RAYMOND JAMES | INVESTMENT MANAGEMENT

PORTFOLIO STRATEGY

Michael Gibbs, Managing Director, Lead Portfolio Manager | (901) 579-4346 | michael.gibbs@raymondjames.com
Joey Madere, CFA | (901) 529-5331 | joey.madere@raymondjames.com
Richard Sewell, CFA | (901) 524-4194 | richard.sewell@raymondjames.com
Mitch Clayton, CMT, Senior Technical Analyst | (901) 579-4812 | mitch.clayton@raymondjames.com

FEBRUARY 18, 2026 | 4:16 PM EST

Weekly Market Guide

Shifting narratives continue to shape the near-term trading environment and have driven notable market rotation. Recently, we have seen performance broaden into the equal-weight S&P 500, previously lagging sectors playing catch-up, and improving trends across international equities and small-caps. This is a welcomed development, but we believe there is still work to do as gains likely lack staying power without corresponding earnings support. However, the big question remains:

Can the Broadening Out Be Sustained?

While we will never have perfect clarity, a pragmatic approach is essential to avoid head fakes. The following serve as key checkpoints to determine whether the recent broadening is genuine or simply another short-lived relief rally. A time filter will likely be required, but for now the **limited improvement in relative earnings keeps us only cautiously optimistic**.

1. **Price Often Leads Fundamentals:** Initial moves can be sharp—as appears to be the case now—but we believe it is important to move in stages. Early rallies are typically followed by a digestion period. While this can test conviction, such consolidation is often necessary for a durable trend.

2. **Relative Earnings Must Improve:** This remains the critical factor, as earnings and earnings growth are major drivers of equity returns. To date, we have not seen material improvement, and **forward expectations still call for** cap-weighted **earnings to outpace** equal-weight **earnings in the S&P 500**. On the other hand, small-caps **appear better positioned to sustain their recent relative performance gains**. While progress is still needed, early improvement in relative earnings is an important step. Looking ahead, small-cap earnings growth is projected to outpace large-caps. This improvement in relative earnings marks a meaningful difference from past false starts and could support a more sustainable move.

On the other hand, the Technology sector has been a key source of funds during the rotation. The market narrative has been to "sell everything first, and ask questions later". With uncertainty surrounding the sustainability of AI-related spending and concern that AI will disrupt and destroy industries, particularly software/information services businesses—the sector has come under pressure. However, it is important to note that **underlying earnings strength remains robust**, and the **pullback has been driven primarily by sharp valuation compression**. Near-term, we are watching the technical picture closely. The sector failed at resistance, rolled over, and is now testing its 200-day moving average.

Opportunities Are Emerging in Global Equities: Global money flows play an important role in equity performance, particularly as investors weigh U.S. exposure against overseas markets. Two key forces that can shift flows away from the U.S. are **weakening dollar** and **higher interest rates abroad**—both of which are occurring now. **This environment tends to favor**

Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	3.1%	11.2%
S&P 500	0.0%	11.9%
S&P 500 (Equal-Weighted)	5.5%	11.8%
NASDAQ Composite	-2.9%	12.7%
Russell 2000	6.6%	16.1%
MSCI All-Cap World	2.7%	17.9%
MSCI Developed Markets	7.4%	26.9%
MSCI Emerging Markets	10.8%	38.3%
NYSE Alerian MLP	12.1%	4.7%
MSCI U.S. REIT	10.8%	7.0%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Energy	19.7%	3.4%
Materials	15.2%	2.1%
Consumer Staples	13.8%	5.4%
Industrials	12.8%	9.2%
Real Estate	11.7%	1.9%
Utilities	8.3%	2.4%
Health Care	1.5%	9.7%
S&P 500	***0.0%***	-
Communication Svcs.	-3.1%	10.2%
Information Technology	-4.5%	33.0%
Financials	-5.0%	12.8%
Consumer Discretionary	-5.0%	9.9%

