine).



However, let's get to the question that investors actually care about: **What's the probability of the U.S. going to war with Iran?** From that perspective, the base case remains a combination of **coercive pressure (politically) with the possibility of limited strikes**. A full-scale invasion remains a very low probability event. The U.S. can credibly execute stand-off strikes against nuclear/missile infrastructure, but a regime-change campaign is a different animal: it would require sustained operations, force protection against proxy retaliation, and an open-ended political end state. That "*day after*" uncertainty is exactly what recent reporting has highlighted as the central unknown. Russia's public warning about an "*unprecedented escalation*" underscores how quickly miscalculation can widen the conflict even if neither side wants a long war.

Furthermore, there are two reasons why the US will want to avoid a prolonged war. First, the U.S. preference set (*and public tolerance*) tends to favor bounded objectives such as degrading specific capabilities rather than occupation-style commitments. Second, Iran's most powerful leverage is asymmetric: shipping disruption, missile salvos via proxies, and episodic escalation. Those tools raise costs but also invite punishing retaliation, which historically pushes both sides back toward de-escalation once "*deterrence points*" are made. Even shipping-risk advisories emphasize distance-from-territorial-waters risk management rather than an assumption of imminent closure.

So, what does that mean for the markets? We have been here before when the US bombed Nuclear facilities in Iran. Then, like now, the “fear mongers” warned it was the beginning of the end. It wasn’t. As we discussed then:

The crucial takeaway for investors is that uncertainty creates short-term market volatility. However, a fundamental distinction exists between events that produce short-term market fluctuations and those that modify economic expansion patterns or corporate earnings. Most geopolitical events in most historical situations fall into the first category. The market responds with immediate price movements, but the effects disappear quickly unless the event damages consumer demand, capital expenditures, or earnings potential.

The current situation between the US and Iran likely falls into the first category. That isn’t just speculation. It’s data. The market’s behavior during military conflicts since World War II, including the Cuban Missile Crisis, the first Gulf War, and the Russian invasion of Ukraine, demonstrates a recurring pattern of sharp equity market declines followed by quick recoveries, sometimes within weeks. The market responds to news events by overreacting until investors gain clarity, leading to a market correction.

