

March 1, 2026

Dow	S&P		Russell	10 yr			Crude
Jones	500	NASDAQ	2000	Treas	Bitcoin	Gold	Oil
48,978	6,879	22,668	2,632	3.96%	65,571	\$5,201	\$66.13

Investment Strategy Report

Stocks Tread Water Amidst Increasing Anxiety And Volatility

Stocks didn't do much in February, but it didn't seem like it. For the month, the S&P was down 0.3%, the Dow was up 0.2%, and the Russell 2000 small cap index was up 0.4%. Only the Nasdaq, which dropped 3.4% suffered any significant damage. But the month was marked by large price swings. The Dow suffered losses of 670 points (2/12), 820 points (2/23) and 521 (2/27). Of course there were gains that offset the losses, but the wild swings were a bit unnerving. However, what stood out was some of the damage done to individual bellwether stocks Nvidia reported earnings on Wed., 2/25 and was trading above \$200 after hours that night. But the stock got hammered the following 2 days, closing on the 27th at \$178. Apple held up well the first half of the month, hitting \$276 on Feb. 11th. It then dropped to \$256 on 2/13, rose to \$274 by the 2/25, before finishing the month at \$264. Volatility like this is not fun.

Much of the concern among investors stems from the promise of AI. For the last few years, anything associated with AI was thought to have unlimited potential, which led to soaring stock prices. We may now be experiencing a re-evaluation process, whereby investors are examining the costs vs. the benefits, and how competition might sort out the winners and losers. However, in an interview on Friday (2/27) on CNBC, Tom Lee of Fundstrats stated that he feels that the concerns about AI are overblown. "The US and possibly China are the 2 creators and beneficiaries of AI. Therefore the S&P 500 will be a net beneficiary. Investors are overly pessimistic". He went on to say that a company like Nvidia with \$60 billion of sales, growing at 70% year-over-year should not be selling at forward P/E ratio of 19, especially when companies like Costco have a P/E ratio of close to 50, with growth rates of only a fraction of Nvidia's.

While the Mag-7 stocks have struggled this year, down on average of about 5%, other stocks have started out the year doing well. For example, consumer staples companies (e.g., Walmart, Proctor and Gamble, Coca-Cola) have gotten off to a great start, breaking out to all-time highs. However, if you think that selling technology and buying consumer staples is a winning strategy, think again. Brett Eversole of Stansberry Research (2/18) shows data that indicates that buying this sector after a break out leads to inferior returns. He adds that these stocks now have elevated P/E ratios. "Consumer staples haven't been this expensive since 1999. That's not a good sign. It makes buying today about as risky as it gets for this otherwise boring group".

As for the growth stocks of the Nasdaq, Jay Kaeppl of Sentimentrader.com (2/19) writes that while we may experience some short term weakness, "signals from other indicators suggest an ultimate bull market continuation for the Nasdaq". "Signals from our QQQ Optix and Nasdaq Buying Climaxes indicators have added weight to the favorable side of the weight of the evidence ledger". "The signals that recently emerged fall firmly into the "favorable for stocks one year from now category". Jay continued with a 2/23 column in which he commented on Put/Call ratios that measure investor fear. "Aggregated Put/Call Ratios for several indexes spiked recently. These spikes suggest a surprising amount of skittishness on the part of traders – and in the process offers a bullish weight of the evidence". He then commented on the Nasdaq 100 index. "So, is this once high-flyer about to lapse into a downtrend – and in the process, drag the overall market down with it? Anything is possible. However, the recent spike in the NDX Aggregated Put/Call Ratio argues the contrary".

And finally, one of the best indicators for diagnosing the health of the stock market, is the action of bonds. In an article on Sentimentrader.com (2/9), they state "One of the cornerstones of a healthy stock market environment is a lack of bond market anxiety". Using one of their indicators for stress in the bond market, they conclude that the level is currently low. "This confirms that the systemic stress required to derail the equity bull market is currently absent, supporting continued "risk on" stance for stocks."

New Addition To The Feldman Family! – My youngest daughter Abby and her husband Youssef welcomed a baby girl this past Friday, Feb. 27th. Mom and baby are doing well. *Jeff Feldman*