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ECONOMIC REVIEW¹

- The ISM Manufacturing Index declined to 52.4 in February but exceeded consensus expectations (51.5) for the second month in a row. (Levels above 50 signal expansion; levels below 50 signal contraction.)
 - Growth broadened with 12 out of 18 major manufacturing categories reporting growth (vs. 9 in January), but the major measures of activity were mixed.
 - New orders and production fell from last month's surge but remain solidly in expansion territory at 55.8 and 53.5, respectively. Employment rose, but remains in contraction (48.8), and prices paid jumped to 70.5 from 59.0 in January.
- The ISM Non-Manufacturing (Services) Index rose to 56.1, strongly beating the consensus expected 53.5.
 - The February reading was the highest since July 2022 and exceeded even the most optimistic forecast of any economics group surveyed by Bloomberg.
 - 14 out of 18 major service industries reported growth, the major measures of activity were mostly higher, and the new orders index, which jumped to 58.6, has now expanded in 11 of the last 12 months.
- Retail sales declined 0.2% in January, though not as much as forecast (-0.3%). Sales are up 3.2% from a year ago.
 - "Core" sales, which strip out the volatile categories for autos, building materials, and gas stations, and are important for estimating GDP, rose 0.2% in January and were revised higher for previous months.
- Nonfarm payrolls fell 92,000 in February, well below the consensus expected gain of 55,000, and payroll gains from December and January were revised down by a total of 69,000.
 - The unemployment rate ticked up to 4.4% from 4.3% in January.

How does the most recent economic data impact you?

- While probably not yet indicative of a manufacturing revival, back-to-back months of growth for the ISM Manufacturing index mark a solidly positive development for an industry that has faced significant headwinds.
 - The jump in the prices paid index is somewhat concerning and given the back-and-forth on tariffs as well as the rise in oil prices following the U.S. and Israel strikes on Iran, further volatility may lie ahead.
- Retail sales weakened in January, but severe weather impacted much of the country and disrupted consumer activity that month. This will be a metric to watch, particularly as higher oil prices raise costs at the pump.
- Although the jobs report was surprisingly weak and hit the private sector particularly hard, it should not trigger panic among investors.
 - Winter storms impacted hiring, and a major nursing strike hit health care jobs, which declined by 28,000 in February, but both of these impacts should reverse next month.



A LOOK FORWARD¹

- Inflation and housing data take center stage this week with the Consumer Price Index (CPI), Personal Consumption Expenditures (PCE), existing home sales, housing starts, and building permits all releasing, along with the first revision to Q4 GDP and consumer sentiment.

How does this week's slate of economic data impact you?

- Critical readings on inflation and growth will have important implications for monetary policy this year.



MARKET UPDATE²

| Market Index Returns as of 3/6/26 | WTD | QTD | YTD | 1 YR | 3 YR | 5 YR |
|-----------------------------------|--------|--------|--------|--------|--------|--------|
| S&P 500 | -1.99% | -1.32% | -1.32% | 18.29% | 20.81% | 13.54% |
| NASDAQ | -1.22% | -3.58% | -3.58% | 23.81% | 25.64% | 12.45% |
| Dow Jones Industrial Average | -2.92% | -0.86% | -0.86% | 12.90% | 15.21% | 10.67% |
| Russell Mid-Cap | -3.62% | 3.12% | 3.12% | 16.09% | 13.47% | 8.27% |
| Russell 2000 (Small Cap) | -4.03% | 1.92% | 1.92% | 23.30% | 11.94% | 4.27% |
| MSCI EAFE (International) | -6.73% | 2.68% | 2.68% | 21.79% | 15.85% | 9.36% |
| MSCI Emerging Markets | -6.88% | 6.94% | 6.94% | 35.73% | 17.68% | 4.80% |
| Bloomberg US Agg Bond | -0.96% | 0.77% | 0.77% | 5.85% | 4.93% | 0.38% |
| Bloomberg High Yield Corp. | -0.43% | 0.26% | 0.26% | 7.02% | 9.13% | 4.45% |
| Bloomberg Global Agg | -1.75% | 0.28% | 0.28% | 5.78% | 4.27% | -1.38% |



OBSERVATIONS

- In the wake of the ongoing conflict with Iran, markets pulled back somewhat meaningfully, showing particular concern at the previously unthinkable closure of the Strait of Hormuz.
- Although U.S. large-cap indices were the least affected, the Dow Jones (-2.92%), the S&P 500 (-1.99%), and the NASDAQ (-1.22%) all moved lower on the week.
- Mid- (-3.62%) and small-cap (-4.03%) indexes both lagged, as companies further down the cap spectrum were impacted more significantly.
- International equities reversed sharply, with developed markets (MSCI EAFE) falling 6.73% and emerging markets (MSCI EM) declining 6.88%.
- Fixed income markets were negative domestically (-0.96%), internationally (-1.75%), and across the credit spectrum (-0.43).



