Outlook: Borrowing from my colleague CJ Brott's observations, strong January economic figures are a great set up for continuing strong outlook for the market. Nonfarm payrolls rose roughly 2x the consensus at 130,000, the unemployment rate fell to 4.3%, beating expectations, and average hourly earnings rose over 5% annualized for production and non-supervisory workers. Stronger than expected weekly work hours and we have private labor income jumping at a +10.9% annualized rate in January, the strongest in two years. Adding to the positive news, January core CPI came in at +2.5% y/y, the lowest rate in nearly five years. Earnings are running much stronger than expectations at the end of Q4: +13% vs +8.4% at the end of the Q. Also worth a reminder of the very strong capital spend being announced by hyperscalers alone about $700B.

The result of all this strong economic data is fading performance from the Mag7 and rotation away from the usual outperformers (tech and consumer discretionary) towards Energy (XLE, up +2.1% w/w and +21.6% YTD), Materials (XLB, +3.5% w/w and +17.6% YTD), and Consumer Staples (+1.8% w/w and +15.2% YTD). Source of funds has been Mag7 (MAGS, -3.1% w/w, -7.3% YTD), Software (+0.4% w/w, -21.7% YTD), and high risk (ARKK, -0.2% w/w, -8.7% YTD). But we cannot ignore the surge last week in Utilities (UTES, +8.25%) and risk proxy Innovator IBD 50 ETF (FFTY, +4.94% w/w, +9.8% YTD). Some overlap as the FFTY has quite a few metals and mining stocks in the mix. Select infrastructure much of where we are positioned also surged w/w. The equal weight S&P500 is up +5.9% and another interesting proxy on infrastructure the Alerian MLP, which is primarily energy mid-stream is up +12.1% YTD.

The **S&P500** fell (-1.4%), the **Nasdaq** fell -3.0%, the **Dow** gave back -1.3%, and the **Russell** 2000 dropped -0.8%.

Interesting set of leaders last week in infrastructure. E&C firms represented again last week as **Argan, Inc (AGX)** jumped +16.4%, **Construction Partners (ROAD)** advanced +5.4%, **Sterling Infrastructure (STRL**, +9.1%), and **Mastec (MTZ**, +4.0%). **Comfort Systems (FIX)** a datacenter HVAC and electrical contracting play climbed another +8.8% to bring YTD gains to +43%. **Howmet Aerospace (HWM)** jumped +12.1% on earnings and Caterpillar surged another +6.6% taking YTD return to +35%. Transports coming to life and manifesting in the rails led by **Canadian National (CNI**, +6.1%) and rail car maker **Trinity Industries (TRN**, +15.4%). The power players that had been lagging previously surged with NRG, VST, CEG all up double digits of +12.4%, +14.6%, and +10.3%. **Entergy (ETR)** jumped 7.3% along with many other utilities bolting higher in the mid to high single digits. Alternative power manufacturers also jumping such as **Generac (GNRC**, +22%), **FTAI Aviation (FTAI)** getting into power turbine mfr up +2.7% and even **Flowserve (FLS)** which makes engineered valves and pipes used in power plants added +4.95% and is ahead +29% YTD. **Ciena (CIEN)** jumped another 12% on top of +7% the prior week. Datacenter infrastructure provider Vertiv Holdings (VRT) shot up another +19.9% on earnings bringing its YTD to +44.8% and a 14-bagger since we first discovered this name less than 3 years ago. Also helping confirm the ongoing AI trade was **Taiwan Semiconductor (TSM)** above expectations January sales report up +36.8% to $12.7B on stronger than expected AI chip demand though none of the usual suspects advanced last week that is **Nvidia (NVDA**, -1.4%), **Broadcom (AVGO**, -2.3%), **Advanced Micro Devices (AMD**, -0.5%).