Source: FactSet

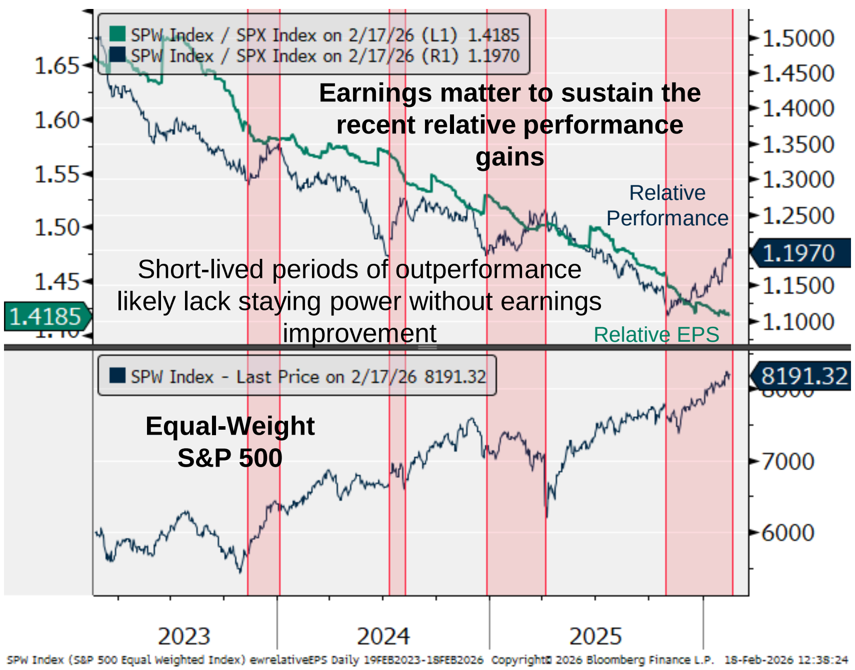
international equities on a relative basis.

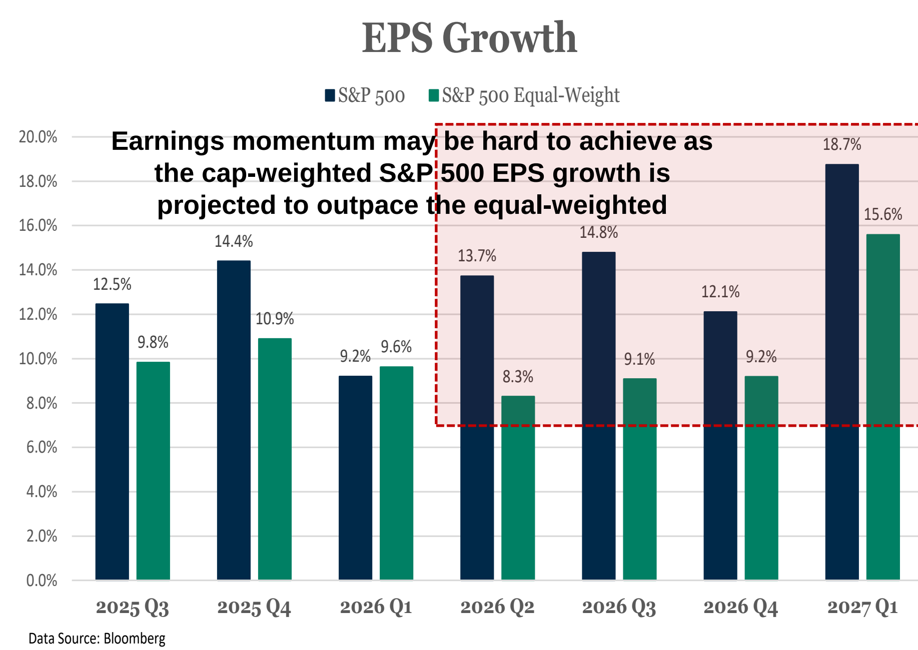
Near Term Market View: In the near term, the market feels heavy with a lack of buying conviction for the S&P 500, struggling to sustain momentum from Friday's reversal after last Thursday's sharp drawdown. Yesterday, the S&P 500 touched its lowest level since mid-December before rebounding to close well off the session's lows. From a technical standpoint, we will continue to watch **6760** for initial support, followed by **6536**, with **7002** and **7162** as potential resistance levels. However, **over the long run, we maintain an upside bias supported by a resilient macro backdrop, fiscal and monetary stimulus, robust A.I. spending, and strong EPS growth expectations**, and would use periods of market volatility as buying opportunities.

Is the Recent Broadening Out Sustainable in the Equal-Weight S&P 500?

While we will never have perfect clarity, we believe a pragmatic approach is essential to avoid head fakes. The following serve as key checkpoints to determine whether the market broadening is genuine or simply another short-lived relief rally. A time filter will likely be necessary, but for now the limited improvement in relative earnings keeps us only cautiously optimistic.

1. **Price often moves ahead of fundamentals**, and we recognize that initial moves can be sharp—much like what appears to be occurring now. However, we believe it is important to move in stages. Early rallies are typically followed by a digestion period, which can test conviction but is ultimately healthy if the trend is to prove durable.
2. **For the broadening to persist, relative earnings must improve**. This may be the most critical factor, as earnings and earnings growth remain primary drivers of equity returns. At this stage, we have yet to see meaningful improvement, and forward expectations still indicate that cap-weighted earnings will outpace equal-weight earnings for the S&P 500.





