Outlook:

- Tariffs ruled illegal. The Supreme Court ruled that the Trump tariffs are illegal under the International Emergency Economic Power Act (IEEPA). The issue of potential refunds was not addressed. If refunds are made the total could be as high as $170B according to Bloomberg. The Administration has said that the President has authority under Sec 122 and 301 though with some limitation. Following the SCOTUS decision, President Trump said he would impose a global 15% a day after setting a 10% rate under Section 122. He also mentioned he would use Section 301 to investigate unfair trade practices. 15-30% tariffs on autos were threatened under other authorities.
- Iran negotiations: Large volume of US military assets near Iran. President Trump said Iran had 10-15 days to make a deal or "bad things would happen." Prediction markets not showing imminent attack. Polymarket odds are at 25% of an attack by February 28 but 60%+ by March 31.
- State of the Union address to be delivered to Congress on Feb 24.
- Factory orders, durable orders for December due out Feb 23, Home Price Index for Dec due out Tuesday along with Consumer Confidence, Initial jobless claims due out Thursday with consensus at 212k.
- Nvidia, which is at the center of the AI revolution, to report earnings on Tuesday after the market close. Analysts are looking for +62% y/y growth in revenue to $65.7B and +71% y/y to $1.52. The guide for the quarter ended will be key. There are very few companies with Nvidia's competitive moat, revenue and EPS outlook and yet the stock has essentially gone nowhere since October. Guidance holds broad implications for stocks such as **Advanced Micro Devices (AMD), Broadcom (AVGO), Quanta Services (PWR), GE Vernova (GEV), Taiwan Semiconductor (TSM)**, and others.

The reports from last week saw Core PCE deflator for December at +3.0% in line with expectations, PCE M/M at +0.40% also inline though highest in a year, S&P Global PMI Manufacturing at 51.2 below expectations for 52.8 and prior 52.4, new home sales well above expectations at 745k vs 714k expected, and Michigan sentiment reading for Feb at 56.6 vs 55.8 expected. The first look for Q4 SAAR was softer than expected at +1.4% vs +1.9% though the Q4 Y/Y +2.2% beat the +1.9% estimate. Economists estimated the government shutdown imposed an ~1.0 percentage point negative to US 4Q economic growth. Lower tariffs are a positive for both business and consumers. A mixed bag and slightly on the soft side that likely does not significantly derail the economic growth trajectory.

Bulls will point toward earnings strength with Q4 earnings growing over +13.5% y/y and Citi US Economic Surprise Index up over 40points from early 2026 figures and just below best levels in nearly two years. Retail investors are still buying at the 84th percentile. AI disruption fears got a reprieve as Moody's noted reassuring commentary on AI disruption risk mitigation, Cadence Design Systems said AI tools driving increased customer usage of its tool and Verisk flagged AI solutions for clients.

Borrowing from my colleague CJ Brott's observations, the global economy is showing significant divergence with European data is showing strongest levels in two to four years, particularly from the UK, Germany and Spain. US trade deficit data surged in December by +32.6% from November, to $70.3 billion as companies were trying to get in front of deadlines. Similar results hit in 2025 and its expected to hit 1Q26 as well. Lots of divergence in the S&P500 as well where ~25% of stocks are up or down more than 20% this year with the most extreme example between semiconductors and software with an incredible 76 percentage point differential. But as CJ points out, the transports and Philadelphia Semiconductor Index are both up double digits YTD.

The **S&P500** rose (+1.1%), the **Nasdaq** rose +1.5%, the **Dow** added +0.25%, and the **Russell 2000** advanced +0.94%.

Interesting set of leaders last week in infrastructure. Photon optic play, **Lumentum (LITE)** surged +18.7% taking YTD gains to +81% and **Ciena (CIEN)** also an optics data transfer play gained +10.2% and YTD to +43%. Datacenter infrastructure play, **Vertiv Holdings (VRT)** added another +3.9% taking YTD gains to +50.4%. E&C firms surged again **Argan, Inc (AGX)** jumped +6.7%, **Comfort Systems (FIX)** gained +9.3%, **Qunta Services (PWR)** rose +5.4%, and and **Mastec (MTZ,** +5.3%). **Howmet Aerospace (HWM)** jumped +3.1%, and **FTAI Aviation (FTAI)** gained +3.5%. Transports coming to life and manifesting in the truckers include **Saia, Inc (SAIA)** gained +6.9%. Electric power added to gains as **GE Vernova (GEV)** added +3.5% (+27% YTD) and **Bloom Energy (BE)** which makes fuel cells jumped another +5.6% for YTD gains of +70%. **Nvidia (NVDA**, +3.5%) heading into earnings this week and **Micron Technology (MU)** gained +4.0% with YTD up +50.0%. Contrast with NVDA which is up +1.8% on the year despite superb revenue and earnings.

Over the next two weeks we still have over 900 companies reporting earnings with Nvida and electric power suppliers having broad market implications.

Sunday night futures are lower.

