

## Economic Overview

Global equity markets delivered mixed results in February, following a strong January, with the S&P 500 declining 1.75% for the month. Weakening AI momentum and increasing scrutiny led value-oriented stocks to again outperform growth-oriented stocks, with the Russell 1000 Value rising 2.6% while the Russell 1000 Growth Index declining 3.4%. Small caps were more resilient, with the Russell 2000 up 0.8% for the month. Outside the U.S., international equities continued their strong start to the year with MSCI EAFE returning 4.6% and MSCI Emerging Markets rising 5.5%, emphasizing the benefits of global diversification. The USD weakened in the first half of February then strengthened in the back half as geopolitical risks began to rise. Bond returns were muted with both taxable and tax-exempt bonds relatively flat in February. Commodity markets remained volatile but firm as geopolitical tensions and energy market dynamics supported prices.

Economic data released throughout February pointed to a resilient but moderating backdrop. Labor market data was mixed with payrolls in February declining by 92,000 and downward revisions to prior months with falling participation rates. The unemployment rate inched higher to 4.4%, reinforcing the “low hiring, low firing” narrative. Inflation remained stubborn with year over year change in headline CPI of 2.4% and core PCE of 3%, supporting the view that inflation pressures continue to gradually ease even if progress toward the Federal Reserve’s 2% target remains uneven. Other economic

reports saw healthy service sector business surveys and manufacturing indicators moved back into expansionary territory. Consumer-related indicators were soft, including weaker retail sales and declining consumer confidence readings. Housing activity remained constrained by affordability challenges tied to still-elevated home prices and mortgage rates.

Policy developments were key in February, with substantial developments in trade and foreign policies including the Supreme Court striking down tariff levies enacted under IEEPA and large-scale military action to effect regime change in Iran. Tariff policy remained unclear with a 15% across the board levy, under Section 122, announced following the SCOTUS ruling - this too will be subject to a wide array of legal challenges and is limited to 150 days, after which Congressional approval is required. U.S. foreign policy produced a shock to the system (and energy prices) at month end with military action in Iran resulting in substantial energy infrastructure disruption and corresponding volatility and energy price increases. While the conflict has yet to materially alter the global economic outlook, the duration of energy infrastructure disruption is the key factor with the capital markets monitoring an ever-evolving landscape by the minute.

Taken together, the month of February saw some consolidation following the strong start to 2026. U.S. equities faced headwinds from large-cap growth weakness and ongoing debate surrounding the durability and

economic implications of the AI investment boom. At the same time, improving equity market breadth, continued strength in international markets, and a still-resilient economic backdrop helped keep the broader risk environment relatively constructive as investors navigated a very active policy and geopolitical landscape.

**QUOTE OF THE MONTH**

*"It's easier for a camel to pass through the eye of a needle, than it is for an oil tanker to pass the Strait of Hormuz."*  
 - Phil Kosmala

**CARTOON OF THE MONTH**



Source: Hedgeye



**CONSUMER METRICS**

Levels	2/28/26	11/30/25	2/28/25
Fed Funds	3.64	3.89	4.33
10 Year Treasury	3.97	4.02	4.24
30 Year Mortgage	5.98	6.23	6.76
Gasoline	3.07	3.19	3.26
Used Cars and Trucks*	181.27	186.30	186.56

**ECONOMIC TRENDS**

Macro Metrics	2/28/26	11/30/25	2/28/25
US Real GDP	1.40	4.40	1.90
Core PCE	3.00	2.83	2.97
Unemployment Rate	4.40	4.50	4.20
Oil (WTI)	71.13	58.58	69.97
Gold	5,247.2	4,083.0	2,894.7
Dollar Index	98.8	99.5	107.56

Trailing Returns	1 Mo	3 Mo	1 Yr
Oil (WTI)	3.81	14.31	-4.30
S&P GSCI Gold Spot	10.60	23.34	84.23
Dollar Index	0.64	-1.86	-9.30

\*Represents level indexed to 100.