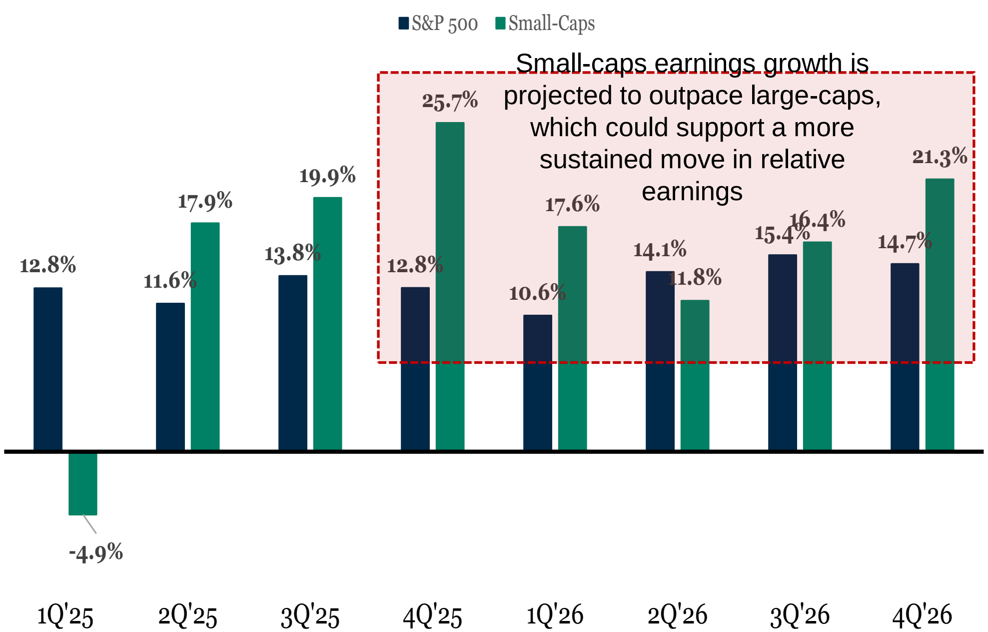
Source: Bloomberg, FactSet

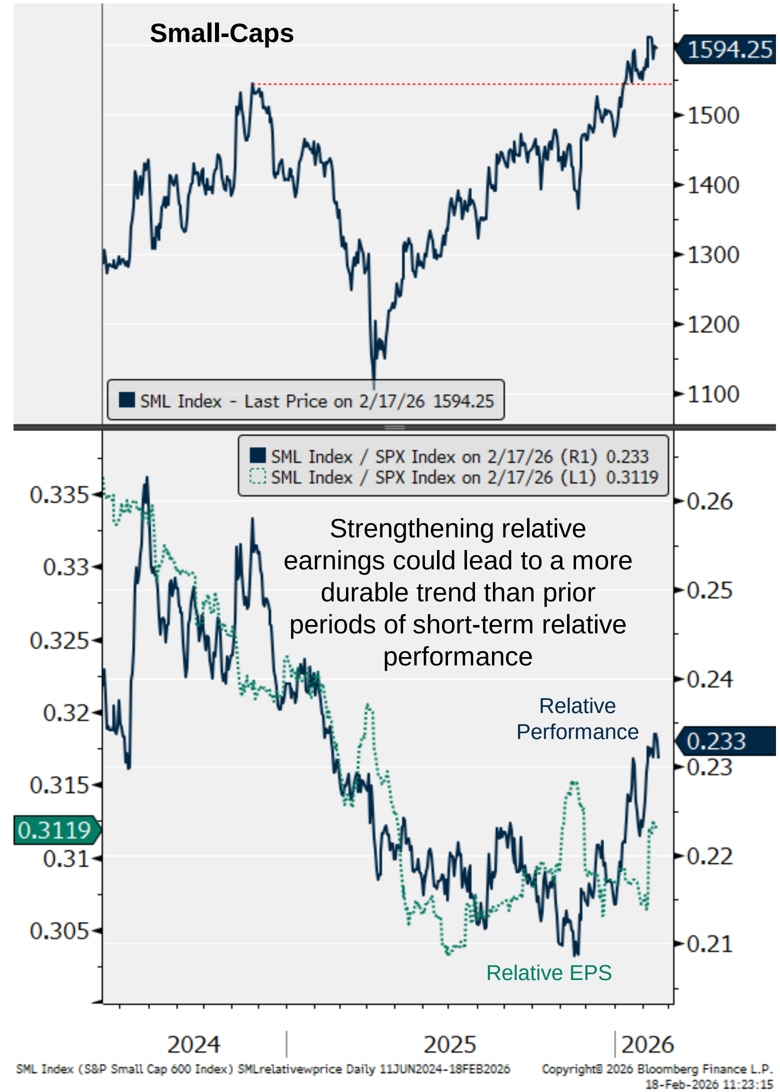
Small-Caps

Small-caps appear to have better odds of sustaining their recent relative performance gains. While there is still considerable progress to be made, the early improvement in their relative earnings is an important step. Looking ahead, small-cap earnings growth is projected to outpace that of large caps.