Pre-market	Market open	After-hours
Dow Futures 49,563.00 / **Change** - 111.00 0.22%▼ / **Fair Value** 49,664.39 / **Implied Open** - 101.39	**S&P 500 Futures** 6,905.00 / **Change** - 18.25 0.26%▼ / **Fair Value** 6,921.93 / **Implied Open** - 16.93	**NASDAQ Futures** 24,961.50 / **Change** - 106.00 0.42%▼ / **Fair Value** 25,065.98 / **Implied Open** - 104.48

Source: Pre-market Stock Trading | CNN

Key tailwind for 2026 remains the buildout in AI and AI infrastructure. Note updating the estimates from last week and which we repeat below. AI infrastructure investments could reach well above the prior $6.9-$8.5 trillion by 2030 globally to $6.5T to $9.8T including Quantum compute as well as Tesla for robotics.

AI infrastructure capex scenarios, 2025–2030

(Global, annual, rough order of magnitude ranges in USD)

Year	Base Annual ($T)	Base Cumulative ($T)	Accelerated Annual ($T)	Accelerated Cumulative ($T)
2025	0.50	0.50	0.51	0.51
2026	0.80	1.30	1.12	1.63
2027	0.96	2.26	1.41	3.04
2028	1.15	3.41	1.77	4.81
2029	1.38	4.79	2.22	7.03
2030	1.66	6.45	2.78	9.81

Source: xAI's AI Buildout Funding and Plans - Grok

Summary: The major averages higher last week.

The Nasdaq moving averages are out of position for a power trend to kick in as the 10day and 2-ema have crossed below the 50-dma as a result of 5 consecutive weeks in the red. The S&P500 also out of position as the 10dma has crossed below the 21-ema. Given strong fundamentals I believe the market more likely recovers its proper positioning for a sustained rally.

Decisive odds of rate cut remain well out in the future with June 17 meeting (+70%, FedWatch - CME Group).

The US 10-year interest rate rose +3bp to 4.08%.

Stock Market Today/Week: Feb 20, 2026

Index	**Level**	**Day change**	**Week Change**
S&P 500	6,909.51	+0.69%	+1.07%
Nasdaq Composite	22,886.07	+0.90%	+1.51%
Dow Jones Industrial Avg.	49,625.97	+0.47%	+0.25%
US 10 year	4.08%		+3bps

Source: Factset

Key events for the week ahead:

Earnings season in full swing as mentioned earlier with NVDA due on Tuesday after the market close. Power players VST, CEG, NRG, TLN all due to report this week.

2/23/2026 D FANG OVV OKE PRIM. Factor orders due out for Dec.

2/24/2026 NVDA FSLR NRG CALX CEG. FHFA Home Price Indec due out for Dec.

2/25/2026 AROC STRL FTAI RSG PSTG AMT

2/26/2026 MTZ EME LNG VST TLN

2/27/2026 DKL, PPI due out with core estimates at +0.2% m/m.

Source: Factset

Bullish talking points: S&P500 earnings continue to run at +13.5% y/y. Macro surprise momentum also bullish for stocks. Retail buying still elevated per Citadel. AI disruption fears given a reprieve as DoorDash pushed back against AI fears, Moody's noted soothing narrative on AI progress and risk mitigation. Cadence Design Systems (CDNC) said AI increased customer usage of its tools. Private credit concerns received strong push back from analysts following Thursday selloff on Blue Owl. Blue Owl able to seel nearly $1.5B of its debt portfolio close to book value despite S/W exposure. On tariffs, while SCOTUS decision not a surprise, it did not address refunds and Trump is expected to pursue tariffs under other authorities. Trump trip to China in March confirmed by the White House.

Bearish talking points: Ramp geopolitical tensions and oil prices due to lack of progress in US-Iran talks and build up of military presence in the region the largest since 2003. AI disruption still an overhang for some earnings names especially software. FOMC minutes from January meeting tilted hawkish. Leading FOMC dove (Miran) reduced expectations on rate cuts by 50bp from his December forecast. Walmart consumer commentary from its earnings call tilted more cautious vs prior quarter. BoA February Global Fund Manager Survey noted investors most over weight stocks since Dec 2024, most overweight commodities since May 2022 and most underweight bonds since September 2022. Record 52% noted “no landing” as most likely scenario. Inflation overhang still seen in the economic data with core PCE inflation in December hotter to 3.0%, highest since November 2023. Oil highest price since August on US strike fears in Iran.

What to do now: Maintaining equity exposure levels.

Appendix:

What kind of positive technical confirmations for a power trend per IBD (“Webby’s rules”):

1. Follow through day (FTD)
2. Subsequent FTDs.
3. Close above 21-day exponential moving average (EMA).
4. Low above 21EMA.
5. 3 consecutive days with low above 21EMA.
6. Close above 50-day moving average (DMA).
7. Low above 50dma.
8. 3 consecutive days with low above 50dma.
9. Close above 200dma.
10. Low above 200dma.
11. 3 consecutive days low above 200dma.
12. 21ema moves above 50dma.
13. 21ema moves above 200dma.
14. 50dma moves above 200dma.

In the current rally as of 2/20/2026 11 conditions met.

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