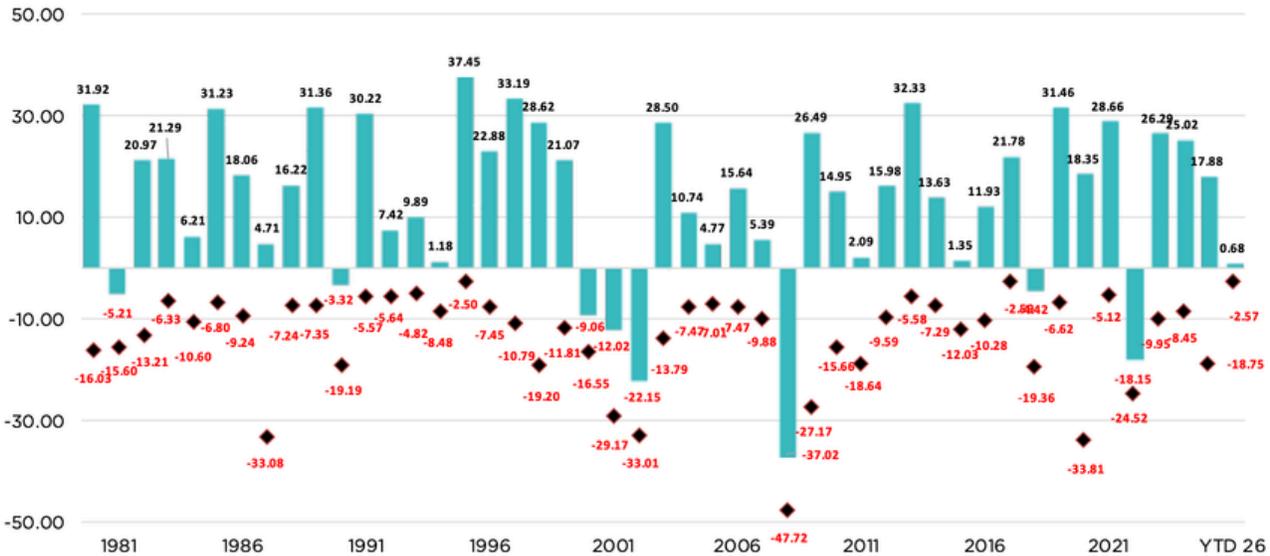
Color Coded Key	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
Alerian MLP	4.2	21.3	37.8	0.3	31.5	20.0	46.2	30.9	26.6	25.0	34.4	15.7
Bloomberg US Agg Bond	1.4	18.3	25.6	0.0	27.3	18.7	40.2	16.1	26.3	24.4	31.9	14.9
Bloomberg US Treasury US TIPS	1.3	17.5	24.6	-0.8	25.8	18.4	28.7	-1.3	22.8	18.0	22.9	11.6
Bloomberg Commodity	0.5	12.0	21.8	-1.3	25.5	16.8	27.1	-11.2	18.9	11.5	17.9	11.2
Markit iBoxx USD Levged Loan	-0.4	11.8	14.6	-1.8	22.7	11.0	19.0	-11.8	16.9	9.1	15.8	10.1
FTSE WGBI	-1.0	11.6	10.3	-2.3	18.9	10.8	14.8	-13.0	16.1	8.8	12.8	6.2
FTSE WGBI NonUSD	-1.4	10.1	8.2	-2.5	14.4	10.1	11.8	-14.0	13.5	8.2	11.1	4.3
ICE BofA US High Yield	-1.8	9.9	7.5	-4.4	13.1	8.3	6.0	-15.3	13.0	8.1	9.8	2.6
Bloomberg EM USD Aggregate	-3.6	8.5	7.5	-4.8	8.7	7.5	5.4	-18.0	10.3	6.6	8.5	2.2
MSCI ACWI	-4.4	7.2	4.2	-8.9	8.4	6.5	5.1	-18.1	9.1	5.4	8.5	1.7
MSCI EAFE	-4.6	4.7	3.5	-11.0	7.9	6.2	-1.5	-18.3	5.8	4.3	7.5	1.6
MSCI EM	-5.5	2.6	3.3	-11.2	7.7	2.3	-1.7	-19.7	5.5	1.8	7.3	1.6
Russell 2000	-14.6	1.8	3.0	-12.4	6.6	-3.1	-2.2	-20.4	5.2	1.3	7.0	0.7
S&P 500	-24.7	1.6	1.7	-13.4	5.9	-7.9	-7.0	-22.1	3.9	-2.9	5.0	0.6
Wilshire US REIT	-32.6	1.5	-6.5	-14.2	5.3	-28.7	-9.7	-26.8	-7.9	-5.3	2.7	-1.1