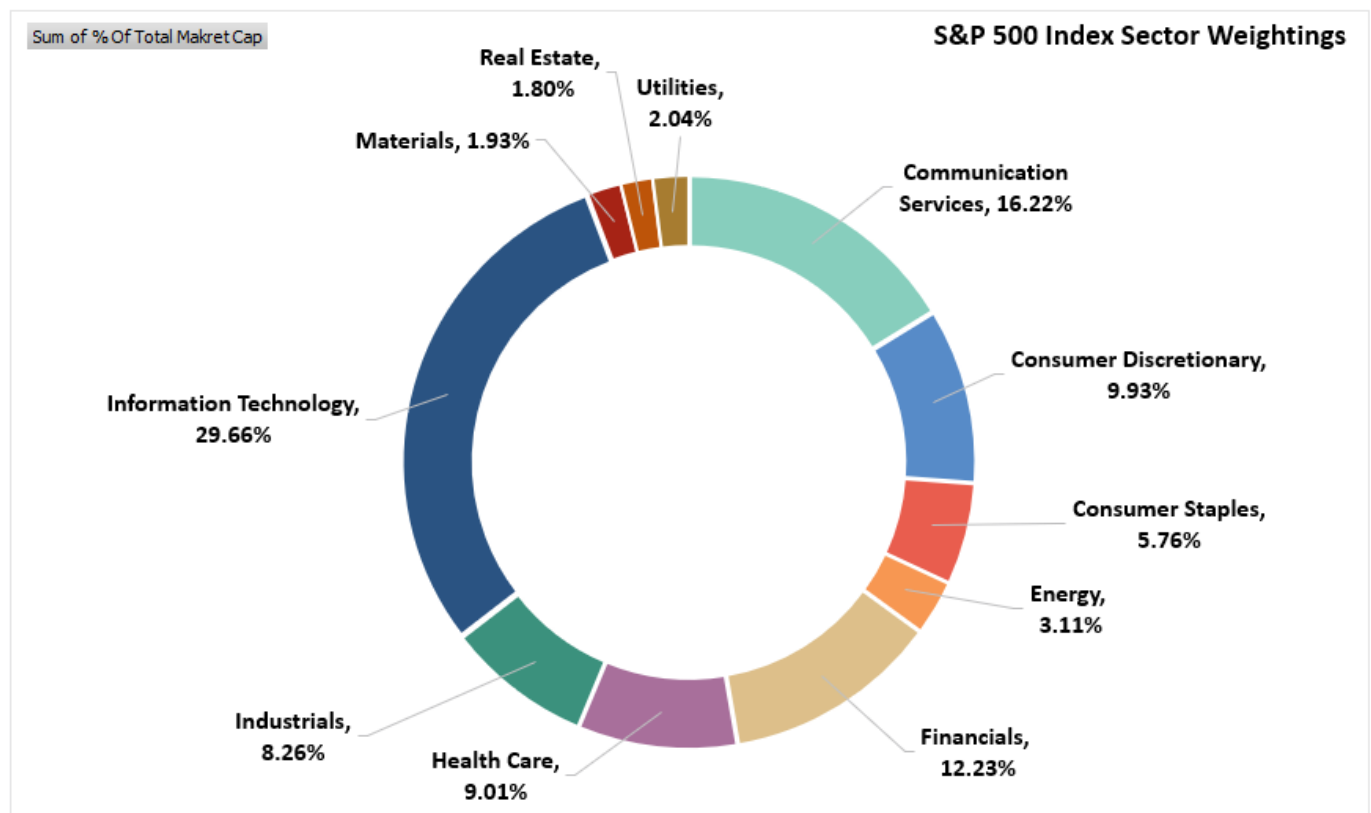


This is why investors must react logically rather than emotionally to such events.

The market also sent a second message to investors who have started to pay up for cash flow, dividends, and tangible assets after years of crowding into Mega-cap Technology. Reuters captured the rotation in one line. “Quietly, we’ve seen money

move into energy stocks, materials companies, staples, and industrials.” Of course, that rotation came at the expense of Technology stocks.

However, despite the rapid rotation of money within the market, the broad market index remains mostly flat for the year. This is because, as shown below, those market sectors make up a relatively small portion of the overall index: Basic Materials (1.93%), Industrials (8.26%), Energy (3.11%), and Staples (5.76%). In other words, those 4 sectors combined (~19%) are smaller than the Technology sector alone (~29%). In other words, the relative outperformance of those sectors in recent weeks only offset the weakness in the Technology sector.



