



## MONTHLY MARKET REVIEW – February 2026

	Feb 2026	YTD	1-Year	3-Years	5-Years	10-Years
<b>U.S. Large Cap Equities</b> S&P 500	-0.76%	0.68%	16.99%	21.80%	14.19%	15.50%
<b>U.S. Small Cap Equities</b> Russell 2000	0.80%	6.20%	23.34%	13.14%	5.05%	11.30%
<b>Energy Infrastructure Equities</b> Alerian U.S. Midstream	9.47%	19.14%	14.25%	29.16%	29.42%	16.07%
<b>U.S. Real Estate Equities</b> Dow Jones U.S. Select REIT	4.69%	10.94%	9.42%	10.33%	7.80%	6.42%
<b>Global Equities</b> MSCI All Country World	1.29%	4.29%	24.19%	20.73%	11.72%	12.97%
<b>Int'l Developed Equities</b> MSCI EAFE	4.63%	10.09%	34.63%	18.77%	10.78%	10.25%
<b>Emerging Market Equities</b> MSCI Emerging Markets	5.50%	14.83%	49.96%	21.53%	6.31%	10.68%
<b>U.S. Taxable Fixed Income</b> Bloomberg U.S. Aggregate	1.64%	1.75%	6.26%	5.12%	0.42%	1.97%
<b>U.S. Tax-Exempt Fixed Income</b> Bloomberg Municipal Aggregate	1.25%	2.20%	4.96%	4.44%	1.44%	2.43%
<b>High Yield Fixed Income</b> Bloomberg U.S. Corp High Yield	0.19%	0.69%	7.18%	9.42%	4.51%	6.71%
<b>Floating Rate Loans</b> Morningstar LSTA U.S. Loan	-0.78%	-1.08%	3.93%	7.80%	5.81%	5.84%
<b>Collateralized Loan Obligations</b> JP Morgan Collateralized Loan	0.15%	0.68%	5.51%	7.68%	5.35%	4.91%

- Volatility increased at month-end as tensions between the U.S. and Iran escalated to armed conflict.
- Large-cap U.S. equities were particularly volatile and ended the month down 0.8%:
  - The S&P 500 Index ended the month at 6,878 with value stocks outperforming growth by 5.7%.
  - Investors continued to rotate away from mega-cap U.S. technology, despite strong fourth quarter earnings results and double-digit 12-month forward earnings projections.
  - Forward P/E projections of the top-10 market-cap companies remain a rich 24.7%.
  - The S&P 500 Index remained highly concentrated, with “Mag-7” companies representing over 38% of index market capitalization.
- Investment grade bond returns exceeded equity returns, while floating rate loans reported a second consecutive monthly decline:
  - While economic activity remained healthy, mounting concerns about future AI-driven disruption and increased geopolitical risks put downward pressure on bond yields.
  - Investment grade corporate bond yields decreased to a low of 4.7%, while high yield bonds ended the month yielding just 6.7%.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, StatisticsCanada, Federal Reserve Bank of Richmond, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Bureau of Economic Analysis, Market Watch

Category	Comments
<b>Growth</b>	The U.S. economy grew at a weaker 1.4% (annualized) in the fourth quarter: <ul style="list-style-type: none"> <li>The lower growth was primarily attributable to a 17% annualized decrease government spending.</li> <li>Real GDP, excluding the federal government, rose by 2.7% annualized.</li> </ul>
<b>Profits</b>	The 4Q 2025 earnings season is nearing completion (95% of market cap reporting): <ul style="list-style-type: none"> <li>Consensus estimates of year-over-year earnings growth of 12.8%.</li> <li>Sales 8.0%; Margins 5.6%; Shares (0.9%)</li> <li>The Information Technology sector is expected to drive 59% of y/y EPS growth.</li> </ul>
<b>Jobs</b>	The January jobs report results exceeded expectations: <ul style="list-style-type: none"> <li>The U.S. added 130k new jobs (annual benchmark revision removed 862k jobs).</li> <li>Wage growth rose 0.4% m/m to 3.7% y/y; unemployment declined 10bps to 4.3%.</li> </ul>
<b>Inflation</b>	Fed Gauge: Personal Consumption Expenditures Index (PCE - Core): <ul style="list-style-type: none"> <li>Core PCE inflation climbed 3.0% y/y in December, its highest level since April 2024.</li> <li>Core PCE rose 0.4% m/m; the Fed target is 2.0%.</li> </ul>
<b>Interest Rates</b>	The FOMC policy rate was unchanged in January at a range of 3.50%-3.75%: <ul style="list-style-type: none"> <li>The next opportunity for the FOMC to amend its policy is March 18<sup>th</sup>.</li> <li>A divided Fed and escalated tensions in the Middle East have positioned the market to expect no change to U.S. interest rates at the next meeting.</li> </ul>