A pullback could test conviction in this rally and may initially feel like "here we go again." However, the improvement in relative earnings marks a meaningful difference this time—one that could support a more durable and sustainable move.

Small-Cap Earnings Return to Growth



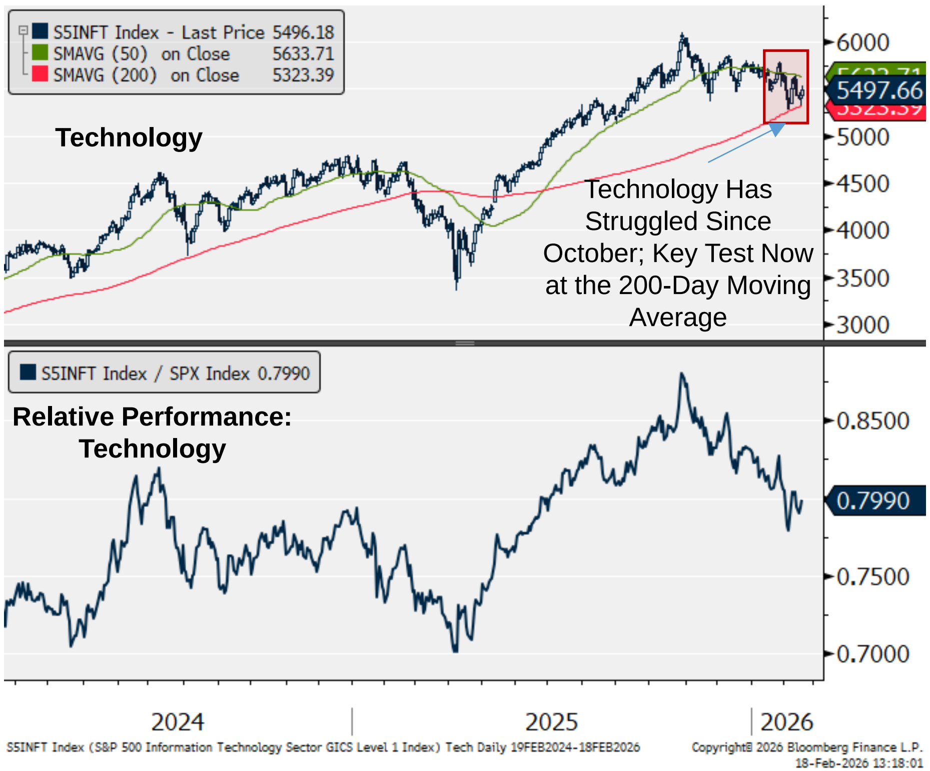


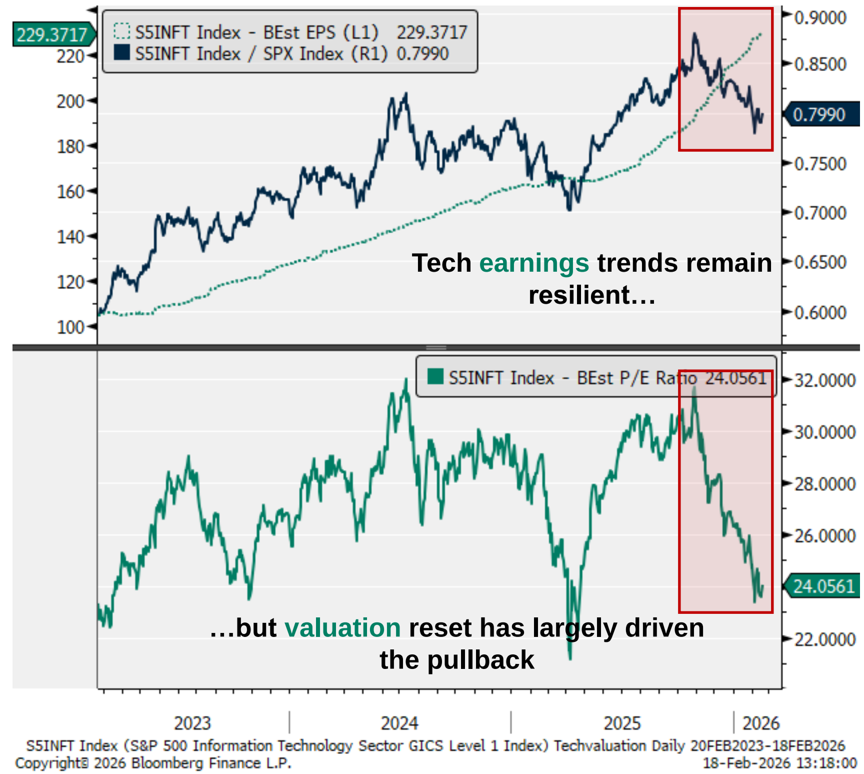
Source: Bloomberg, FactSet

Technology

The Technology sector has been a source of funds during the recent market rotation, which has pressured relative performance. With uncertainty surrounding the sustainability of AI-related spending, margins, and impact on Software—the sector has come under intense pressure. Overall, for now, the pullback has been driven largely by sharp valuation compression, as underlying earnings strength remains robust.

In the near term, we are watching the technical setup closely. The sector failed at resistance and subsequently rolled over, and it is now testing its 200-day moving average. From here, the key question is whether Technology can hold support and remain above its recent low.