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	YTD
S&P 500 Communication Services	10.1	27.4	38.8	6.5	50.3	43.9	54.6	65.7	57.8	40.2	33.6	25.2
S&P 500 Sec/Consumer Discretionary	6.9	23.5	23.8	4.1	32.7	33.3	46.2	1.6	55.8	36.6	24.0	17.8
S&P 500 Sec/Consumer Staples	6.6	22.8	23.0	0.8	32.1	23.6	35.0	-0.6	42.4	30.6	19.4	16.3
S&P 500 Sec/Energy	5.9	18.9	22.2	-0.3	31.5	20.7	34.5	-2.0	26.3	30.1	17.9	14.3
S&P 500 Sec/Financials	4.7	16.7	22.1	-2.2	29.4	18.4	28.7	-5.5	18.1	25.0	16.0	11.9
S&P 500 Sec/Health Care	3.4	16.3	21.8	-4.4	29.0	13.4	27.3	-10.5	12.5	23.4	15.0	9.4
S&P 500 Sec/Industrials	1.4	13.8	21.0	-8.4	27.9	11.1	26.1	-12.3	12.4	17.5	14.6	3.5
S&P 500 Sec/Information Technology	-1.5	12.0	13.5	-12.5	27.6	10.7	24.4	-18.1	12.1	14.9	10.5	0.7
S&P 500 Sec/Materials	-2.5	6.0	12.1	-13.0	26.3	0.5	21.6	-26.1	2.1	5.7	8.7	0.4
S&P 500 Sec/Real Estate	-4.8	5.4	10.8	-13.3	24.6	-1.7	21.1	-28.2	0.5	5.2	6.0	-3.8
S&P 500 Sec/Utilities	-8.4	3.4	-1.0	-14.7	20.8	-2.2	18.6	-37.0	-1.3	2.6	3.9	-5.5
S&P 500	-21.1	-2.7	-1.3	-18.1	11.8	-33.7	17.7	-39.9	-7.1	0.0	3.2	-6.0

