

## February 2026 Recap

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### PRELUDE

During January, I spoke of the greater-than-normal drama that filled the Nitting household. While our household drama level fell significantly during February (thankfully), drama within global markets did not let up at all. Following an eventful January, investors tried to process various new headlines during February, including: 1) concerns about the impact of artificial intelligence on the enterprise software industry, as well as the follow up effects within private credit markets; 2) the U.S. Supreme Court ruling to overturn the Trump administration’s sweeping global tariffs; 3) escalating tensions between the U.S., Israel, and Iran, which ultimately turned into military conflict at the end of the month. Global markets experienced diverging performance during February as a result, with U.S. stocks generating mixed results, while international stocks and fixed income moved higher.

### GLOBAL EQUITY

U.S. equities generated mixed results during February, with performance across multiple major indexes ranging from -3.4% to +2.6%, cumulatively. Within the large cap space, value stocks remained among the better performers as the Russell 1000 Value Index returned +2.6%. Within the large cap value complex, several sectors generated high single-digit returns, including consumer staples, energy, materials, and utilities. Large cap growth stocks moved lower for a fourth consecutive month amid lingering uncertainties about near-term growth prospects for certain

TABLE 1: GLOBAL EQUITY	FEB	QTD	YTD	1 YR
Dow Jones Industrial Average	0.31	2.12	2.12	13.59
S&P 500 Index	-0.76	0.68	0.68	16.99
Russell 2000	0.80	6.20	6.20	23.34
Russell 1000 Growth	-3.36	-4.82	-4.82	14.78
Russell 1000 Value	2.59	7.28	7.28	18.36
MSCI ACWI USD	1.29	4.29	4.29	24.19
MSCI EAFE USD	4.63	10.09	10.09	34.63
MSCI EM USD	5.50	14.83	14.83	49.96
MSCI ACWI ex US USD	5.02	11.30	11.30	39.71

Source: Bloomberg, as of 2/28/2025. Past performance does not guarantee future returns.



companies involved in the advancement of artificial intelligence technologies. During the introduction and initial rollout of a potentially transformational technology like artificial intelligence, investors often find it difficult to do several things, including: 1) appropriately price the technology’s impact into the various publicly traded companies it could affect; 2) identify the long-term category winners that benefit most from such technology (some of which may not even be publicly traded yet). The increasing speed of technological innovation makes it even more difficult for investors to position themselves prudently in real time, often resulting in market volatility like we have seen recently in the large cap growth space. While we are constructive on the potential impact of artificial intelligence on the global economy going forward, we expect further market volatility as the technology evolves, likely resulting in streaky returns for the broader growth equity complex.

International markets continued to move higher in February despite the U.S. dollar generating mixed results relative to several other major currencies. Developed international markets, as represented by the MSCI EAFE Index, returned +4.6% for the month. Japanese stocks were again among the better performers in February as Japanese equities rallied following the outcome of Japan’s lower house election, where Prime Minister Takaichi’s party secured a supermajority, opening the door for more aggressive fiscal spending, investment, and targeted tax cuts. Within Europe, Swiss and U.K. pharmaceutical companies drove positive results amid various positive company-specific headlines. Emerging markets moved higher for the 13th consecutive month in February, as the MSCI EM Index returned +5.5%. Aside from similarly positive drivers the space experienced in both December and January, emerging markets also benefited from the U.S. Supreme Court striking down

President Trump's sweeping global tariffs. While the ruling was not a surprise in our view, we are interested to see how the global trade narrative will evolve from here, with President Trump immediately announcing a 10% global tariff after the Supreme Court ruling.

## FIXED INCOME

U.S. fixed income returns were positive during February, as the Bloomberg Aggregate returned +1.6%. Treasury yields fell

sharply towards the end of the month amid a generally risk-off market tone, highlighted by geopolitical concerns in the Middle East (more on that shortly), which ultimately overshadowed some strong economic data releases in the U.S. While both investment-grade and high-yield corporate bonds generated positive returns as well, they lagged similar-duration Treasuries for the month.

Although not something we normally discuss in *On The Margin*, the private credit landscape garnered various negative headlines during the month, which I wanted to touch on briefly for our readers. As

TABLE 2: FIXED INCOME	FEB	QTD	YTD	1 YR
Bloomberg US Aggregate	1.64	1.75	1.75	6.26
Bloomberg 1-3 Yr Gov/Credit	0.52	0.75	0.75	4.92
Bloomberg Treasury 5-7 Yr	1.91	1.72	1.72	6.86
Bloomberg Investment Grade Corp	1.35	1.51	1.51	6.68
Bloomberg High Yield Corp	0.19	0.69	0.69	7.18
JPMorgan EMBI Global Diversified	1.39	2.13	2.13	13.24

Source: Bloomberg, as of 2/28/2025. Past performance does not guarantee future returns.

a refresher, private credit refers to non-bank lenders that provide loans and debt financing to businesses, often outside of public markets. Many investors expressed concerns about private credit during the month, partly due to fears about artificial intelligence technologies putting certain software companies out of business, particularly those that private credit firms lend money to. Such fears led investors to sell out of certain private credit funds and prompted multiple firms to suggest that private credit investors may experience more pain in the short term. While we understand the rationale behind such concerns, we think the root cause may be poor investment manager selection. Manager selection is crucial when investing in private markets since passive indexed solutions do not exist. Managers who have lent money to software firms with defensible positions should be more insulated from such industry concerns, as well as managers with limited software company exposure to begin with. While we are interested to see how the private credit market develops from here, we remain confident in our ability to underwrite high-quality private credit managers for our clients and are not running away from the space currently.

## POSTLUDE

The headlines surrounding the conflict in Iran are likely top of mind for many people currently, and we hope and pray for civilians' safety in the affected areas. I also wanted to briefly discuss markets' reactions to the conflict thus far. As of my writing (Monday, March 2, 2026 at 3:37 PM ET), crude oil prices are up roughly 8.5%, U.S. stocks are roughly flat, and foreign equities are down about 1.6%. To me, the combination of price movements indicates that investors expect a relatively short conflict, but markets could shift rapidly depending on new information. Regardless, we think it is important to note markets do not take political or moral views during occurrences such as this one, they simply reflect how investors are pricing in the probabilities of certain events going forward. We are not currently shifting our clients' portfolio positioning around recent events and would caution those considering wholesale changes to portfolios with limited and rapidly changing information. We will do our best to keep you informed of how the situation evolves and how we modify our clients' portfolio positioning, if at all, as a result.



**Joe Nitting** serves as the Director of Research for the centralized investment research function of the Retirement & Investment Solutions practice at CBIZ, Inc. Joe conducts investment research in both traditional and alternative asset classes, and he assists in the portfolio construction process for the firm's centralized investment research function. Joe has a B.S. in both Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.

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