

Opportunity in the Noise | 02.20.2026

There has been no shortage of major headlines in 2026, yet you would not know it by looking at the market alone. Over the past two months, the Trump administration has removed Venezuela's head of state by force,¹ expanded the U.S. military presence in the Middle East amid rising tensions with Iran,² nominated a new Federal Reserve Chair,³ and seen its landmark tariffs struck down by the Supreme Court.⁴ All of this has occurred alongside the usual stream of economic data releases and corporate earnings reports that can move markets, and within the context of a midterm election year, which historically has brought larger swings in investor sentiment. Despite the intensity of the news cycle, the S&P 500 is up just over 1 percent year to date.⁵

The more meaningful action has taken place beneath the surface. Market leadership has steadily shifted away from the technology dominance of recent years toward more traditional sectors such as financials, industrials, materials, and energy. The average stock, as measured by the performance of the equal-weight S&P 500 is up more than 6.5 percent this year,⁶ roughly 5.5 percentage points ahead of the tech-heavy cap-weighted S&P 500. Investors are taking a more disciplined view of the sustainability of unprecedented investment in AI infrastructure and are increasingly focused on the downstream benefits for everyday companies.

Lost amid the barrage of headlines is a stabilizing economic backdrop, supportive fiscal and monetary policy, and resilient corporate earnings. January's employment and inflation data point to an economy marked by low unemployment, subdued jobless claims, and gradually easing price pressures. At the same time, the lagged effects of 2025's interest rate cuts are beginning to work through the economy, coinciding with new tax provisions that together provide a meaningful tailwind to growth.

The fourth quarter earnings season has been particularly strong. With most S&P 500 companies having reported as of 2/20/2026, according to an aggregation of company reports, sales have grown by an average of 8.9 percent and earnings by 12.3 percent. Roughly three-quarters of companies have exceeded analysts' earnings estimates. Aside from concerns about capital spending demands among a handful of technology firms, market reactions have generally been constructive. As a result, analysts have raised their full-year forecasts. Consensus expectations now call for roughly 15 percent earnings-per-share growth in both 2026 and 2027. These growth rates are well above long-term averages and push back against the narrative that the market is broadly overvalued, particularly given the acceleration in growth expectations among non-mega cap companies.

There will undoubtedly be some turbulence for markets to navigate in the coming months. Armed conflict with Iran appears increasingly possible, confirmation of the new Fed Chair may prove contentious, and there could be temporary confusion surrounding tariff refunds, even if effective tariff rates remain largely unchanged. We are also entering a stretch of the calendar that has historically been associated with softer equity performance ahead of midterm elections. Even so, we think the underlying foundation for stocks remains solid. We believe periods of weakness in the months ahead may ultimately present an opportunity rather than a cause for alarm.

Thanks,

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¹ <https://www.cnbc.com/2026/01/03/trump-us-operation-captured-venezuela-president-nicolas-maduro.html>. Accessed 2/20/2026.

² <https://www.cnbc.com/2026/02/20/trump-could-attack-iran-in-days-whats-at-stake-for-the-oil-market.html>. Accessed 2/20/2026.

³ <https://www.cnbc.com/2026/01/30/trump-nominates-kevin-warsh-for-federal-reserve-chair-to-succeed-jerome-powell.html>. Accessed 2/20/2026.

⁴ <https://www.cnbc.com/2026/02/20/supreme-court-trump-tariffs-ruling.html>. Accessed 2/20/2026.

^{5,6} Google Finance as of 2/20/2026