## CANADA:

- The U.S. dollar index (DXY) **increased** 0.6% in February and **decreased** 9.3% over the past 12 months (see chart below). The U.S. dollar **strengthened** 0.2% against the Canadian dollar in February to end month at an FX of **1.36**.



- The Bank of Canada's policy interest rate was **unchanged** in January at 2.25%.
- Core CPI**, referred to as "CPI-trim," **decreased** to end January at 2.4%.
- Canada's services economy contracted for a fourth consecutive month in February.
- The headline business activity index increased in January, but remained well below the "50 no-change mark." A reading below 50 indicates a deterioration of activity.
- The Canadian economy continues to struggle against the U.S.-led trade war.
- Uncertain negotiations around the U.S./Mexico/Canada agreement, referred to as the North American Trade Pact, are set to be reviewed with a July 1<sup>st</sup> deadline.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, StatisticsCanada, Reuters, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Bureau of Economic Analysis, Market Watch

## OIL:

- **The price of crude oil was \$67.02 per barrel (WTI).**
- Oil prices **increased** \$1.81 per barrel, or 2.8%, in February.
- Crude prices had increased 16.7% on a year-to-date basis, and have surged to \$81.50 as of March 5<sup>th</sup>. Escalated conflicts in the Middle East have resulted in the closure of the Strait of Hormuz, a strategic choke point for crude oil transport. The duration of the U.S.-Iranian war in Iran will directly impact crude prices in the weeks and months ahead.
- **Oil is forecasted to trade between \$80 and \$110 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2026	\$62.08	\$67.02	\$55.99	3%
2025	\$64.62	\$78.71	\$57.13	-19%
2024	\$75.83	\$87.01	\$66.37	1%
2023	\$77.64	\$93.84	\$66.74	-11%
2022	\$94.53	\$123.70	\$71.59	7%
2021	\$68.17	\$84.65	\$47.62	55%
2020	\$39.68	\$63.27	\$11.26	-21%
2019	\$56.99	\$66.24	\$46.31	35%
2018	\$65.23	\$77.41	\$44.48	-25%
2017	\$50.80	\$60.46	\$42.48	12%
2016	\$43.29	\$54.01	\$26.19	45%
2015	\$48.66	\$61.36	\$34.55	-31%

## COPPER:

- **The price of copper was \$6.06 USD per pound.**
- Copper prices **increased** \$0.14 per pound, or 2.4%, in February.
- Copper price movement was erratic in February, with prices moving by upwards of 7%. Dollar movement was the primary catalyst, but the metal was also pressured by uncertainty surrounding Iran and a softer 4.5%-5% growth target issued by China.
- **Copper is forecasted to trade between \$5.75 and \$6.25 per pound over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2026	\$5.89	\$6.20	\$5.68	2%
2025	\$4.86	\$5.82	\$4.03	41%
2024	\$4.23	\$5.10	\$3.68	3%
2023	\$3.86	\$4.28	\$3.57	2%
2022	\$4.00	\$4.94	\$3.23	-14%
2021	\$4.24	\$4.76	\$3.52	27%
2020	\$2.80	\$3.63	\$2.10	26%
2019	\$2.72	\$2.97	\$2.53	6%
2018	\$2.93	\$3.30	\$2.56	-20%
2017	\$2.81	\$3.30	\$2.49	32%
2016	\$2.20	\$2.69	\$1.94	17%
2015	\$2.49	\$2.94	\$2.02	-25%