The key question for investors sits behind the tape: *Does the surge in Energy, Materials, and Industrials signal a late-cycle economy?* Or does the surge reflect a different driver that sits outside the traditional playbook?

The Traditional Cycle Premise. Early Tech, Late Energy and Materials.

The premise rests on a long history of studying market cycles alongside economic cycles. During early economic expansions, following a recession, lower interest rates and improving demand lift high-beta growth areas of the market, such as Technology. The reason that Technology often leads is that operating leverage rises with increasing sales, and investors are willing to pay higher prices for “*long-duration*” cash flows as monetary policy is easier.

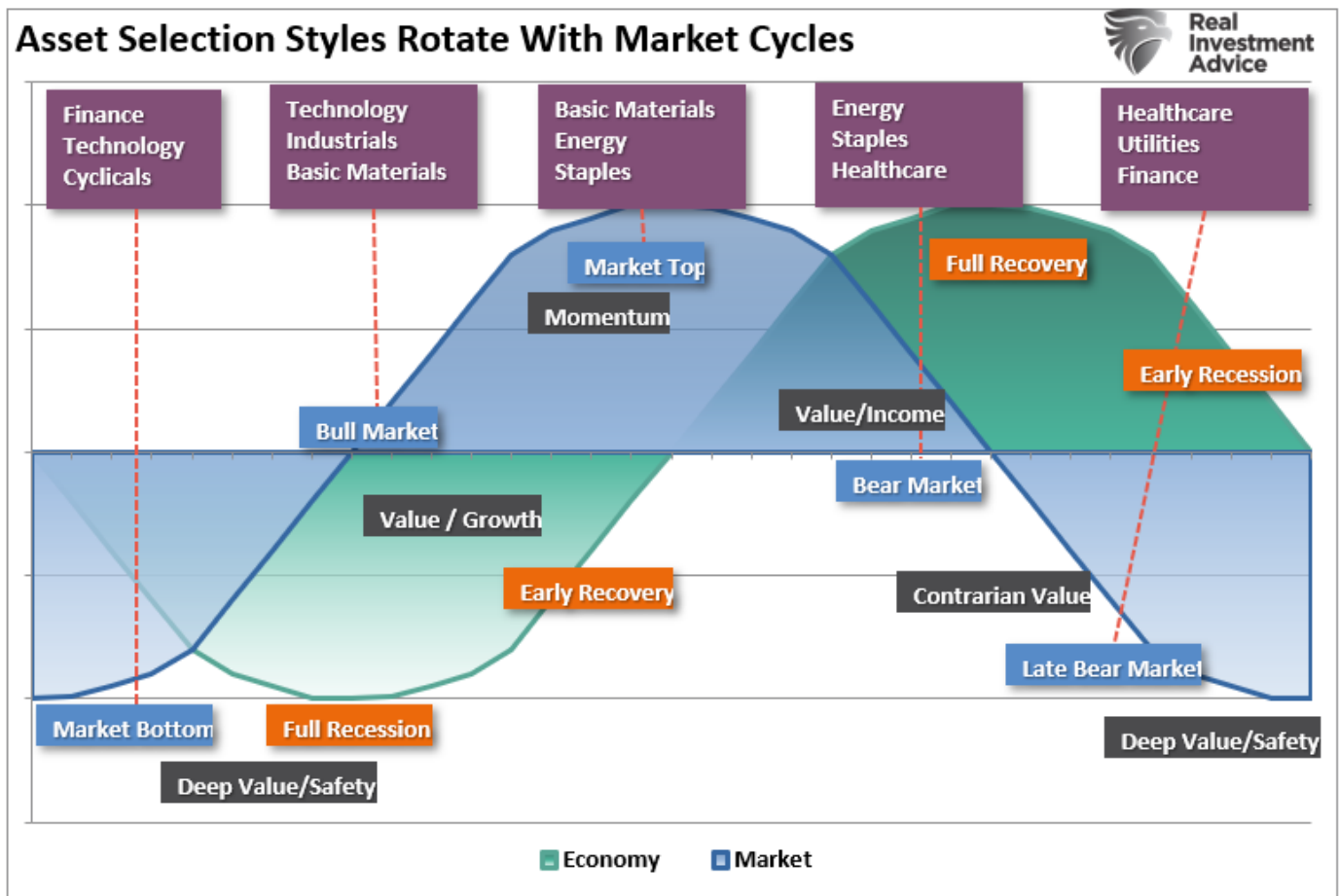
Conversely, when the economy enters a late-expansion cycle, inflationary pressures rise, spare capacity fades, and pricing power shifts toward commodities, inputs, and capital goods. A peer-reviewed paper in the Financial Planning Association Journal summarized the mapping using long-run data.