BY THE NUMBERS

Shrinking Labor Force, Surging Oil Prices Drive Stocks to Worst Week Since April: A disappointing report on the U.S. labor market, a spike in oil prices and the specter of a protracted Middle East war converged at the end of a turbulent week, fueling fears of a stagflationary spiral that threatens to derail the U.S. economy. The U.S. lost 92,000 jobs in February, well below January's gain of 126,000 and far worse than the 50,000 jobs expected by economists. The unemployment rate ticked higher, to 4.4%. The weak jobs report arrived on Friday, as the widening war in the Middle East propelled global oil prices past \$90 a barrel. The Strait of Hormuz, where around a fifth of global oil supply typically flows through every day, is effectively shut. Kuwait has begun cutting production at some oil fields after running out of room to store its bottled-up crude. Both U.S. and international crude benchmarks notched their largest one-week gains on record.³

Cadillac's Billion-Dollar Sprint to Build an F1 team from Scratch: The Cadillac Formula 1 team was still a blank sheet of paper—without a car, a driver, or a single tire—when it made two critical hires. One was a veteran technical chief, the person responsible for designing a miracle of engineering, a rocket on wheels capable of competing at the very pinnacle of motorsports. A Ph.D. in aerodynamics wasn't mandatory, but it helped. The other job involved a little less math: a human-resources director to onboard roughly 600 people who knew something about building superfast cars as soon as humanly possible. This, it turns out, is how you construct an F1 team from scratch.⁴

Economic Definitions

Employment Report (Nonfarm Payrolls): The Employment Situation Summary, commonly referred to as the labor report, presents statistics from two monthly surveys. The household survey measures labor force status, including unemployment, by demographic characteristics. The establishment survey measures nonfarm employment, hours, and earnings by industry.

ISM Manufacturing Index: The Manufacturing Purchasing Managers' Index (PMI) is a diffusion index that incorporates survey results from manufacturing firms nationwide. Policymakers and traders watch these surveys closely as purchasing managers usually have early access to data about their company's performance, rather than waiting for the hard data to emerge. While manufacturing accounts for a far smaller share of economic output than services, it is far more cyclical and therefore a useful indicator of where the economy is in the economic cycle. A reading above 50 suggests the manufacturing sector is expanding, while a reading below 50 suggests the manufacturing sector is in contraction.

ISM Services Index: The Services ISM Report On Business is based on data compiled from purchasing and supply executives nationwide. Survey responses reflect the change, if any, in the current month compared to the previous month. For each of the indicators measured (Business Activity, New Orders, Backlog of Orders, New Export Orders, Inventory Change, Inventory Sentiment, Imports, Prices, Employment and Supplier Deliveries) this report shows the percentage reporting each response, and the diffusion index. An index reading above 50 percent indicates that the non-manufacturing economy in that index is generally expanding; below 50 percent indicates that it is generally declining. Orders to service producers account for about 90 percent of the US economy.

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

Existing Home Sales: This concept tracks the sales of previously owned homes during the reference period. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales are based on closings from Multiple Listing Services. Foreclosed homes are only counted in the inventory if the bank is working with a realtor. Foreclosed homes that sell via auction (or other closings outside of the Multiple Listing Services) are not included.

Housing Starts: Housing (or building) starts track the number of new housing units (or buildings) that have been started during the reference period.

Building Permits: This concept tracks the number of permits that have been issued for new construction, additions to pre-existing structures or major renovations. These statistics are based on the number of construction permits approved.

GDP QoQ: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg US Agg Bond: The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg High Yield Corp: The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg's EM country definition are excluded.

Bloomberg Global Agg: The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Municipal Bond Index: The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

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¹ Data obtained from Bloomberg as of 3/6/2026.

² Data obtained from Morningstar as of 3/6/2026.

³ [Shrinking labor force, surging oil prices drive stocks to worst week since April](#)

⁴ [Cadillac's billion-dollar sprint to build an F1 team from scratch](#)

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