Over the next two weeks we still have over 1100 companies reporting earnings. **Walmart (WMT), Toll Brothers (TOL), Quanta Services (PWR), Vulcan Materials (VMC), Palo Alto Networks (PANW), Medtronic (MDT), Blue Owl Capital (OBDC), Comfort Systems (FIX)**, and **Constellation Energy (CEG)**, and several metals and mining companies are among the noteworthy names.

On the economic calendar is Industrial Production for January (+0.4% m/m expected), the FOMC minutes, Philadelphia Fed Index for Feb (+5.5 expected vs 12.6 in Jan), GDP for Q4 first prelim (+1.8% consensus despite a GDP NOW figure in the high 3s) and vs _4.4% for Q3. Core PCE Deflator is due out for Dec with +3.1% expected.

Monday night futures are lower.

Dow Futures	Change	S&P 500 Futures	Change	NASDAQ Futures	Change
49,419.00	- 150.00 0.30%▼	6,821.00	- 29.50 0.43%▼	24,612.00	- 191.25 0.77%▼
Fair Value	**Implied Open**	**Fair Value**	**Implied Open**	**Fair Value**	**Implied Open**
49,566.42	- 147.42	6,851.61	- 30.61	24,797.12	- 185.12

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 lower 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 fell -15bp to 4.05%.

Stock Market Today/Week: Feb 13, 2026

Index	**Level**	**Day change**	**Week Change**
S&P 500	6,836.17	+0.05%	-1.39%
Nasdaq Composite	22,546.67	-0.22%	-2.10%
Dow Jones Industrial Avg.	49,500.93	+0.10%	-1.23%
US 10 year	4.05%		-15bps

Source: Factset

Key events for the week ahead:

Earnings season in full swing as mentioned earlier. US Supreme court ruling on tariffs Friday.

2/16/2026 Market closed for President's Day

2/17/2026 VMI ETN ROAD FLS CNI JBHT

2/18/2026 POWL TECK CP CLH

2/19/2026 WMT PWR JCI IESC FIX DXPE NEM TRGP CEG IDA SO

2/20/2026 HBM US Supreme Court decision possible.

Source: Factset

Bullish talking points: AI worries overblown. AWS chief acknowledged huge disruption but also talked up SaaS leverage to that dynamic. Apollo CEO said S/W an "amazing sector." Vista CEO said IA will enhance not replace S/W. OpenAI CEO said ChatGPT back to exceeding 10% m/m growth, TSM delivered stronger than forecast +37% y/y Jan sales growth. Stocks with leverage to various AI O/P earnings/guidance this past week including Vertiv, Credo Technology, Arista Networks, Applied Materials, Generac. Labor market stabilizing as nonfarm payrolls increase 130k in Jan, 2x expectations. Unemployment rate fell to 4.3%, workweek increased to 34.3 hours, and hourly earnings increased +0.4% m/m. AAII bull-bear spread down 21pp from mid-January high and lowest since late Nov. Positioning in S/W stocks at record low levels per Goldman Sachs and a potential contra bullish indicator. Tariffs to be scaled back on steel and aluminum for affordability push. BoA Financials Conference saw improved CEO optimism on fading tariff headwinds and OBBA tailwinds, resilient low-income spending, strong momentum in C&I lending, and optimism around M&A and capital markets.

Bearish talking points: AI narrative shift to broader market headwind based on big tech underperformance (capex ROI scrutiny, shift to asset heavy from asset light). AI disruption and component/resource constraints. AI disruption trade acceleration beyond S/W to insurance brokers, financial advisory firms, CBRE, freight brokerage. AI as significant white-collar job threat rising from FT interview with Microsoft AI chief who said that most white-collar tasks will be fully automated with AI next 12-18 months. Consumer balance sheets showed delinquency worsening in Q4. Financial stress spreading with average client now earning $70k/year up from $40k/year before the pandemic. US deficits back in the headlines as CBO forecasts cumulative deficit 2026-2035 $1.4T higher than January 2025 estimate which assumes tariff rates from November 2025 are permanent.

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 2/13/2026 7-9 conditions met.

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