“The early cycle sectors are consumer discretionary, financials, and technology. The late cycle sectors are energy, industrials, and materials, which tend to outperform as an economic expansion ages.”

Schwab’s sector framework also aligns with that logic in plain language.

“Industrials often benefit when economic growth raises business confidence.”

That point matters because late-cycle leadership often emerges as management teams begin to approve projects, rebuild inventories, and invest in equipment (*ie, capital expenditures*). So, the premise holds in the data. Late-cycle leadership often features Energy, Materials, and Industrials, but the harder part involves timing. As shown in the sector versus economic overly, the markets tend to lead the economic cycle as investors anticipate future outcomes.

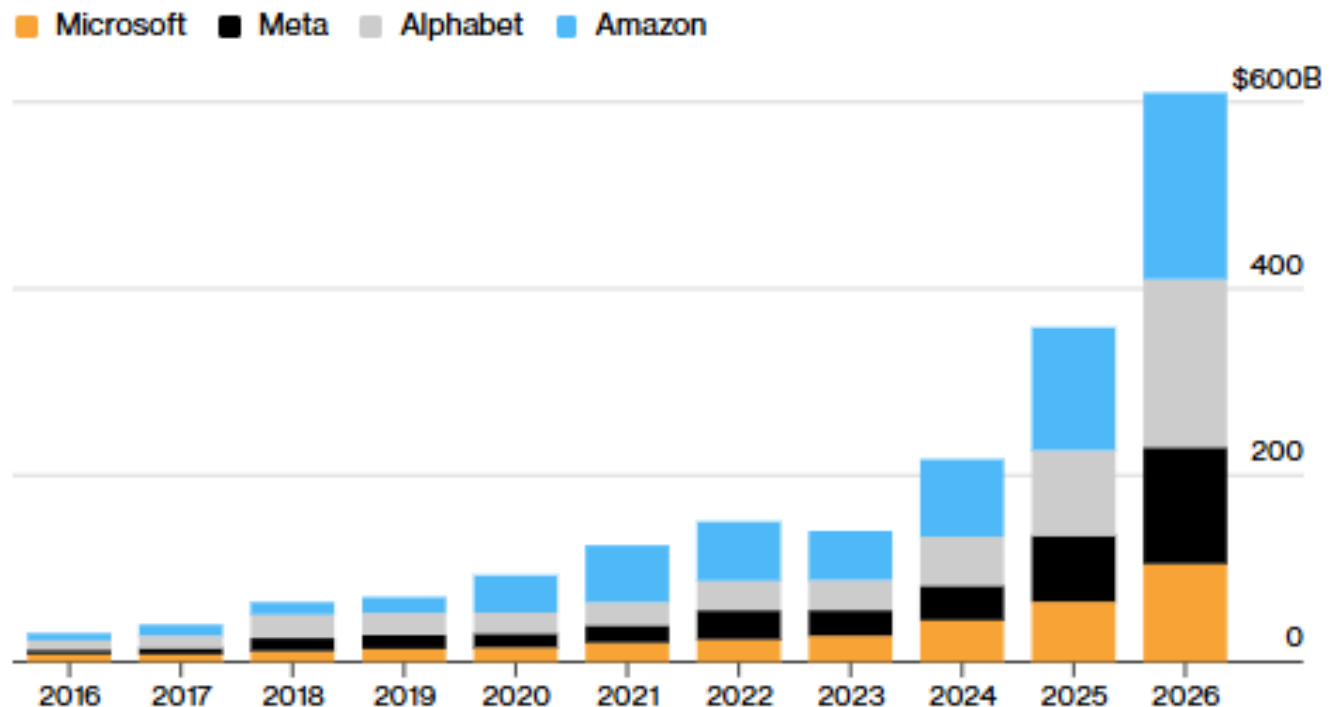


Of course, markets also rotate for reasons unrelated to the business cycle, which makes the current environment even more difficult to navigate.