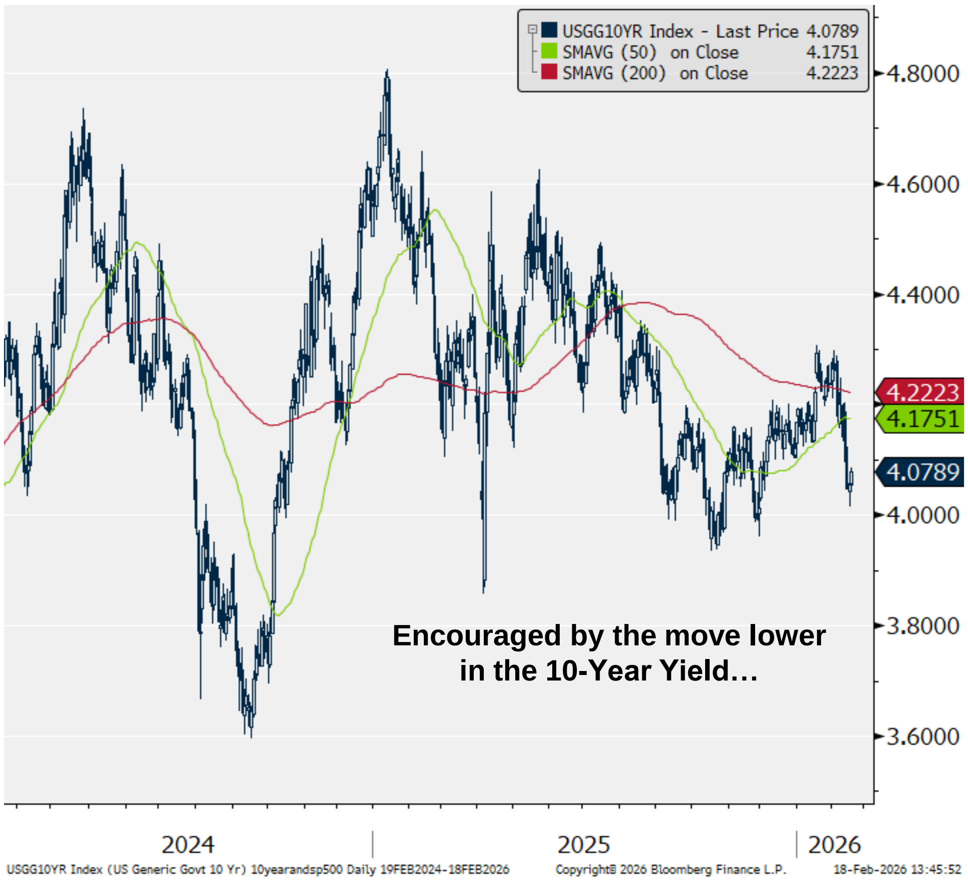


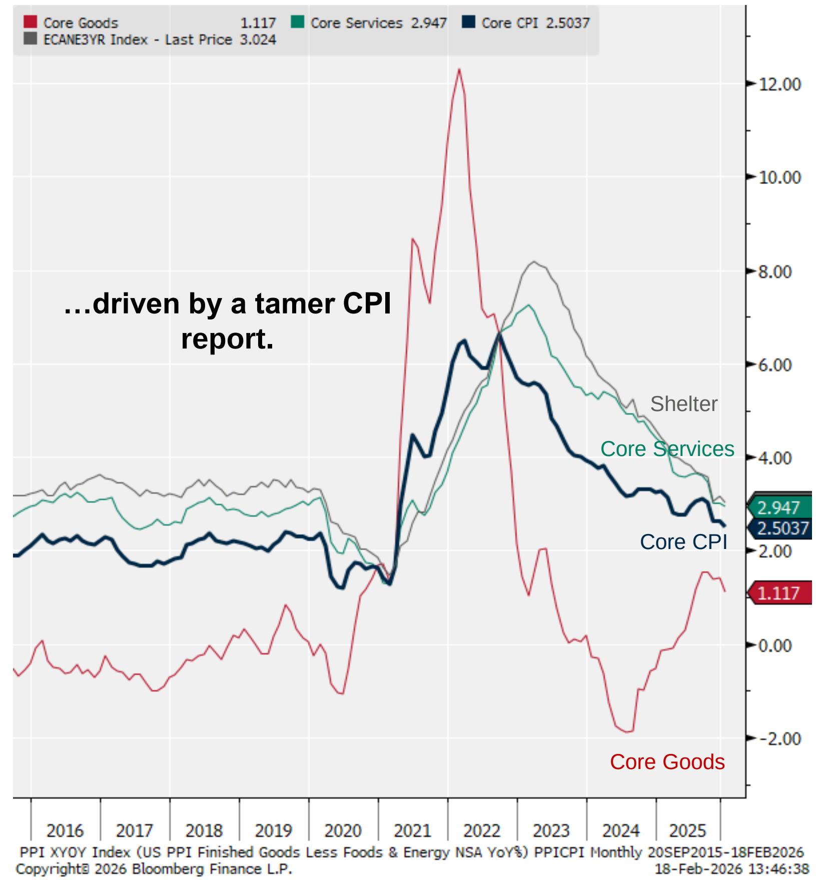


Source: Bloomberg, FactSet

Interest Rates

We are encouraged by the move lower in the 10-year yield, as it is likely a positive development for equities. Heading into the CPI report, we were concerned that yields might retest prior resistance levels. However, the tamer CPI data—combined with resilient economic readings—pushed rates lower for fundamentally supportive reasons. With rates now more contained, we believe this backdrop increases the likelihood that equity markets can continue to move higher.



