

Primary Market Drivers

Earnings & Economic Data

Last week, Nvidia reported another blowout quarter and raised guidances well above the high end of the range. Despite the dominant figures, record demand, and rosy outlook, traders sold off the stock and volatility continued in Tech. This week, earnings season wraps up with the last impactful week of announcements. We will see results from Target (TGT 3/3), CrowdStrike (CRWD 3/3), Ross Stores (ROST 3/3), Broadcom (AVGO 3/4), Kroger (KR 3/5), and Costco Wholesale (COST 3/5), among a few others. Earnings have once again been stellar this quarter, with a Q4 S&P 500 EPS growth rate of 14.2% (fourth straight quarter of double digit growth and well above 8.3% expectations) and a Mag 7 EPS growth rate of 27.2% (vs 9.8% for the other 493 S&P 500 companies and well above their 18.4% growth in Q3). On the economic front, last week's PPI was a bit hot coming in at +0.5% m/m vs +0.3%. This week's calendar is busy later in the week, with ADP Employment (3/4), PMI Services (3/4), ISM Non-Manufacturing (3/4), Imports & Exports (3/5), Labor Costs & Productivity (3/5), Retail Sales (3/6), Business Inventories (3/6), Consumer Credit (3/6), and Nonfarm Payrolls & Unemployment (3/6).

Geopolitical Conflicts

Over the weekend, the US and Israel launched joint military strikes on Iran and eliminated Supreme Leader Ayatollah Ali Khamenei, along with 40-48 other leaders (reporting varies). Iran responded with missile and drone attacks on Israel, US bases across the region, and Gulf targets. While the conflict has raised speculation of a broader war, the Trump administration stated operations are "ahead of schedule" and expressed willingness to negotiate with Iran's new leadership to de-escalate. The most immediate economic impact could be shipping halts in the Strait of Hormuz, likely raising oil price concerns. While the expected impact to US earnings are minimal, larger geopolitical conflicts typically jolt markets with short-term volatility and this market is already dealing with plenty of fear and irrational trading. The situation is fluid, so we will learn more how this will play out as the week goes on.

Fear Narratives & Basket Trades

Last week, the "AI fear hysteria" reached a fevered pitch following Block CEO Jack Dorsey's decision to lay off 40% of its staff, citing AI efficiency as one of the reasons. Traders peddling AI anxiety used the ammunition to continue the violent, programmed rotation trade into extremely overvalued defensive names. Example - Hershey (HSY) makes chocolate, growing at 4% y/y and trades at an eye-popping 54.2 P/E and parabolic chart on declining sales volume. How long these manufactured narratives can grip the market is anybody's guess, though it's clear that traders are in control. 80% of daily volume is algorithmic with north of 50% of that volume in leveraged or options products. Even NVDA's earnings heroics somehow created sharp downside action, further proof that the algorithms don't observe counterpoints and will continue to run their trade regardless.

All referenced market information, statistics, and economic data were gathered from StreetAccount, a paid subscription data service provided by FactSet Research Systems Inc.

Market Returns 2/27/2026		
Category	Ticker	YTD%
Domestic Equity		
S&P 500	SPY	0.60%
Dow Jones	DIA	2.05%
Large-Cap Growth	QQQ	-1.14%
Large-Cap Value	IVE	4.72%
Mid Caps	MDY	8.21%
Small Caps	IWM	6.20%
International Equity		
Developed Intl	EFA	9.74%
Emerging Markets	EEM	14.38%
Fixed Income		
Core Bonds	AGG	1.85%
Corporate Bonds	LQD	1.73%
High Yield Bonds	HYG	0.61%
ST Treasuries	IEI	1.46%
LT Treasuries	TLT	4.60%
International Bonds	BNDX	2.06%



Performance data and stock chart were gathered from eSignal, a paid market screening application provided by Intercontinental Exchange, Inc.

Current Environment Summary

What's Working	What's Not	What's Next
Inflation Subdued	Uncertain Labor Market	Earnings: TGT, AVGO, CRWD, KR, COST
Historically Strong Earnings Growth	Continued Volatility in Growth Assets	Nonfarm Payrolls & Unemployment (3/6)
AI & Tech Revolution Long-Term Theme	Cryptocurrency Crash	Ongoing Iran Conflict
Trade & Global Investment Deals	Tariff Uncertainty Post-SCOTUS Ruling	AI Anxiety Volatility
Fed Easing Cycle	Trade Narratives Making Little Sense	
Mid- & Small-Caps Rallying	Iran Conflict	

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