

# Alexis Investment Partners

Practical | Tactical



## Summary

February was mixed. Foreign stocks soared while US stocks were relatively weak. Bonds gained as yields fell. The S&P500 and Nasdaq lost ground as large cap tech/growth leaders struggled. **Once again, our portfolios generally outpaced benchmarks**, building on a solid start to 2026.

We typically report recent results and related indicators but **plan to focus this newsletter more on what we see in markets today as investors digest the events unfolding in Iran and the middle east.**

**All Schwab 1099 forms are now available.** As you prepare taxes, please let us know if you will be making IRA or Roth IRA contributions for 2025. We are here if you want to review your tax situation and consider strategies to defer taxes or manage long-term tax obligations.

## Key Market and Economic Data

- The S&P 500 declined **-0.9%** and the Nasdaq Composite fell **-3.4%** during the month, while the Dow Jones Industrial Average edged up 0.2%.
- International developed markets advanced 4.5% based on the MSCI EAFE Index in U.S. dollar terms, while emerging markets rose 5.4% per the MSCI EM Index.
- The 10-year Treasury yield ended the month lower at 3.95%, marking the first time it has closed below 4% since November. The Bloomberg Aggregate Bond Index gained 1.6%.
- Gold closed lower at \$5,279 per ounce, but well off the February low of \$4,661.
- January inflation data showed headline CPI at 2.4% year-over-year and core CPI at 2.5%.
- On February 20, the Supreme Court ruled against the administration's use of IEEPA-based reciprocal tariffs, prompting a pivot toward alternative trade legislation.
- On February 28, the U.S. and Israel launched military strikes against Iran, killing the Supreme Leader, sparking a surge in oil prices. Few mourn the loss of Khomeini, but some fear an uncertain outcome.

## What to Expect in Portfolios

Last month we said, **"We expect 2026 to be volatile**, especially mid-year – **but we are also optimistic** that strong momentum, solid earnings and the promise of productivity gains may yield further upside. We continue to monitor and adapt to leadership changes."

February continued to reward rotation away from large cap US tech/growth leaders into value stocks and foreign markets even as financial results from tech titans remain strong.

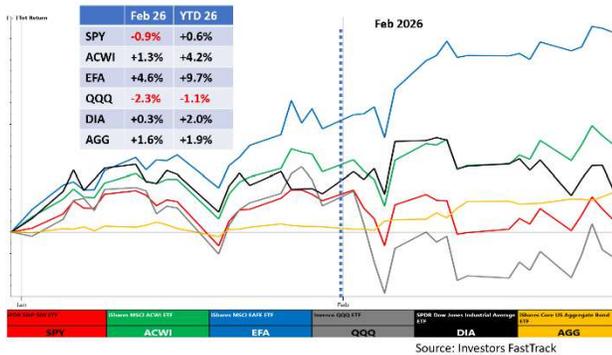
Entering March, **markets have shown remarkable resilience in the face of events unfolding in Iran and the middle east and associated bouts of volatility.** This may change, but such resilience is encouraging.

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The chart below shows **year-to-date** performance for US and foreign stock indexes and US bonds. **The clear winner so far has been foreign stocks (EFA), with the loser being the tech-heavy Nasdaq (QQQ).**

This trend extended through February as both QQQ and SPY finished in the red while bonds and foreign stocks gained.

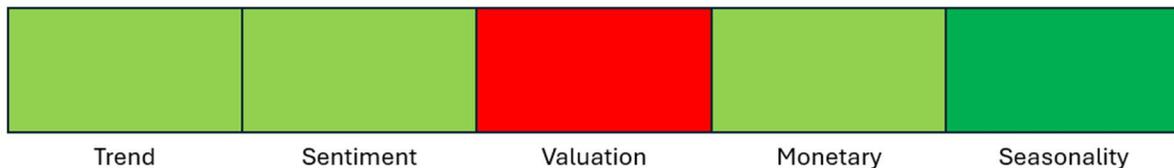


The chart below shows the net performance of our most popular composite since inception (120 accounts – see disclosures on page 4). The 6+ years shown have been volatile including COVID and the 2022 Bear market. **Our strategy and discipline led to greater participation in gains than declines, allowing us to add value through this volatile time.**



## Insights and Commentary

Investing can be an emotional roller coaster, leading to costly mistakes. To navigate effectively as we seek greater participation in advances than declines, we have found it helpful to monitor a series of indicators and models based on 3 key tenants, (Don't Fight the Fed, Don't Fight the Trend, Follow Sentiment Except at Extremes) The tiles below summarize current conditions:



**Our indicators** finished February cautiously optimistic and have since **improved as volatility in response to military action in March helped temper complacency even as investors have shown remarkable resilience.**

Why does this matter?

**When valuations are elevated as they are today, markets tend to be vulnerable to shocks and negative news.** This is especially true when we see signs of complacency because the implication is that investors are already fully invested and therefore it takes less selling pressure to push prices down.

With this perspective in mind, **investors had an excuse to sell as military action in Iran stoked a spike in energy prices. So far, steep opening pullbacks have been met with steady buying, limiting trend damage even as sentiment indicators fell more into balance** (from "neutral at best" to measures suggestive of continued gains).