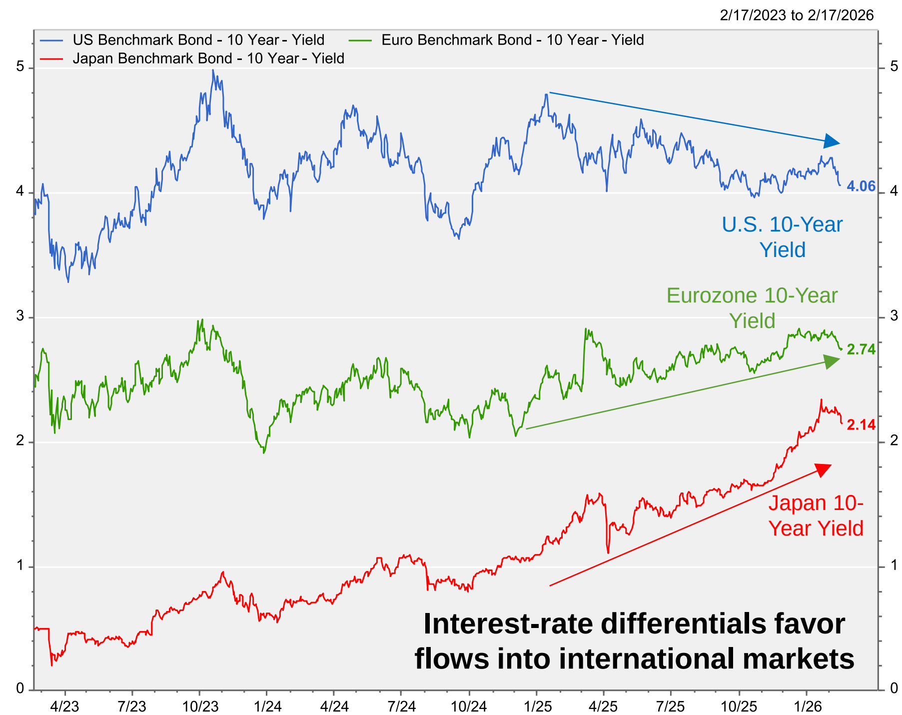


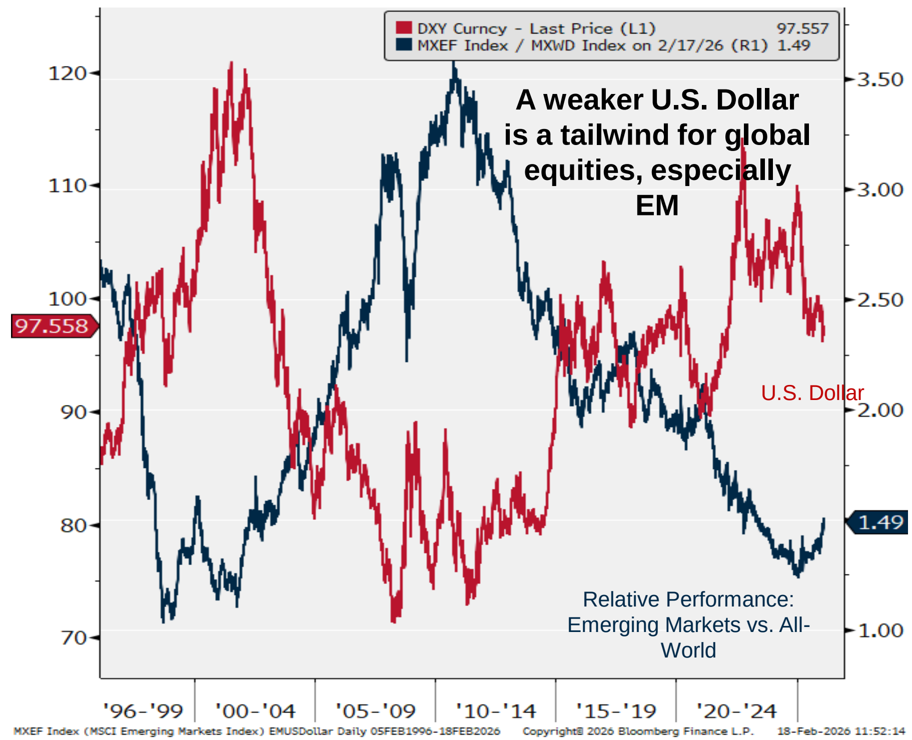
Source: Bloomberg, FactSet

Global Equities

Money flows across global markets play an important role in equity performance, particularly as investors decide whether to allocate to the U.S. or abroad. Two major influences that can shift flows away from the U.S. are a weakening dollar and higher interest rates overseas.

In periods of dollar weakness, international equities typically outperform U.S. equities, as foreign assets become more attractive on a relative basis. Similarly, when interest rates abroad move higher than those in the U.S., capital often flows toward the higher-yielding markets. This dynamic can put pressure on U.S. assets because international yields appear more compelling on a relative basis.