MARKET TIMING DOESN'T WORK

Intra-year S&P 500 Drawdowns with Annual Returns

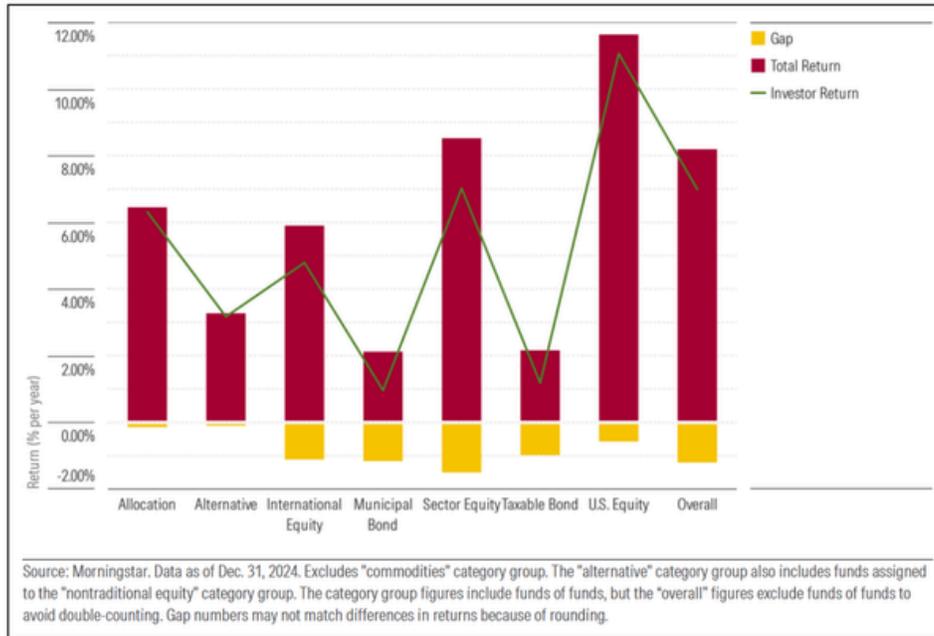
Market volatility is normal and can be difficult to time. History shows that staying the course has been a successful investing strategy.



Source: Morningstar Direct, Standard & Poor's. Uses Total Return with daily closing prices.