The current rotation contains a modern twist. Artificial intelligence spending (*CapEx*) has pushed demand into grid buildouts, power generation, turbines, switchgear, cooling, metals, chemicals, and construction services. Those capital expenditure levels are enormous.

Hyperscaler Capex Explodes Higher

2026 estimates based on mid-point of guidance (META, GOOGL, AMZN), Bloomberg consensus (MSFT)



Source: Bloomberg

Note: Capex based on fiscal year-ends, Dec. (AMZN, GOOGL, META), June (MSFT)

Those expenditures by hyperscalers are the revenue streams for Industrials and Materials, and spill over into Energy through natural gas and liquids. The impact of those expenditures on the business cycle is not small.

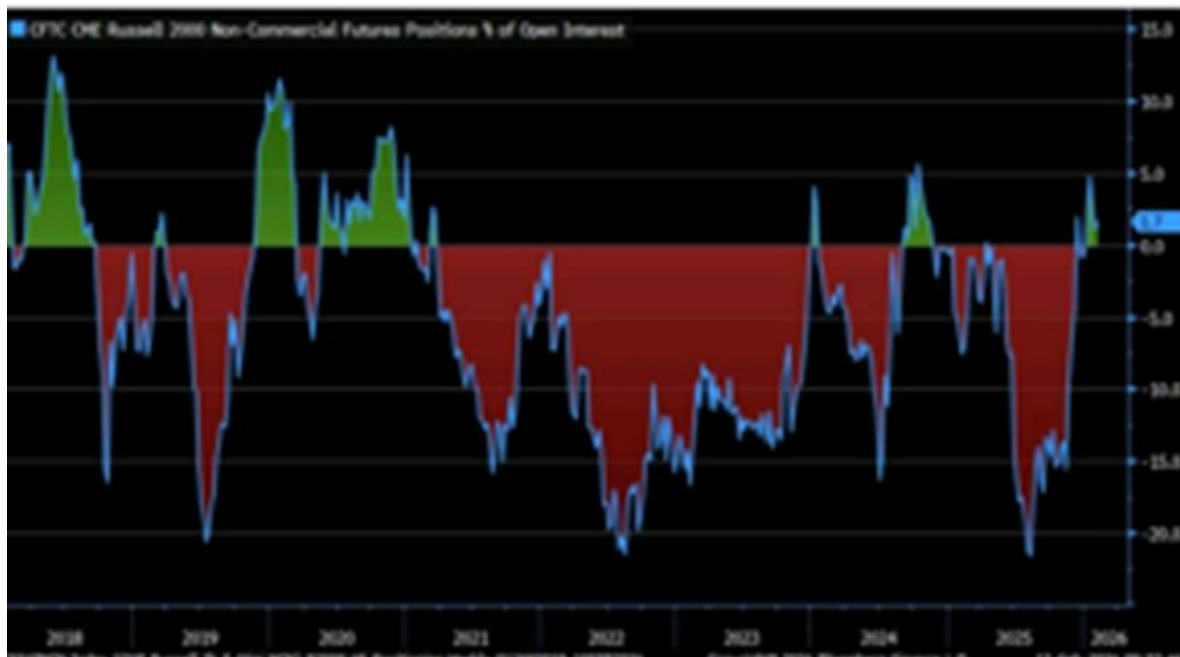
Large speculators remain net short S&P 500 futures (haven't been net positive since beginning of 2025)



Despite improving m/m in December, building permits' y/y trend remained weak at -2.2%



Large speculators remain a tad bullish on small caps with Russell 2000 futures positioning still positive for now



6m capex expectations continue to rebound sharply for firms surveyed by NY Fed ... as of February, series rose to highest since February 2023



