

# Economic and Investment Newsletter

## February 2026

### Current Market Commentary

Is risk-off the theme for 2026? Bitcoin, U.S. government debt, and technology stocks—especially software—have all come under pressure. Software companies have been hit hard as investors worry that AI could render existing products obsolete, and investors increasingly question whether today’s outsized capital spending on AI infrastructure will generate adequate returns in the near or medium term. It is an open question whether last week’s strong performance from industrials and materials, relative to technology, is a one-off rotation or the beginning of a more durable risk-off beginning. AMD and Intel both issued disappointing recent guidance, adding to concerns around the growth outlook for semiconductors and AI-adjacent spending, especially for companies who might not have the strongest fundamentals to begin with.

The U.S. economy is back in focus as layoffs continue, with Amazon and UPS announcing significant job cuts and the private sector adding only 22,000 jobs in January. At the same time, inflation sees a slimmer of hope as January 2026 CPI data reflected a 2.4% inflation rate, coming down from 2.75% in December 2025. With the labor market showing early signs of cooling and inflation data appears to ease closer to Fed’s 2% inflation target, the Fed might be convinced that more (than two) rate cuts might be warranted in 2026.

U.S. Treasury yields declined in early February as prices rose, reflecting a rotation out of equities and into bonds. This move coincided with the VIX spiking to 23 in late January before easing back to around 18 in early February, signaling a pickup in equity market volatility and risk aversion. Another sign of emerging risk-off sentiment has been outflows from bitcoin. After trading as high as roughly 123,000 dollars in October 2025, bitcoin has fallen nearly 50%, with a closing price just above 70,000 dollars on February 9.

Most major central banks remain on hold, with the notable exception of the Reserve Bank of Australia, which hiked rates in 2026. Looking ahead, the once near-consensus narrative of AI-driven, guaranteed growth has been put on pause as markets attempt to reconcile enormous AI-related capital expenditures with still-uncertain cash-flow payoffs. The “Magnificent Seven” may be approaching a reckoning as investors grow less patient waiting for promised earnings acceleration. Forward-looking return expectations in large-cap equities are trending below the robust realized returns of the past three years. Meanwhile, the yield curve between the short and long ends of the U.S. Treasury market is steepening as investors price in lower policy rates in the near term, given softening economic prospects, alongside higher long-term yields driven by mounting fiscal concerns and the perception of unsustainable federal borrowing.



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### Fintent Invest Strategy Outlook

Fintent Invest is committed to a disciplined portfolio construction process that prioritizes risk-efficiency and low-cost diversification across geographies, market capitalizations, and asset classes. In an environment of elevated market volatility and economic uncertainty, our strategic asset allocation models remain focused on generating long-term risk-adjusted returns and income while balancing capital preservation with growth.

As of market close on February 6, 2025, year-to-date returns were 1.27% for the S&P 500, -0.91% for the Nasdaq, and 5.71% for the Developed International Index, while Bitcoin extended its decline to a steep -20% YTD, erasing its prior gains since its 2025 peak. The market has reflected a risk-off tone as investors rotate away from US assets and increasingly toward other developed international markets such as Europe and Japan, both of which have delivered steady positive returns over the past 12 months. Our asset allocation models have overweighed developed international markets since last summer, and we expect to maintain this position to capture more predictable return streams as Europe becomes less reliant on the US militarily and economically. Fintent Invest has long believed that understanding how an asset performs over a full business cycle—typically 5 to 7 years—is critical when deciding whether to include that asset or asset class in our model portfolios. Consistent with our focus on delivering attractive risk-adjusted returns for clients, we have excluded digital currencies from our model portfolios due to their unfavorable risk-adjusted return profile.

With the unemployment rate at 4.3% and inflation appearing to trend in the right direction, Fintent Invest is cautiously optimistic about the economic outlook for 2026. However, a recent study from the Federal Reserve Bank of New York indicates that the costs of tariffs are borne primarily by US consumers and companies. In the first eight months of 2025, an estimated 94% of tariff costs were absorbed domestically rather than by foreign producers, and the same researchers found that tariff costs in 2018 and 2019 were also largely paid by Americans. As tariffs persist, US companies have begun to diversify their supply chains and rely less on Chinese exporters, which has helped to ease some cost pressures. Larger firms have been able to negotiate pricing with multiple suppliers, leaving smaller businesses with less flexibility to maintain current pricing structures. Additional data will be needed to determine whether the recent moderation in inflation marks the start of a durable trend or simply a one-off data point. Given that inflation remains above the Federal Reserve's 2% target, a data-dependent Fed is likely to move cautiously on further interest rate cuts.

On the fixed income side, Fintent Invest maintains a nuanced approach, recognizing that a wider yield spread between investment-grade and non-investment-grade bonds is a matter of when, not if. Cash-flow pressures are likely to intensify for smaller, lower-quality issuers, while rising national debt heightens concerns about the long-term risk profile of



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extended-maturity Treasuries. A steepening yield curve may emerge as the Fed continues, slowly but steadily, to cut rates at the short end while longer-dated Treasury yields rise in response to ballooning US government debt. In this context, Fintent Invest continues to emphasize a thoughtful balance between returns and risks, focusing on medium-duration, high-quality corporate bonds within our portfolios.

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