Sources: eVestment, JP Morgan, xe.com, Trading Economics, StatisticsCanada, Reuters, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Bureau of Economic Analysis, Market Watch

## ALUMINUM:

- **The price of aluminum was \$3,146 USD per tonne.**
- Aluminum prices **increased** \$29.25 per tonne, or 0.9%, in February.
- Aluminum prices decreased in the first half of February before rallying through month-end. The price surge was attributable to the onset of the war, which is expected to magnify already tight supply.
- **Aluminum is forecasted to trade between \$3,100 USD/tonne and \$3,250 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2026	\$3,122	\$3,267	\$2,996	1%
2025	\$2,643	\$2,913	\$2,340	17%
2024	\$2,458	\$2,768	\$2,159	7%
2023	\$2,288	\$2,662	\$2,122	0%
2022	\$2,711	\$3,966	\$2,103	-15%
2021	\$2,486	\$3,198	\$1,954	42%
2020	\$1,732	\$2,068	\$1,427	9%
2019	\$1,811	\$1,936	\$1,706	-2%
2018	\$2,115	\$2,556	\$1,817	-19%
2017	\$1,979	\$2,272	\$1,686	34%
2016	\$1,610	\$1,784	\$1,450	12%
2015	\$1,679	\$1,978	\$1,436	-18%

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## MARKET UPDATE

February 28, 2026

By Thomas Grugan, Director & Senior Investment Strategist

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### **High Level Summary**

*Global Equities gained in February, with non-U.S. markets outperforming U.S. equities. The rotation away from technology stocks continued throughout the month, as investors reconsidered returns to be made from the significant spending on Artificial Intelligence. U.S. government bonds saw yields decrease and prices rise, resulting in positive returns across maturities. The conflict between the U.S.-Israel and Iran began on the last day of the month, when markets were closed, but the rapid escalation of the war has resulted in significant market volatility in March along with a +30% increase in crude oil prices.*

#### **U.S. Economy**

- The U.S. economy grew at a weaker than expected 1.4% seasonally adjusted annual rate in the fourth quarter.
- Federal government spending declined sharply (17%), while consumer spending rose 2.4%.
- The February U.S. jobs report was weak, with nonfarm payrolls falling by 92k.
- After declining for two months, the unemployment rate increased from 4.3%, to 4.4%.
- U.S. consumer prices rose moderately in February; headline inflation is expected to surge as the spike in energy prices spreads through the real economy.

#### **U.S. Equities**

- The S&P 500 Index return was down 0.8% in February, while small cap stocks gained 0.8%.
- Value stocks outperformed growth by 5.7% in February, and 7.8% year-to-date.

#### **International Markets**

- Foreign equities continued to benefit from rising valuations and the outperformance of cyclical stocks.
- Emerging markets gained an additional 5.5%, propelling the year-to-date return to 14.8%.

#### **Fixed Income**

- U.S. bond markets delivered positive returns, with investment grade bonds exceeding high yield bonds/loans.
- Floating rate loans declined for the second consecutive month as perceived default risks rise.

#### **Real Assets**

- Real estate, infrastructure, and midstream energy indexes collectively gained in February, with the midstream energy infrastructure rallying nearly 9.5%.

