

EQUITIES PERSPECTIVE

February 27, 2026

DJIA: 49,499

The market... a term almost no longer relevant. Were this the market we used to know, we could say the technical background is really pretty good. The S&P is only a few percent from its high, while more importantly, stocks above the 200-day are in the mid-60s, new highs are healthy, and the A/D index just made a new high. All of this, however, misses the point of plenty of rot, major deterioration in Financial stocks, and a new curse called AI. Barron's shows NYSE new highs last week at 400 versus 100 new lows. And it shows NASDAQ new highs at the same 400 while new lows were an almost astounding 500. It's tempting to think, so what? History shows the bad, especially at these numbers, drag down the good.

Tech of course, and Software specifically has been much of the cause of the expansion in new lows. For some time now, however, Financials have played an important role here, as evidenced by the weakness in the XLF ETF (XLF - 53). Some have blamed the possible credit card rate limitations, we doubt it. No one is going to lend at 10% to those who are borrowing at 20%. Those poor folks will be borrowing at 30% - those unintended consequences. The market likely sniffed out the problems now coming to the fore in private equity. And, though not clear, the unplanned halving in Bitcoin has to be causing problems somewhere. Finally, there is what we have come to call the curse of AI. It's certainly disrupted the Insurance Brokers like AJ Gallagher (AJG - 225), Aon (AON - 330) and Willis Towers Watson (WTW - 308), as well as Schwab (SCHW - 98), Morgan Stanley (MS - 178), and the card companies.

There always seems to be "a number" — a number held in great anticipation and importance. In this case, of course, it is and has been for some time the Nvidia (NVDA - 185) number. There was a time when the number was that of Intel (INTC - 46), and at the risk of an unfortunate comparison, back in 2000 it was, of course, Cisco (CSCO - 78). The number, by the way, does not have to be corporate, if you are of a certain age, that being old, you remember when money supply drove the market. Meanwhile, as the report is being dissected over and over as though it's the Dead Sea Scrolls, where is the surprise? Nvidia is a great company, the great company reported great numbers. Did they mention their stock typically goes dormant after good numbers, did they allude to worries regarding a Ponzi scheme? Numbers are just that. It's the market's reaction to the numbers that matters.

The curse part of AI has been both surprising and surprisingly devastating to many stocks. AI was thought to change the world, and for the world of stocks it has. IBM (242) struggled even before Monday's more than 10% decline, a hit without tangible news like earnings. Whether the market's reaction here to the AI threat was justified doesn't really matter, even when wrong we've noticed the market doesn't give you your money back, at least not the next day. We bring this up for its similarity to the beating taken by Insurance Brokers. And there is a similarity. To look AJ Gallagher, the drop a couple of weeks ago took the stock some 20% below its 50-day moving average. It has been pretty much the same for IBM. The difference is that AJG had what seemed wash-out volume. IBM just a couple of similar days. Time will tell.

Like getting your racket back early, good things happen when most days most stocks go up. Then, too, healthy markets need Tech, and healthy markets need the Financials. The former is a house divided, the latter is a real worry. There's still plenty that's good in Commodities, and there's still plenty that's good in Staples. And there's plenty that's good in Energy and Infrastructure. There's little wonder, therefore, the advance/decline numbers have held together. The bad, however, have their way of dragging down the good. It's no time to become complacent. Should the overall A/D numbers turn bad, that would not be a good sign. And, as we are seeing, mid-February to mid-March is a tough time even in good markets.

Frank D. Gretz

S&P 500 (SPX - 6909) - DAILY



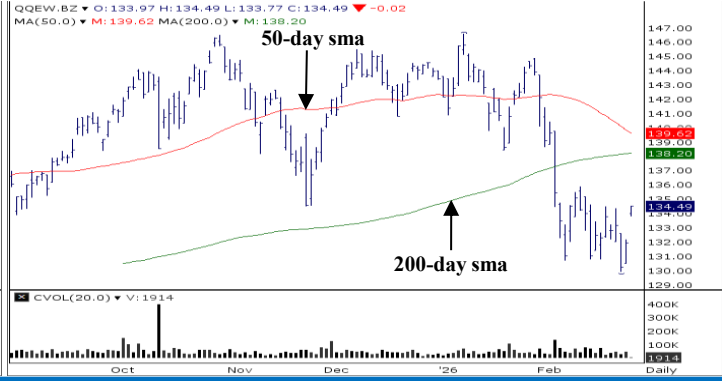
NASDAQ 100 (NDX - 25034) - DAILY



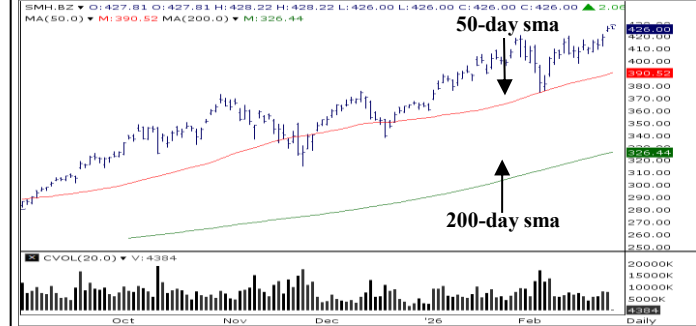
INVESCO S&P 500 EQ WTG ETF (RSP - 205) - DAILY



FIRST TRUST NASDAQ 100 EQ WTG ETF (QQEW - 135) - DAILY



VANECK SEMI ETF (SMH - 412) - DAILY



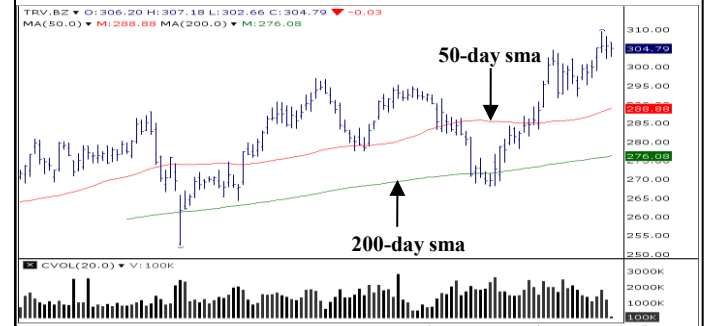
ISHARES TECH SOFTWARE ETF. (IGV - 83) - DAILY



STATE STREET FINANCIALS ETF (XLF - 53) - DAILY



TRAVELERS COS. (TRV - 306) - DAILY



ARTHUR GALLAGHER (AJG - 225) - DAILY



INTERNATIONAL BUSINESS MACHINES (IBM - 242) - DAILY