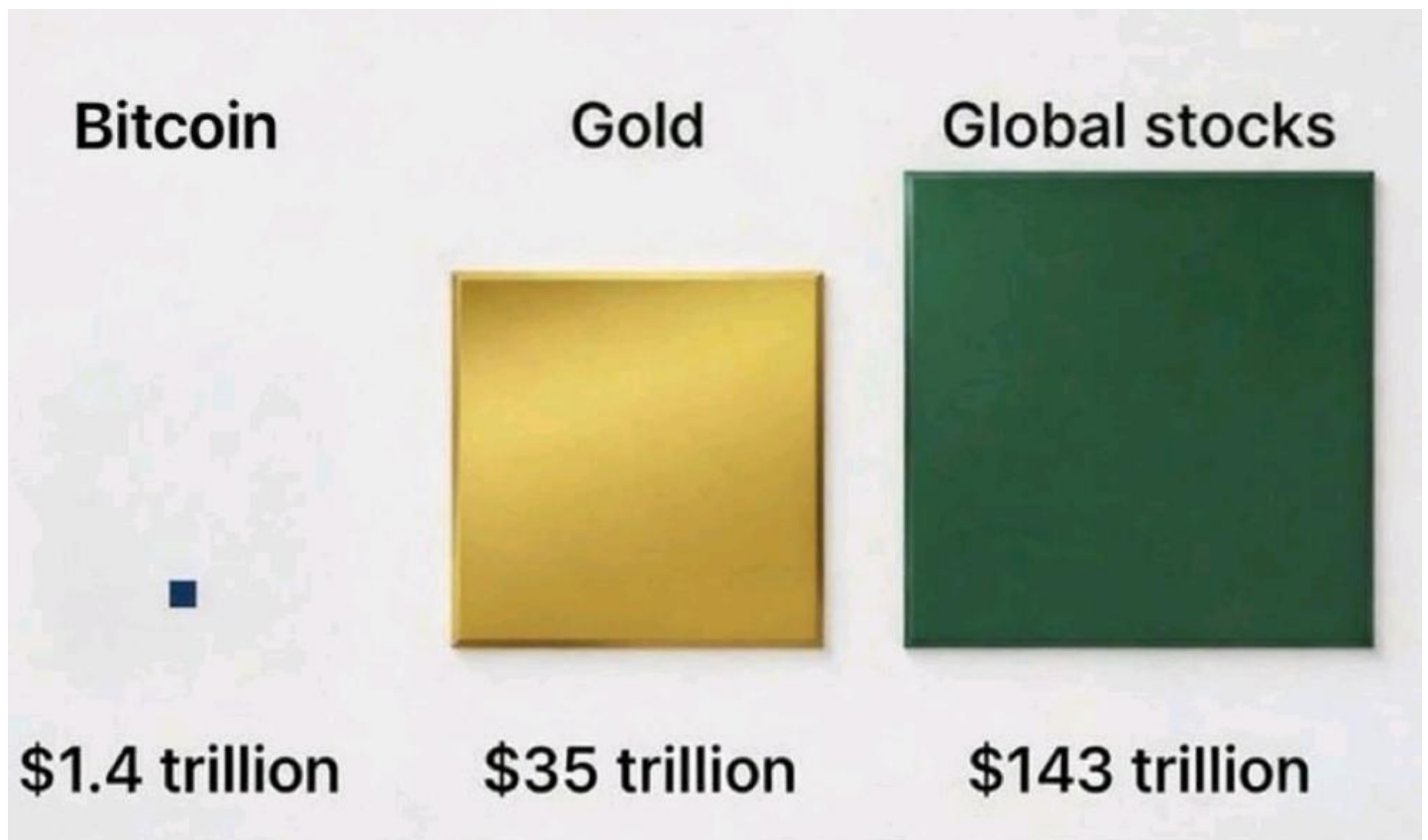
Number of multifamily housing units under construction continued to decline in December, reaching a new cycle low



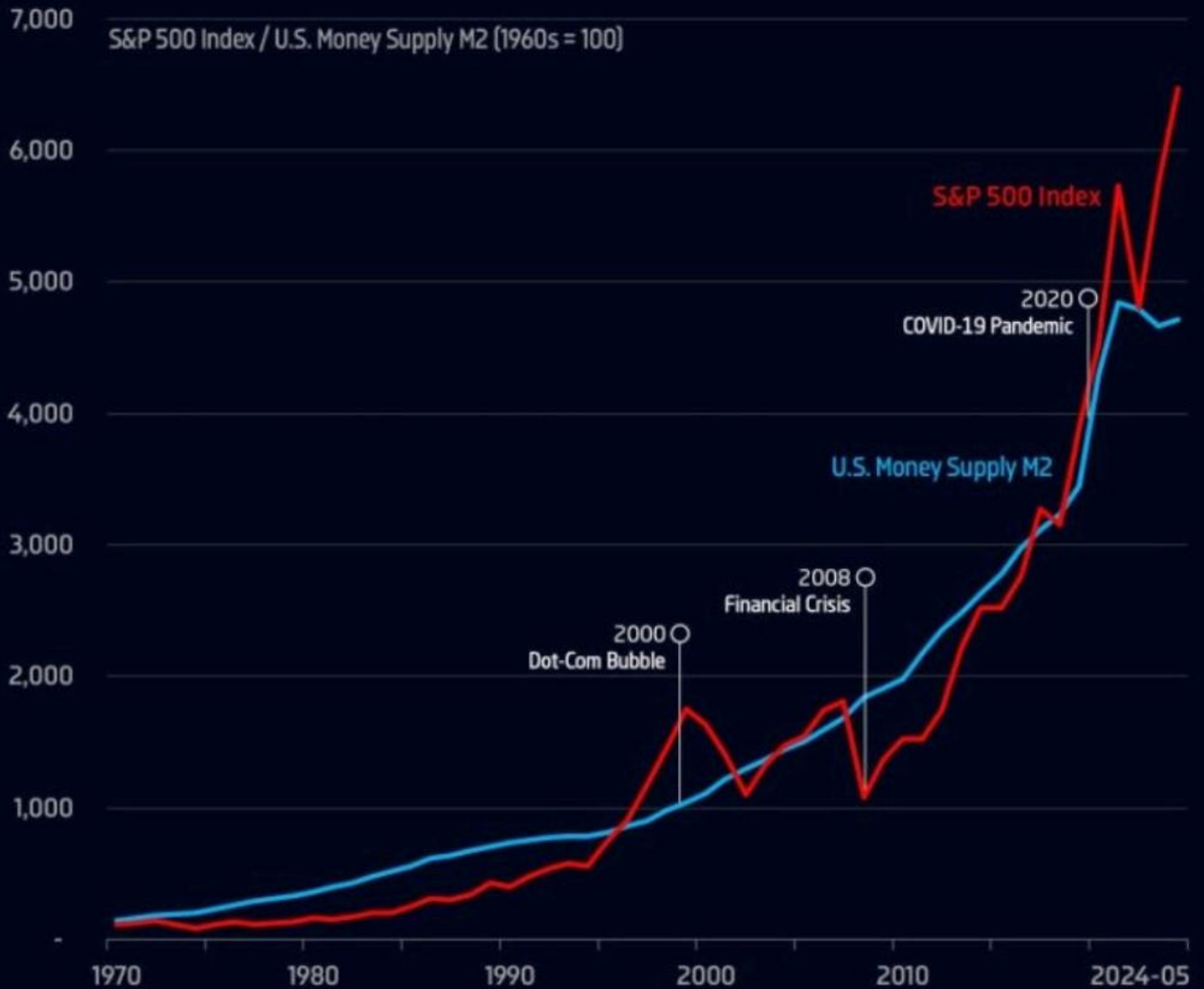
NY Fed Services PMI fell sharply in February to a new cycle low (-23.7 vs. -16.1 prior)