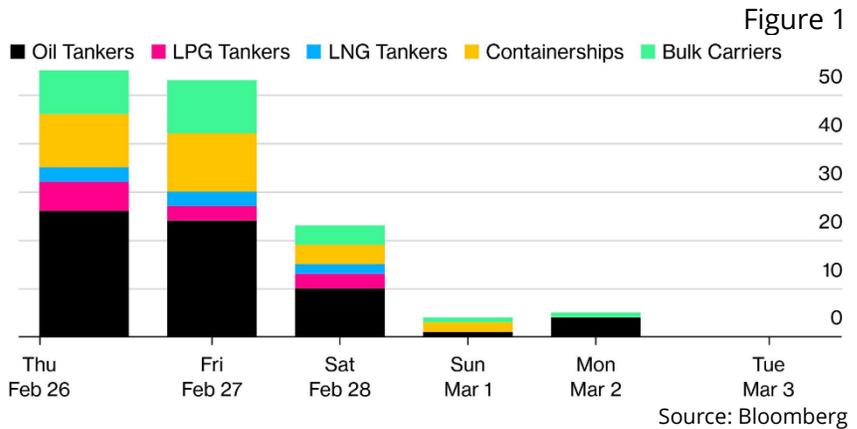
#### **Topic of the Month**

The end of February marked the inception of armed conflict between the U.S./Israel and Iran. The unexpected and rapid escalation of hostilities in the Gulf sent shockwaves through global markets, drove up oil, fuel, and commodity prices, and triggered a “risk-off” environment as markets anticipated higher inflation and renewed global recession fears. Higher energy prices were primarily attributable to the closure of the Strait of Hormuz, which typically carries over 20% of the world’s traded oil and liquid natural gas. The blockage has created global shortages, as tankers sit idly and storage tanks and pipelines fill to capacity trapped in Gulf countries. In this letter we consider the economic and market

implications of higher energy prices and discuss how investors can both protect themselves and benefit from recent market disruptions.

### The Strait of Hormuz

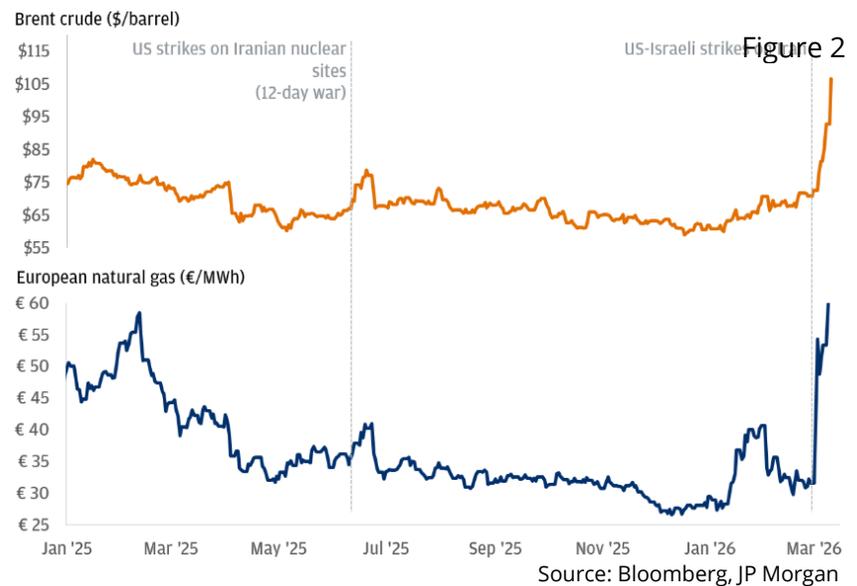
The Strait of Hormuz (the Strait) is a critical shipping lane situated between Iran and Oman. The waterway is narrow, only 21-33 miles wide with shipping lanes only 2 miles wide, but it serves as the only sea route for transporting crude oil and liquefied natural gas (LNG) exports from Saudi Arabia, Iraq, Qatar, Kuwait, and Iran. The Strait is heavily relied upon by international transporters to move energy-related products from Gulf producers to markets in Asia, Europe and beyond. Several critical shipping chokepoints exist globally, but none are as essential to maintaining global energy flows. There are no practical alternatives for energy shipments through the Strait. Figure 1 shows how quickly energy supply subsided through the Strait, which remains at near zero-capacity as of this writing.



