

February 2026

Despite the first month of 2026 bringing no shortage of headlines- from Venezuela, to inflation, to Greenland, to the renewed rhetoric around Fed Independence, the S&P 500 index hit 7,000 on Wednesday the 29th (source: Thompson One).

Geopolitically, we have seen multiple clashes to start the year and the Geopolitical Risk Index, a news-based, monthly measure of geopolitical tensions, has been elevated and rising (source: Invesco). With Trump's "America First" push, it has become clear his administration is focused more on the American continent than just America. He has taken more of a transactional approach to diplomacy, using tariffs to try and extract maximum leverage in negotiations, like we saw with Greenland. While it is too early to say what the actual economic effect of the tariffs will be, we are still waiting on the supreme court ruling on the legality of the tariffs. The general consensus is for stickier inflation, with the potential for higher market volatility, longer-term uncertainty, but more potential buying opportunities (source: Riverfront).

The Federal Reserve met at the end of the month and voted to keep rates the same. In his comments, Fed Chair Jerome Powell said that the growth outlook looks stronger currently compared to where things were. The Fed has been keeping a close watch on inflation and unemployment and both seem to be holding steady. The U.S. labor market ended 2025 on a soft note, with job creation in December less than expected, according to a report from the Bureau of Labor Statistics. Nonfarm payrolls rose a seasonally adjusted 50,000 for the month, lower than the downwardly revised 56,000 in November and short of the Dow Jones estimate for 73,000. A separate report from ADP showed that private sector job creation turned positive in December; previously, private company payrolls had declined in three of the four months prior to the report. Overall, the unemployment rate ended the year at 4.4% versus the 4.1% a year ago (source: First Trust). Inflation meanwhile has held steady. The Bureau of Labor Statistics data showed that the Consumer Price Index rose 2.7% from December 2024 to December 2025, which was largely unchanged from November.

In other positive news for the economy, Real GDP (Gross Domestic Product) grew at a 4.4% annualized rate from July to September, faster than the 3.8% reported for the prior 3 months, and the fastest quarterly pace in 2 years (source: WSJ). As of 1/28/26, earning season has started off on a good foot, with 13% of S&P 500 companies reporting with the blended year-over-year growth rate of 8.2% (source: Factset). We will be watching earning calls to see what company's outlooks are and the plan to turn some of the AI spending into profits.

Tax documents are starting to come out. If you would like us to coordinate with your accountant, please let us know. Stay warm!

James M. Koehler, Senior Vice President
Financial Advisor
Senior Portfolio Manager
NMLS# 1316586
303 Lippincott Drive, Suite 300, Marlton, NJ 08053 856-489-2474

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