The Weekly Market Update – 3/10/26: February Jobs Shocker

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,740.02	-2.02%	-1.54%	-1.54%	13.19%	6,978.60	3.5%
Dow Jones Industrial Average	47,501.55	-3.01%	-1.17%	-1.17%	8.35%	50,188.14	5.7%
NASDAQ Composite	22,387.68	-1.24%	-3.68%	-3.68%	18.78%	23,958.47	7.0%
Russell 2000	2,525.30	-4.07%	1.75%	1.75%	16.75%	2,718.77	7.7%
MSCI EAFE (USD)	2,964.26	-6.78%	2.47%	2.47%	22.36%	3,179.91	7.3%
MSCI Emerging Markets (USD)	1,499.72	-6.89%	6.79%	6.79%	36.68%	1,619.28	8.0%
Bloomberg Commodity Index	131.49	8.06%	19.87%	19.87%	27.97%	237.95	81.0%
Barclays U.S. Aggregate Bond	94.20	-1.07%	0.13%	0.13%	1.83%	112.07	19.0%

Source: FactSet

February jobs data reflected a substantial monthly decrease, reversing some December/January gains. According to the Bureau of Labor Statistics (BLS), February U.S. nonfarm payrolls decreased by -92 thousand (K), a big change from +126K in January. The February unemployment rate increased to 4.4% from 4.3% in January (but was 4.5% as recently as November). The jobs decline included an estimated 31K striking hospital workers, and healthcare jobs decreased -28K in February. Those workers are now back on the job, but other labor categories were negative for the month as information, manufacturing, construction, leisure & hospitality, transportation & warehousing, and federal government were all lower. February's report included revisions to the prior two months' data as December jobs were revised to -17K from +48K prior. Over the past 3 months, monthly jobs gains averaged just +6K (and that includes +126K in January), and over the past 6 months, the monthly average was basically flat (-1K). Notably, the 2-month average was +17K, but the large February jobs decline was well below the +60K consensus (per FactSet) expected, representing a substantive negative surprise that, at least for now, challenges the view that hiring trends will improve in early 2026. Jobs data, which is compiled from surveys, can be volatile on a month-to-month basis, and 2026 is no exception as the BLS has revised how it calculates the universe of eligible workers. Over the 3- and 6-months periods, it appears that while layoffs are low (weekly new unemployment claims are stable), U.S. companies are also reluctant to hire (thus the term, "it's a low-hire, low-fire" environment). Labor productivity (total output divided by hours worked) increased +2.8% in the fourth quarter of 2025, which exceeded expectations. We believe this can be attributed to both technology investment and asking workers to do more. In our view, the underlying U.S. economy remains healthy, but sustained weakness in jobs growth creates challenges for consumer spending.

The weak jobs report creates challenges for Federal Reserve Bank (Fed) interest rate policy. The Fed operates under a dual mandate to support maximum employment and stable prices (inflation). Typically, the playbook for a weak jobs market is to lower short-term interest rates (the Fed manages overnight interest rates through its fed funds target range). But lower interest rates can cause more inflation, which goes against the second part of the mandate. Recent consumer inflation has trended higher as the popular consumer price index (CPI) increased (month-to-month) in January, and the Fed's preferred inflation measure, the PCE price index, surged in December. These readings were well before the recent surge in oil prices, caused by the war in Iran, making near-term inflation relief even less likely. We expect the Fed to wait for more data and to leave its fed funds target unchanged at its current level, which is 3.50% to 3.75% (next Fed meeting is 3/18/26). Should inflation increase more than expected in the weeks and months ahead, the Fed will have less flexibility to raise interest rates (the policy move to fight inflation), creating risk to the labor market.

Investors are on edge on Monday, 3/9/26, as the military battle in Iran remains tense and global oil supplies are disrupted. U.S. oil prices (as measured by West Texas Intermediate crude, or WTI) traded well above $100 per barrel in overnight and early morning trading. By mid-morning, WTI had pulled back to $95 per barrel but was still up +5%, and up +30% since closing at $73 on 2/27/26 (the day before the initial Iran attacks). Sudden large increases in oil prices create serious global headwinds to global growth as resulting increases in fuel prices can restrict global trade, commercial and personal transportation/travel, and consumer spending. A longer conflict leads to increased market risk, in our view.

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Growth sectors are those that generally drive expected annual sales and earnings growth that exceed market and sector average. Value stocks will typically trade at valuation levels below peer group averages. Cyclical sectors tend to be more economically sensitive, with more volatility in sales and earnings growth when the economy is either decelerating or accelerating. Defensive sectors (which often include Consumer Staples, Health Care and Utilities) tend to outperform during periods of economic uncertainty or slow down, as many of the products and services in these sectors are essential in daily life and less impacted by economic swings. Both the S&P 500 Software sub-industry group and Semiconductors and Semiconductors Capital Equipment subgroup are part of the broader Information Technology sector. The subgroups are provided by S&P Global and MSCI.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric. Calculations on the percentage price change on indices is provided by FactSet.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov. Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP. On 2/20/26, the BEA reported that 4Q25 GDP increased +1.4% annualized from the previous quarter. This was inflation-adjusted, or "real GDP".

On 2/28/26, the U.S. and Israel launched an air attack on Iran designed to eliminate weapons capabilities and critical infrastructure. On 3/1/26, the White House published a release detailing the operation.

Generative Artificial Intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members – the seven members of the Board of Governors of the Federal Reserve System, the president of the Federal Reserve Bank of New York, and four of the remaining eleven Federal Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and, in this way, alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight

The U.S. Personal Consumption Expenditures (PCE) Price Index is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis. PCE inflation is the percentage rates of change in the price index for personal consumption expenditures (PCE). The consumer price index (CPI) is a measure of average change, over time, in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics, while the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey is drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work. Weekly jobless claims are reported by the Department of Labor. An initial claim is a claim filed by an unemployed individual after a separation from an employer.

The BLS also publishes the Job Openings and Labor Turnover Survey (JOLTS) which measures job openings, hires, and separations from a monthly survey of U.S. business establishments.

U.S. oil prices are often described using the price per barrel of West Texas Intermediate (WTI. This is a high quality low density crude oil grade sourced primarily from the Permian basin. Futures contracts and spot prices are traded on the New York Mercantile Exchange (NYMEX).

The Strait of Hormuz is located in the gulf between Oman and Iran. According to the U.S. Energy Information Administration, an estimated 20 million barrels per day are transported on ships through the Strait on a daily basis. This includes liquified natural gas (LNG) as well and is an essential waterway for Gulf energy exports. As of 3/8/26, no shipping vessels were using the Strait of Hormuz.