Efforts to ease the bottleneck have largely been unsuccessful, despite assurances from the U.S. to assist in safe passage. Drones, armed speedboats, and underwater mines remain the primary deterrents to seafaring transport vessels. While Saudi Arabia and the UEA offer pipeline solutions, the capacity of these lines is a small fraction of the enormous volume of oil and LNG that is transported through the Strait.

### Immediate Price Impact

The onset of the Iran war and the subsequent closure of the Strait of Hormuz resulted in a historic disruption of energy prices (Figure 2). Not since Russia's invasion of Ukraine has the world experienced such a rapid increase in the price of oil and gas. While liquid natural gas remains a key global energy source for large-scale power generation, industrial heating and heavy-duty transport, oil is primarily used to produce gasoline. Oil prices account for more than 50% of the cost to consumers at the pump. For every \$10 increase per barrel of oil, the price of gasoline increases by approximately \$0.30 per gallon. Prices of Brent crude oil remained over \$100 per barrel as of this writing, increasing the average price for a gallon of gas in the United States to \$3.72, a rise of nearly \$0.80 from mid-February. The cost of LNG has also risen, but prices have moderated within the U.S. The primary concern for markets is the impending risk of debilitating inflation from higher energy prices. Energy costs ripple through every layer of the global



economy, with higher costs expected to squeeze business profit margins and erode consumer spending. The immediate impact will likely be felt more in Europe and Asia, but the U.S. is not immune.

### Global Economies

Figure 3 demonstrates how some economies are more exposed to higher energy prices resulting from the abrupt shutdown of the Strait of Hormuz than others. Most of the oil and natural gas that passed through the Strait is bound for Asia and Europe. Higher import reliance equates a more rapid disruption to production, trade, currencies, and inflation.

Developed non-U.S. equities, for example, have given up *all* their year-to-date gains, and emerging markets have sold off sharply.

The pattern of market losses reflects the level of country-specific dependence on energy product flows through the Strait of Hormuz. This also helps to explain why U.S. equities have held up better, relative to ex-U.S. countries since the start of the war. The U.S. sources most of its imported crude oil from Canada and Mexico and is a net exporter of natural gas. While sourcing energy supplies from non-Middle East producing countries softens the initial blow, it does not eliminate it. According to JP Morgan, “Oil is globally priced, so sustained crude price increases will lift U.S. energy costs and pressure household budgets even with a domestic supply cushion.”

While U.S. equity markets have held up reasonably well, with the S&P 500 Index down just 2.1%, under the surface U.S. stocks show more disruption. Energy stocks have rallied, and parts of the technology sector have fared well, but most cost-sensitive defensive sectors, including consumer staples, remain under pressure.

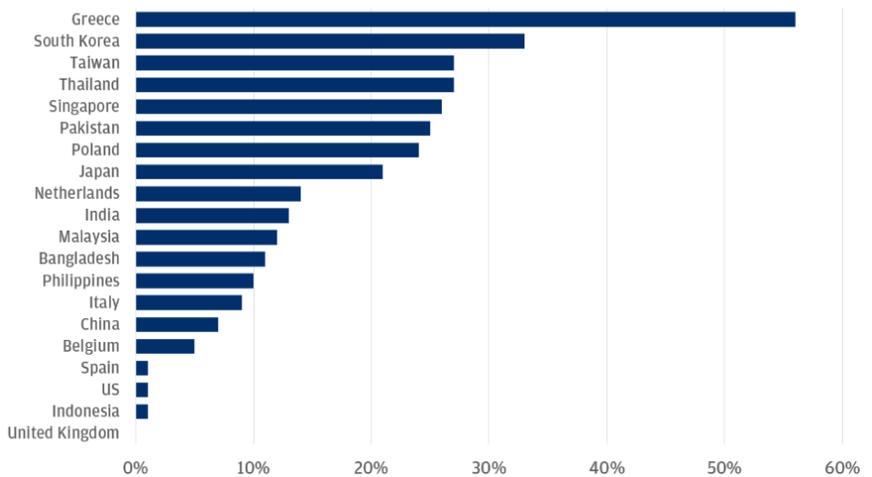
### Duration of Closure

The most principal factor when considering potential economic and market implications related to the Iran war and closure of the Strait of Hormuz is how long the conflict lasts. A quick resolution will abate the energy risk premium and minimize fears of sustained higher inflation and economic recession. A sustained, long-term conflict, and/or wider global conflict, would have the opposite effect.