Year/year trend in industrial production continued to improve in January, moving up to +2.28%

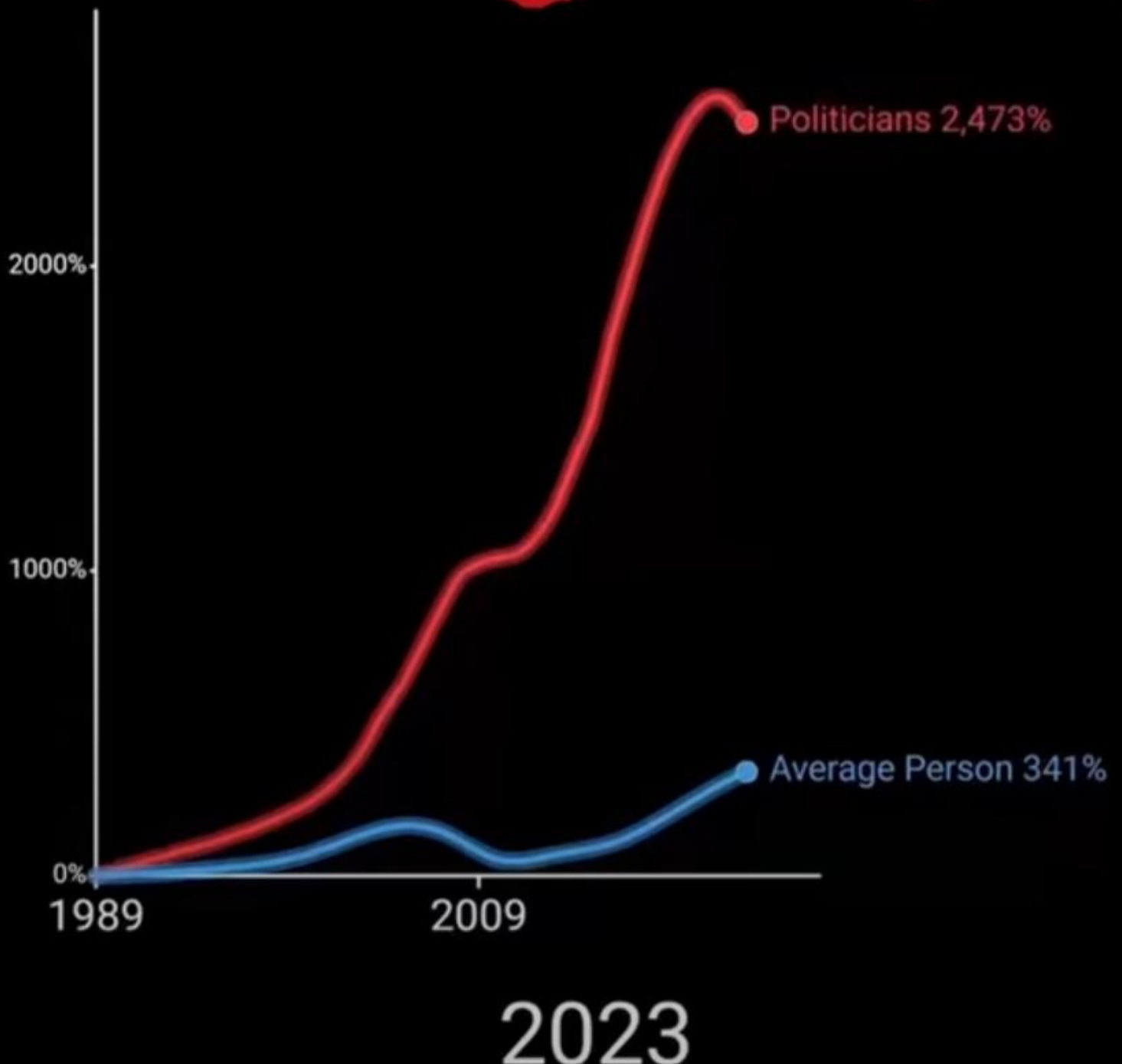


S&P 500 VS. U.S. MONEY SUPPLY M2



POLITICIANS' VS. AVERAGE PERSON'S NET WORTH

THE ATLAS SOCIETY



Maxed-Out Credit Cards By Generation



15.3%
Credit cards
maxed-out

12.1%

9.6%

4.8%

Gen Z

Millennials

Gen X

Boomers

Balance share
of credit limit

\$760 Median
balance

16.9%

\$4,500

Median credit limit

\$2,378

14.6%

\$16,300

\$3,017

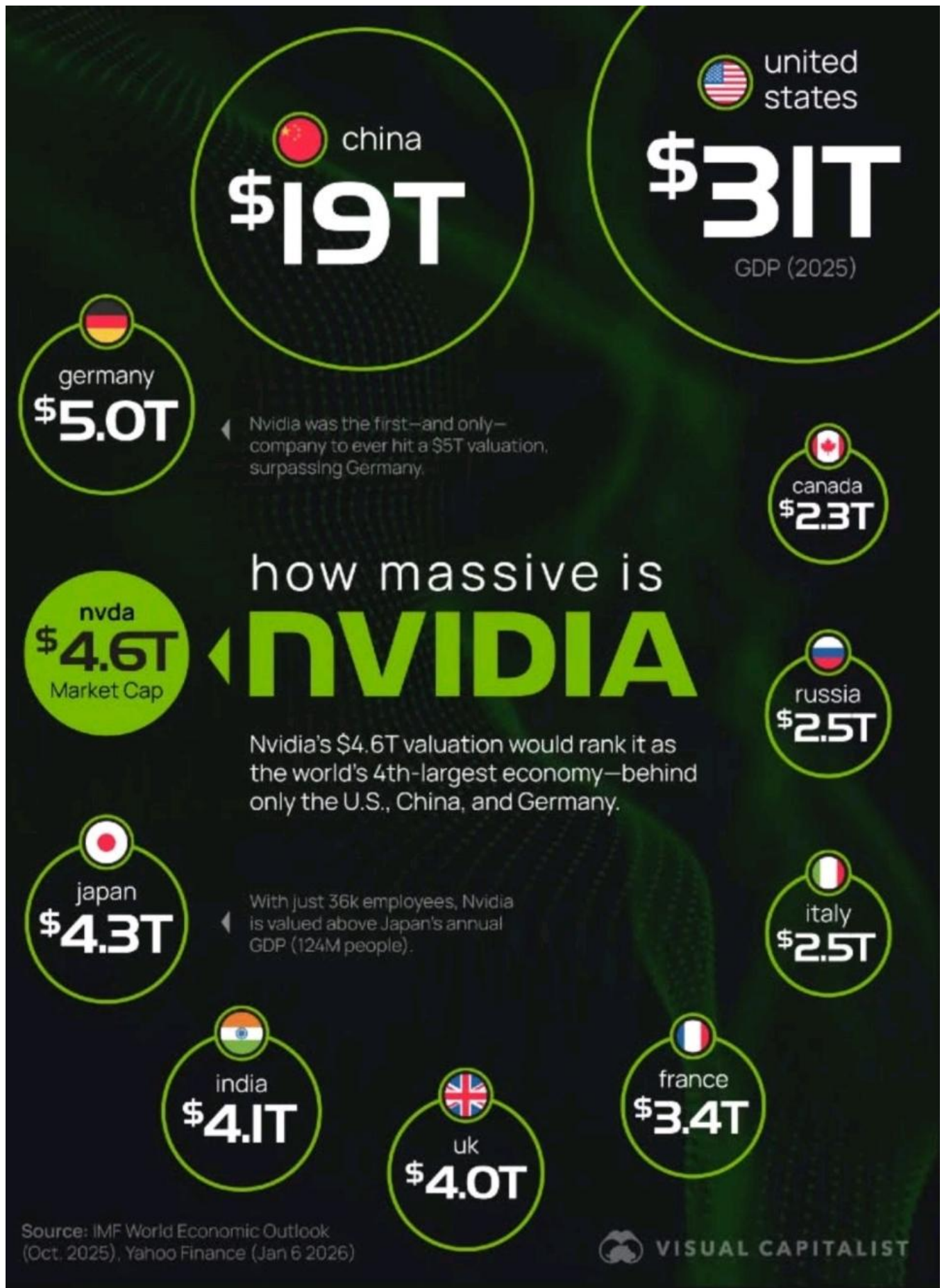
13.8%

\$21,800

\$1,599

7.3%

\$22,000



Where AI was and Where It's Heading

2025

Prompting & Learning



ChatGPT basics

Understanding models and interfaces



Prompt engineering

Writing effective prompts



Token Limits

Understanding models and interfaces



Model selection

Choosing GPT vs Claude vs others



AI literacy

Core terminology and concepts



2026

Application & Agents



Agentic AI

Autonomous multi-step workflows



Value creation

ROI-focused implementations



Tool integration

API connections and workflows



Domain-specific agents

Sales, support, finance agents



Data governance

Get control of data, single source of truth



2027

Culture & Operations



Organizational Readiness

Change management frameworks



Workforce transformation

Upskilling and role redesign



AI governance

Policies, ethics, and oversight



Cross-functional adoption

Enterprise-wide integration



Human-AI collaboration

Teams working with AI agents

Follow Jason Moccia for insights into launching great products.

@jasonmoccia

CRUDE OIL MARKET SIZE VS TOP 10 METAL MARKETS

Commodity ← Market Size

Iron ore is the largest metal market by tonnage and dollar value, with 2.6 billion tonnes produced in 2022.

TOP 10 METAL
MARKETS TOTAL
\$967 B

CRUDE OIL
\$2.1T

IRON ORE
\$283B

GOLD
\$196B

COPPER
\$183B

Gold is the most expensive of the top 10 metals, with a single tonne costing over \$63 million.

ALUMINUM
\$153B

NICKEL
\$69B

ZINC
\$31B

SILVER
\$20B

MOLYBDENUM
\$13B

PALLADIUM
\$9.5B

LEAD
\$9.2B

WHERE **U.S. STATES** RANK IN THE Global Economy 2025

U.S. states take up **19** of the top 50 spots globally in the ranking among countries by GDP.

19

50

RANK	COUNTRY/STATE ★	2025 GDP	In 2000, California ranked eighth, today it's fourth.	