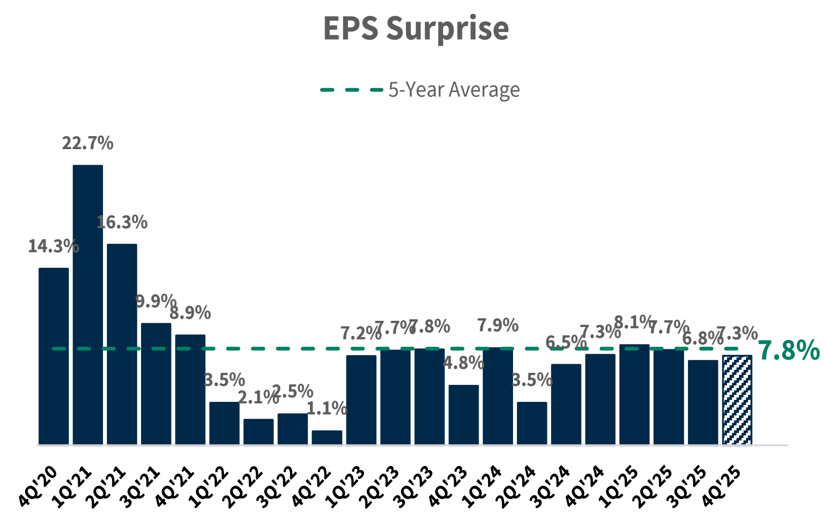


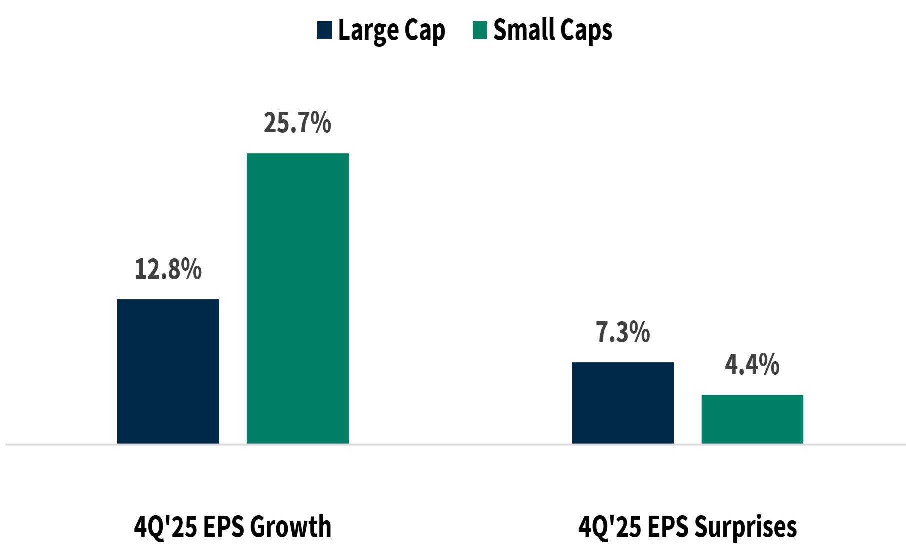
Source: Bloomberg, FactSet

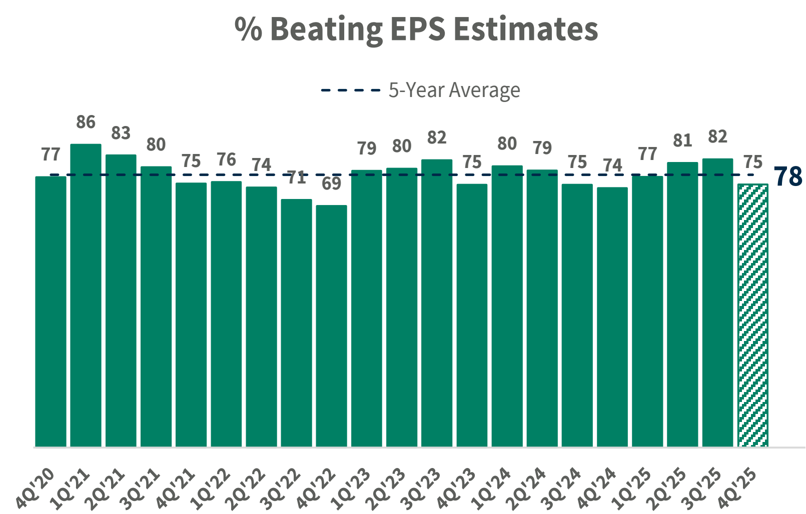
Q4 Earnings Season

With earnings season winding down, 4Q’25 results continue to show robust upside, with the S&P 500 delivering average earnings surprises of 7.3% and 75% of companies beating expectations. At the sector level, Industrials have posted the largest surprises at over 30%, while Materials and Real Estate have lagged, reporting results below expectations.

Looking ahead, despite the strong surprises this quarter, earnings estimates for 1Q’26 have slipped about 2% since year-end. For small-caps, earnings growth was particularly strong in 4Q’25—exceeding 25%—but the earnings surprise rate was more modest at just 4.4%.







Source: Bloomberg, FactSet

IMPORTANT INVESTOR DISCLOSURES

Gibbs Capital Management, a division of Eagle Asset Management (Eagle) a wholly-owned subsidiary of Raymond James Investment management.

All expressions of opinion in the foregoing reflect the judgment of Gibbs Capital Management and are subject to change without notice. Information in this report has been obtained from sources considered reliable, but we do not guarantee its accuracy, completeness, or timeliness. Content provided herein is for informational purposes only and should not be used or construed as investment advice or a recommendation regarding the purchase or sale of any security outside of a managed account. This should not be considered forward looking and does not guarantee the future performance of any investment.

It is important to review the investment objectives, risk tolerance, tax objectives and liquidity needs before choosing an investment style or manager. All investments carry a certain degree of risk, including loss. There is no assurance that any strategy will be successful, and no one particular investment style or manager is suitable for all types of investors. Indices are not available for direct investment. Any investor who attempts to mimic the performance of an index would incur fees and expenses which would reduce returns. Asset allocation and diversification does not ensure a profit or protect against a loss.

Sector investments are companies engaged in business related to a specific sector. They are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

Commodities and currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

Links to third-party websites are being provided for informational purposes only. Gibbs Capital Management is not affiliated with and does not endorse, authorize, or sponsor any of the listed websites or their respective sponsors. Gibbs Capital Management is not responsible for the content of any third-party website or the collection or use of information regarding any websites users and/or members.

Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.