



WEEK OF FEBRUARY 16, 2026

Market Navigator

Markets struggled, with the Nasdaq Composite declining for the fifth consecutive week. Eight sectors had positive returns, and emerging markets rallied. Fixed income markets were up across the board. Although economic data was mixed, January job creation was stronger than anticipated and consumer inflation moderated more than expected.

Quick Hits

1. **Beyond the headlines:** Why are international markets outperforming?
2. **Report releases:** A mixed week for economic reports was highlighted by more jobs being created than expected.
3. **Financial market data:** Although equity indices were down, the underlying market continued to show breadth.
4. **Looking ahead:** This week's highlights include fourth-quarter GDP, along with December personal income and spending reports.

Beyond the Headlines: Why Are International Markets Outperforming?

In 2025, the S&P 500 rose nearly 18 percent after two consecutive years with returns of roughly 25 percent, marking an impressive three-year run for U.S. equities. But something different happened last year, much to the surprise of investors: international stocks led the way, with developed and emerging market indices rising more than 30 percent. That strength has continued into 2026. With the S&P 500 essentially flat, international developed and emerging markets are once again at the top of asset class returns, up 12 percent and 8 percent, respectively. Why is that happening?

A Declining U.S. Dollar Helps

A weak dollar has been a driver of international outperformance. Since the start of 2025, the U.S. dollar has declined roughly 11 percent. Although forecasting currency movements is extremely challenging, several factors—including fiscal and monetary policy—could continue to put pressure on the dollar. Currency cycles tend to last years, not quarters. Historically, international equities tend to outperform when the dollar weakens and underperform when it rises. The declining dollar has clearly been a tailwind for international investors.

Stronger Earnings Are Critical

Given the outperformance of U.S. equities over the seven years leading into 2025, international equities traded at attractive valuations relative to their U.S. counterparts. But inexpensive is not an investment thesis, and stocks can stay cheap for a long time. The difference now is that improving fundamentals are finally beginning to support the valuations investors have talked about for so long.

For years, global earnings growth was driven by the U.S. and two major emerging markets—India and China. But in

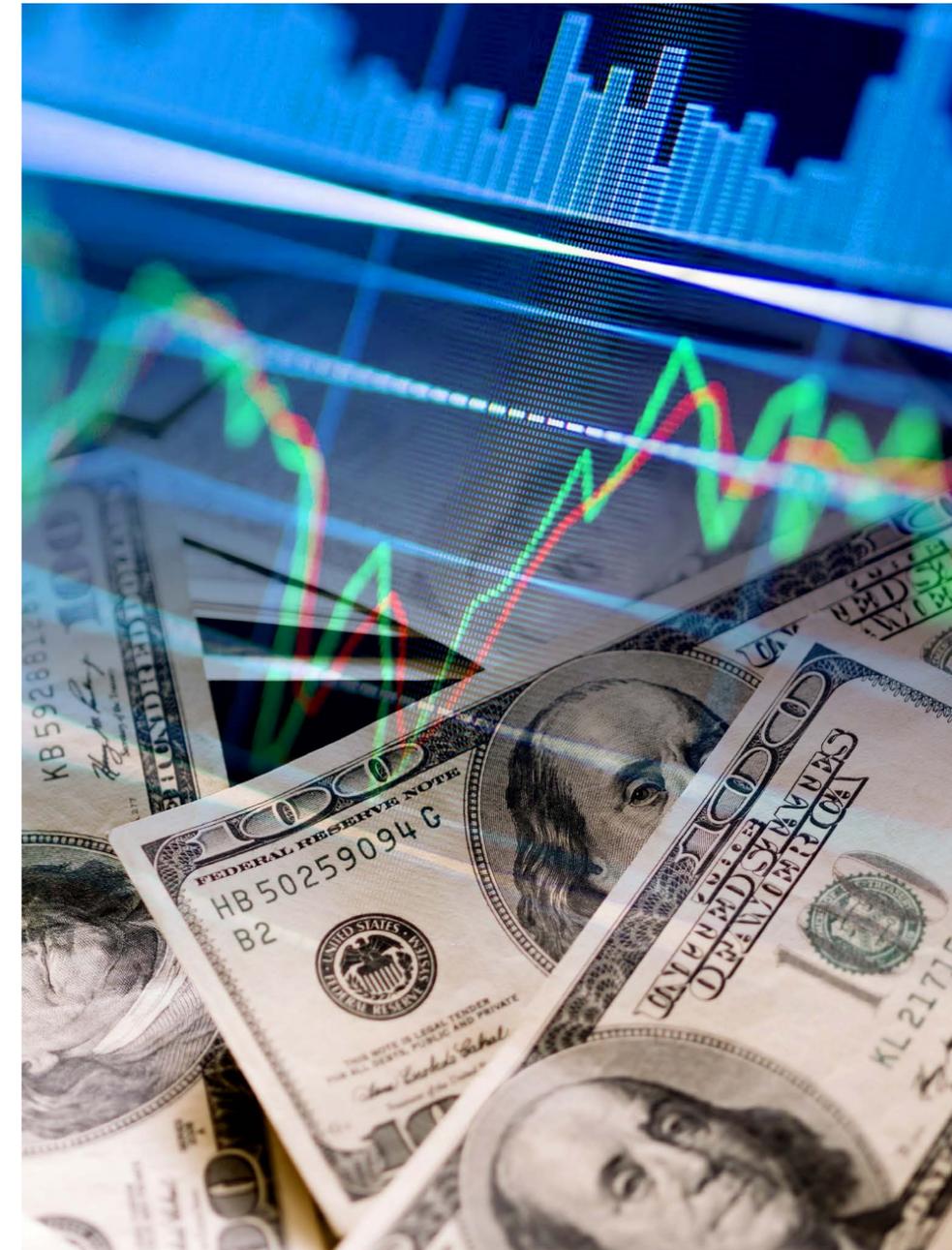
recent years, Japan has delivered improving earnings, and the Eurozone has reached an inflection point—one that now appears crucial for international stocks going forward. Over the past year, shifts in U.S. policy have prompted Germany and other NATO countries to announce increased spending, supporting stronger earnings and healthier economic fundamentals. When an investment offers reasonable valuations and improving fundamentals, investors tend to allocate capital accordingly.