While higher energy prices are often perceived as negative, studies have shown that in some scenarios, rising oil prices can be present alongside global economic growth. However, when oil prices double, global stock markets have universally declined, led by energy-intensive sectors including transport (e.g., airlines, manufacturing, and industrials). Higher energy prices, and the corresponding inflationary conditions, also put pressure on central banks, as they monitor how quickly higher costs are passed through to consumers.

As of this writing, the Fed Funds futures market is projecting no U.S. interest rates cuts before December of 2026. The FOMC, meanwhile, is maintaining a projection for interest rates to end the year lower at a rate of 3.40%, reflecting one rate cut.

Figure 3  
Dependence on Strait of Hormuz: crude oil, condensate, and LNG imports (exajoules) as a % of primary energy consumption, 2024



Source: JP Morgan

The good news is that markets are not pricing a break in disinflation. According to JP Morgan, “Futures point to a short-lived energy squeeze rather than a lasting shortage, with the cost of crude for delivery next month well above longer-dated contracts (roughly \$105 for next-month Brent versus about \$77 for January 2027 delivery). Natural gas shows a similar pattern, but alongside a larger spike in Europe than in the United States. Similarly, market-based inflation expectations (breakevens) have moved far less than energy prices. Net-net, markets (so far) appear to see a detour on the disinflation path rather than a derailment of the economy’s trajectory.”

### What to Do?

The Middle East conflict was unexpected and the outlook remains uncertain. Thus far, foreign equity markets have sold off more than U.S. markets, while traditional havens, including the 10-year U.S. Treasury and gold, have not offered a buffer. The 10-year Treasury yields are up more than 20 basis points (yield up, price down) and gold is down.

While volatility is uncomfortable, and losses hurt more than gains feel good, history strongly supports staying fully invested during periods such as this. Only large and persistent spikes in oil prices (e.g., 2008, 2022), which can be tracked to a supply shock, can serve as a reliable leading indicator for a persistent increase in inflation and sustained market downturns. In more “normal” years, the S&P 500 Index has a better win ratio when oil prices are up rather than down (84% positive vs. 15% negative).

Figure 4



Source: The Compound Media, Bloomberg

Long-term investors are guided to remain fully invested and diversified. Time in the market is much more important than timing the market.

Markets often experience significant rotation into energy-specific sectors when oil prices surge but timing the market and chasing returns is risky. History argues that the safer strategy is to rebalance periodically to take advantage of favorable valuations, while maintaining exposure to quality investments that source a portion of their total return from consistent income production.

Maintaining adherence to established asset allocation programs remains the best solution for navigating periods of short or sustained market disruption. Market drawdowns are often followed by rapid recoveries, making it exceedingly difficult to judge re-entry inflection points.

In the table below, we present our current tactical portfolio positions.

### Tactical Positioning

Overall Position	UW	N	OW	Note
<b>Equity</b>				Quality; larger
<b>Fixed Income &amp; Credit</b>				
<b>Alternatives</b>				Mid-market; secondaries
<b>Cash</b>				Dry powder
U.S. Equity				Neutral-to-overweight
Value				Balanced; growth and value
Growth				
Size				
• Quality				
• Momentum				
International Equity				Underweight-to-neutral
Private Equity				
Duration				
IG Fixed Income (AGG)				
• USD				
• Global				
High Yield Credit				Bonds over bank loans
Private Credit				Senior secure, first lien
Public Real Estate (REITs)				
Private Core Real Estate				
Infrastructure				Inflation-lined revenues
Transportation				
Hedge Funds				

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