1	U.S.	\$30.6T	26	Poland \$1.0T
2	China	\$19.4T	27	Switzerland \$1.0T
3	Germany	\$5.0T	28	Ohio \$979.1B ★
★ 4	California	\$4.3T	29	Georgia \$935.8B ★
5	Japan	\$4.3T	30	North Carolina \$905.2B ★
6	India	\$4.1T	31	Washington \$903.7B ★
7	UK	\$4.0T	32	New Jersey \$896.4B ★
8	France	\$3.4T	33	Taiwan \$884.4B
★ 9	Texas	\$2.9T	34	Massachusetts \$828.3B ★
10	Italy	\$2.5T	35	Virginia \$807.3B ★
11	Russia	\$2.5T	36	Michigan \$738.3B ★
★ 12	New York	\$2.5T	37	Belgium \$717.0B
13	Canada	\$2.3T	38	Ireland \$708.8B
14	Brazil	\$2.3T	39	Argentina \$683.4B
15	Spain	\$1.9T	40	Sweden \$662.3B
16	Mexico	\$1.9T	41	Israel \$610.8B
17	South Korea	\$1.9T	42	Arizona \$604.3B ★
★ 18	Florida	\$1.9T	43	Tennessee \$596.6B ★
19	Australia	\$1.8T	44	Colorado \$589.9B ★
20	Türkiye	\$1.6T	45	Maryland \$574.4B ★
21	Indonesia	\$1.4T	46	Singapore \$574.2B
22	Netherlands	\$1.3T	47	UAE \$569.1B
23	Saudi Arabia	\$1.3T	48	Austria \$566.5B
★ 24	Illinois	\$1.2T	49	Thailand \$558.6B
★ 25	Pennsylvania	\$1.1T	50	Indiana \$551.8B ★



Country values represent annual 2025 GDP, states are 2025 Q3 seasonally adjusted annual rate (SAAR). Source: IMF, U.S. Bureau of Economic Analysis

How Rich People Pay No Taxes

And how you can apply the same thinking today

Normal



\$1 Million Salary



40%
Income
Tax



Keep \$600K

Less Tax



\$1 Million worth of
company stock



Sell stocks



25% Capital
Gains Tax



Keep \$750K

No Tax



\$1 Million of
company stock



Uses his stocks
as **collateral** to
borrow money
from the bank



He spends the
borrowed
money like it's
his "income".

But legally, debt is not
treated as real income.

On paper he has no income

His stocks continue to
appreciate. He only pays capital
gains tax if and when he sells
his assets.

What To Takeaway From This

1. Income gets taxed,
ownership gets
planned

Prioritize building or
owning something,
not just earning more.

2. Timing matters
more than totals

Anyone can make money
fast, but only few know
when to move and **when
to wait**.

3. Debt isn't the
enemy, bad debt is

Learn the **difference**
between: Consumer debt,
Strategic debt, Productive
leverage

4. Build structure
not shortcuts

Ask **better questions**;
How am I being paid,
When am I taxed, What
do I control vs own?

Top Marginal State Individual Income Tax Rates (as of January 1, 2026)