Market Rotation Is Also a Factor

Diversification in portfolio construction works best when there is market breadth—when many areas show improving fundamentals. That's what we are seeing now. For several years, companies tied to the artificial intelligence (AI) infrastructure build-out contributed to most—if not all—of the market's earnings growth. That theme now faces increased scrutiny as investors try to determine who the long-term AI winners and losers will be.

Meanwhile, other areas of the U.S. market and international markets are showing improving fundamentals and stronger earnings growth. International developed markets, which have historically played an important role in diversified portfolios, appear well positioned going forward.

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Report Releases: February 9–13, 2026

Retail Sales December (Tuesday)

Retail sales were unexpectedly flat to end the year, which was well below expectations. Headline and core sales ended the month unchanged.

- Expected/prior month retail sales monthly change: +0.4%/+0.6%
- Actual retail sales monthly change: +0.0%



Employment Report January (Wednesday)

Hiring accelerated last month, with 130,000 jobs added against calls for 65,000. Despite that rise, negative revisions to the previous employment report signaled continued labor market headwinds.

- Expected/prior change in nonfarm payrolls: +65,000/+48,000
- Actual change in nonfarm payrolls: +130,000



Consumer Price Index (CPI) January (Wednesday)

Consumer inflation continued to slow last month. Headline price growth fell to 2.4 percent on a year-over-year basis, marking the lowest headline inflation rate since May 2025.

- Prior monthly CPI/core CPI growth: +0.3%/+0.2%
- Expected monthly CPI/core CPI growth: +0.3%/+0.3%
- Actual monthly CPI/core CPI growth: +0.2%/+0.3%
- Prior year-over-year CPI/core CPI growth: +2.7%/+2.6%
- Expected year-over-year CPI/core CPI growth: +2.5%/+2.5%
- Actual year-over-year CPI/core CPI growth: +2.4%/+2.5%



>> The Takeaway

- December retail sales missed expectations, illustrating that consumers grew more cautious as the year ended.
- Job creation surprised to the upside, and consumer inflation moderated more than expected last month.

Financial Market Data

Equity

U.S. equity markets suffered through a challenging week, with losses for all the major indices. The Nasdaq led the way lower, declining 2 percent, marking the fifth consecutive weekly decline for the technology-heavy index. Other indices fell roughly 1 percent. Emerging markets were higher, and the equal-weighted S&P 500 eked out a small gain. Eight of the eleven sectors were also higher, led by utilities (up more than 7 percent) and real estate and materials (up roughly 4 percent). Underperforming sectors were led by financials, which fell nearly 5 percent.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-1.35%	-1.43%	-0.02%	13.21%
Nasdaq Composite	-2.08%	-3.88%	-2.95%	13.81%
DJIA	-1.15%	1.32%	3.14%	12.66%
MSCI EAFE	-0.11%	2.33%	7.69%	31.24%
MSCI Emerging Markets	1.20%	1.97%	11.01%	42.26%
Russell 2000	-0.85%	1.30%	6.77%	17.60%

Source: Bloomberg, as of February 13, 2026

Fixed Income

Fixed income markets rallied strongly. The Treasury yield curve flattened, with the 10-year dropping 15 basis points (bps) to 4.05 percent. The broad fixed income market closed up 0.84 percent. Yields across the Treasury curve declined.

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.84%	1.17%	1.28%	7.48%
U.S. Treasury	0.85%	1.24%	1.15%	6.47%
U.S. Mortgages	0.95%	1.19%	1.61%	9.02%
Municipal Bond	0.38%	0.69%	1.63%	5.20%

Source: Bloomberg, as of February 13, 2026

>> The Takeaway

- U.S. equity markets were weaker, but emerging market stocks were higher. Eight of eleven sectors had positive returns. The equal-weight S&P 500 closed up slightly, reaching another all-time high on Wednesday.
- Fixed income markets rallied as equities sold off. Yields across the Treasury curve declined.

Looking Ahead

Highlights this week include fourth-quarter GDP and personal income and spending reports, which should provide investors with fresh insights into the strength of the economy.

- On Wednesday, we expect to see minutes from last month's **Federal Open Market Committee (FOMC) meeting**. Economists and investors will analyze them to see why the committee decided to pause its rate cutting cycle.
- **Personal income and spending data** for December is expected on Friday. Both data points are expected to show solid improvement to end the year.
- Also on Friday, the advance estimate of **fourth-quarter GDP** will be released. Consensus views are for GDP to slow from the third quarter but to remain at a relatively strong level of 2.8 percent.
- **Fourth-quarter earnings reports** will begin to wind down, with key reports from Analog Devices, Walmart, and Deere & Company.





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Bonds are subject to availability and market conditions; some have call features that may affect income. Bond prices and yields are inversely related: when the price goes up, the yield goes down, and vice versa. Market risk is a consideration if sold or redeemed prior to maturity.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and

convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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