One potential reason for current resilience may be the large stash of cash (\$7+ Trillion in money market funds) we have cited for months. **Relatively low interest rates make cash and bonds less attractive,** leading some investors to seek shelter in high quality large cap stocks instead of settling for low yielding safe havens.

**Another possibility is that markets expect that fears of sustained increases in energy costs, a prolonged war and other potential catalysts for rising inflation pressures that might lead to tighter monetary conditions and/or recession are overblown.** Over decades of investment experience, **we have learned to listen to the collective wisdom of millions of market participants.** It will be interesting to see how this plays out.

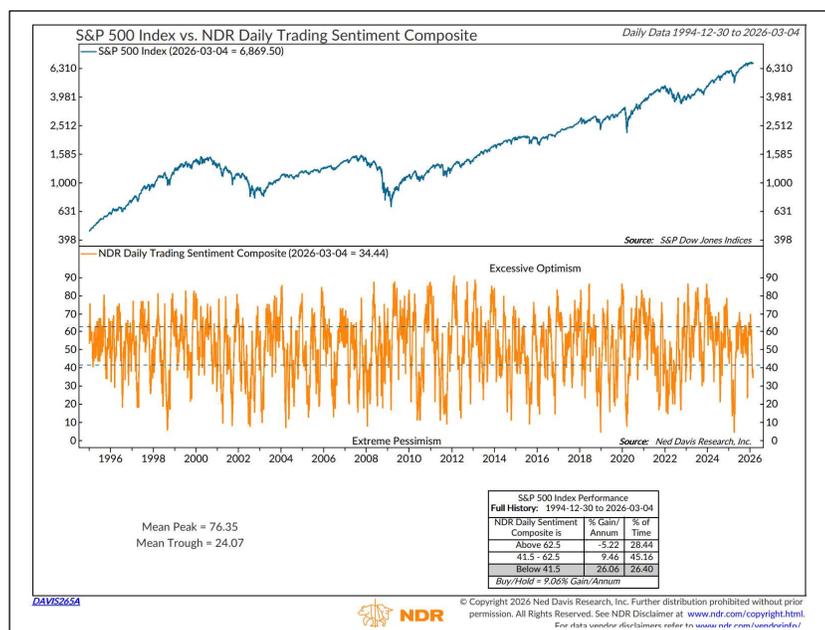
**There are legitimate risks to our relatively optimistic outlook,** and although we are selectively buying dips that we find attractive, we are also vigilant in both current risk management through diversification and other tools, and our commitment to maintain an open mind as we continually monitor trends and indicators.



## Update, Observations, Indicators and Outlook:

Our **Market Pulse** continues to highlight a **Bull Market** supported by trend strength and an easing Fed.

We understand the temptation to retrench when faced with uncertainty and unsettling news. Ironically, such actions rarely prove productive. The chart below is based on a collection of sentiment surveys and indicators.



We note that, on average and over many years, **stocks have historically done much better when investors are fearful than when they are greedy.**

Although we are relatively optimistic regarding the current market environment, **we acknowledge that the outlook would likely deteriorate if war in Iran drags on**, boosting inflation in a manner that would likely slow growth and potentially invite recession. This is one of many things we will be monitoring in the months ahead.

**Assuming stocks stabilize and the uptrend reasserts itself; we will be interested to see if recent leadership trends that have favored foreign and value stocks continue or if tech finds its footing.** We note that software stocks have fallen sharply and held up well most recently. **Earnings growth remains robust and the AI race is likely to fuel investment for the foreseeable future.**

We look forward to sharing updates, and hopefully that will include meaningful progress towards peace in the middle east. **We appreciate your confidence and welcome questions, comments and concerns.**

## Market Pulse:

*We try to avoid jargon, but a few terms are helpful when describing financial conditions.*

**Bull Market:** markets trending up (making higher highs on rallies and higher lows in periods of decline). **We can expect periodic pullbacks and corrections, but these should be relatively short and shallow – followed by resumption of the up-trend.**

**Consolidation:** after a period of strong gains or steep declines sometimes markets become range bound, moving up and down by 3-5% over several weeks. After consolidation, the prior trend resumes.

**Pullback:** a decline of 3-5% that generally happens at least twice per year. Pullbacks often resolve within a few weeks.

**Correction:** a decline of 5% to 10% that typically happens once per year. Like pullbacks, markets recover quickly after corrections, generally within 3- 6 months.

**Bear Market:** a decline of 20% or more. Many bear markets are fully recovered within 18- 24 months, but severe bear markets like 2000-2003 and 2007-2009 can take 5-7 years or longer to recover from.

**Bottoming Process:** After a correction or bear market, stocks often bounce and re-test lows multiple times before recovery.

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## Closing Comments:

Several clients have recently been speaking with friends who are looking to make a change either because they are nearing a life transition or have been unhappy with their current advisor.

We appreciate your referrals and are pleased that our company continues to enjoy steady growth. Our focus is always on providing exceptional service and performance and we are very grateful for your confidence and support!

Please call and/or email us personally for most of your account servicing needs and especially when you have questions or concerns.

### Disclosures

*This material is for informational purposes only. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and Jason Browne's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions that may involve known and unknown risks and uncertainties.*

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