Return ♦ Max Drawdown

## MARKET TIMING DOESN'T WORK

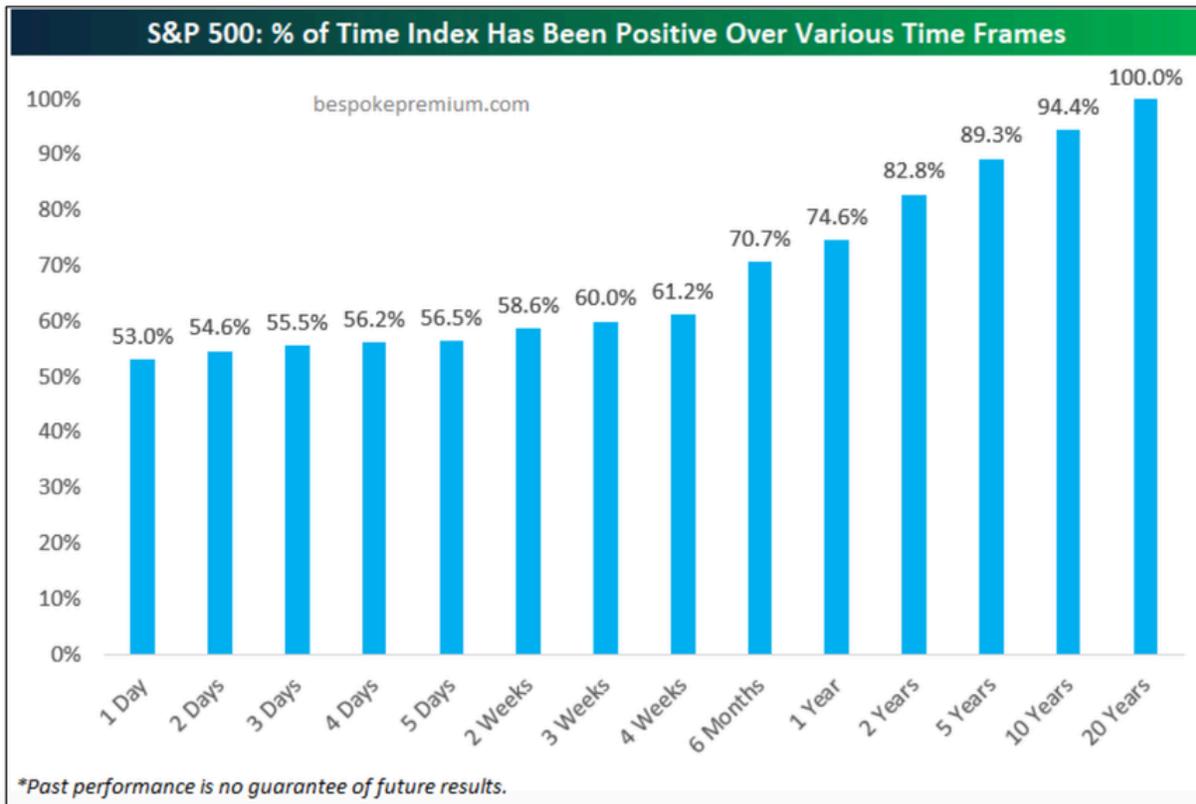


**Exhibit 4** Annual Investor Return Gaps by US Category Group (10 Years Ended Dec. 31, 2024)

US Category Group	Investor Return	Total Return	Gap
Allocation	6.3%	6.5%	-0.1%
Alternative	3.2%	3.3%	-0.1%
International Equity	4.8%	5.9%	-1.1%
Municipal Bond	1.0%	2.1%	-1.2%
Sector Equity	7.0%	8.5%	-1.5%
Taxable Bond	1.2%	2.2%	-1.0%
US Equity	11.1%	11.6%	-0.6%
<b>Overall</b>	<b>7.0%</b>	<b>8.2%</b>	<b>-1.2%</b>

Source: Morningstar

## MARKET TIMING DOESN'T WORK



Source: Bespoke

**Economic expansions do not die of old age, they are murdered - Rudi Dornbusch**

Post WW2 Recessions and Their Triggers

Stock Market Peak	Recession Start	Stock Peak Before Recession	Recession End	"Murder Weapon"
May 28, 1946	Feb 1945	-454	Oct 1945	Dramatic Drop in Military Spending (End of WW2)
Jun 18, 1948	Nov 1948	165	Oct 1949	Demobilization of the WW2 Economy
Jan 09, 1953	Jul 1953	203	May 1954	Dramatic Drop in Military Spending (End of Korean War)
Apr 06, 1956	Aug 1957	511	Apr 1958	Suez Crisis/Sputnik
Jan 08, 1960	Apr 1960	113	Feb 1961	Tight Monetary Policy
Dec 06, 1968	Dec 1969	390	Nov 1970	Vietnam War
Jan 12, 1973	Nov 1973	322	Mar 1975	Arab Oil Embargo
Sep 15, 1978	Jan 1980	503	Jul 1980	Highest Inflation of the Century
May 01, 1981	Jul 1981	91	Nov 1982	Punishing Interest Rates (15% 10-year)
Jul 20, 1990	Jul 1990	11	Mar 1991	Iraq Invades Kuwait (~200% rise in Crude Oil)
Jan 14, 2000	Mar 2001	442	Nov 2001	Tech Bubble Popping/September 11
Oct 09, 2007	Dec 2007	83	Jun 2009	Housing Crash/\$145 Crude (July 2008)
Feb 12, 2020	Feb 2020	17	Apr 2020	COVID-19
<b>Average</b>		<b>184</b>		

Source: Bianco Research



Please remember that past performance is no guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Opal Wealth Advisors, LLC ["OWA"]), or any non-investment related content, made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from OWA. OWA is neither a law firm, nor a certified public accounting firm, and no portion of the commentary content should be construed as legal or accounting advice. A copy of the OWA's current written disclosure Brochure discussing our advisory services and fees continues to remain available upon request or at [www.opalwealthadvisors.com](http://www.opalwealthadvisors.com). **Please Remember:** If you are a OWA client, please contact OWA, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. Unless, and until, you notify us, in writing, to the contrary, we shall continue to provide services as we do currently. **Please Also Remember to advise us** if you have not been receiving account statements (at least quarterly) from the account custodian. Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your OWA account holdings correspond directly to any comparative indices or categories. **Please Also Note:** (1) performance results do not reflect the impact of taxes; (2) comparative benchmarks/ indices may be more or less volatile than your OWA accounts; and, (3) a description of each comparative benchmark/index is available upon request.