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The Markets

Investor mood matters.

Over the past month, we've seen five sharp stock market declines – and five rebounds, reported Charles Riley of Bloomberg. He pointed out that market declines often go hand-in-hand with a change in the economic outlook, but that's not the case this time. The economy appears to be doing reasonably well.

The declines and recoveries reflect investor sentiment and uncertainty, reported Carmen Reinicke, Alexandra Semenova, Vildana Hajric, and Michael MacKenzie of Bloomberg. For example, investors are worried that:

- **Artificial Intelligence (AI) will disrupt industries, altering stock valuations.** AI has the potential to change the way companies operate. Last week, “a new AI automation tool...sparked a \$285 billion rout in stocks across the software, financial services and asset management sectors...as investors raced to dump shares with even the slightest exposure,” reported Reinicke, Joe Easton, and Henry Ren of Bloomberg.
- **Technology companies are overspending.** AI companies have been spending enormous amounts of money on infrastructure hoping the investments will pay off in the future. Investors are concerned current spending will hurt future profits, reported Martin Baccardax of Barron's. As a result, investors are becoming more selective about the technology stocks they choose.

Investors also have moved assets from the technology sector into other market sectors. “With unease around AI still unresolved, investors are looking elsewhere for value and finding it. Shares of companies with little direct tech exposure, from consumer staples to energy producers, are enjoying a rare moment in the sun. But it's less a vote of no confidence in tech than a search for businesses that stand to benefit from a firmer economy,” reported John Authers and Richard Abbey of Bloomberg.

Last week, “Treasuries surged, driving yields down the most in months, as signs of weakness in the U.S. job market helped deepen the retreat from stocks, commodities and cryptocurrencies and boost wagers on Federal Reserve policy easing,” reported Elizabeth Stanton and Miles J. Herszenhorn of Bloomberg. The Standard & Poor's 500 and Nasdaq Composite Indexes moved lower, while the blue-chip Dow Jones Industrial Average surpassed 50,000 for the first time.

Data as of 2/6/26	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-0.1%	1.3%	14.0%	19.0%	12.1%	14.1%
Dow Jones Global ex-U.S. Index	-0.1	5.8	30.1	13.9	5.3	7.4
10-year Treasury Note (yield only)	4.2	N/A	4.4	3.6	1.2	1.7
S&P GSCI Gold Index	4.95	14.71	73.1	38.4	22.1	15.3
Bloomberg Commodity Index	-2.3	7.5	13.1	3.4	7.1	4.6

S&P 500, Dow Jones Global ex-US, S&P GSCI Gold Index, Bloomberg Commodity Index returns exclude reinvested dividends. The three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

THE DATA TELLS A DIFFERENT STORY THAN THE PEOPLE DO. Before you read any further, ask yourself these two questions:

1. How is the U.S. economy doing?
2. Why did you answer the way you did?

Economic data suggest the U.S. economy is doing reasonably well. At the end of January, the Federal Reserve reported, “Available indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained low, and the unemployment rate has shown some signs of stabilization. Inflation remains somewhat elevated.”

What do Americans think about the economy?

While data show the economy doing well, many Americans aren’t feeling it. In February, the University of Michigan’s Surveys of Consumers Director Joanne Hsu reported:

“While sentiment is currently the highest since August 2025, recent monthly increases have been small—well under the margin of error—and the overall level of sentiment remains very low from a historical perspective. Concerns about the erosion of personal finances from high prices and elevated risk of job loss continue to be widespread.”

Last Fall, Pew Research asked Americans how the economy was doing. Seventy-four percent thought the economy was in fair to poor condition because of inflation, tariffs, the cost of living, wealth inequality, the cost of food and groceries, low wages, and a lack of good-paying jobs.

In contrast, 26 percent of participants said the economy was in good or excellent condition. The group cited general economic growth or improvement, lower inflation, stock market performance, and low unemployment as reasons for its view.

Overall, participants’ top concerns were:

- The price of food and consumer goods 65 percent
- The cost of housing 61 percent
- The price of gas and energy 45 percent
- Being unable to find a job 42 percent
- The performance of the stock market 19 percent

Economic anxiety is a global issue

Last week, Gallup reported that economic anxiety is a global issue. Its survey of people in 107 countries found the economy topped the list of national concerns. Twenty-three percent of the people Gallup surveyed said they were concerned about the standard of living, high prices, and low wages in their countries. Jon Clifton and Benedict Vigers of Gallup reported:

“Gross Domestic Product (GDP) — the value of goods and services produced in a specified period — is a standard metric that countries, and their leaders, use to assess their progress. However, annual GDP growth bears little relation to whether people identify the economy as their country’s top challenge. Instead, there is a much stronger relationship between how people feel about their own household income and their perceptions of the economy as a national challenge.”

WEEKLY FOCUS – THINK ABOUT IT

“We don't see things as they are, we see them as we are.”

— *Anonymous*

Best regards,

A handwritten signature in cursive script that reads "Ann Marie Etergino".

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- Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
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- The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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