

“Mixed Signals”

Market Update with Robert Paolucci, CFP®
& Julina Ogilvie, CIMA®, CPWA®, CEPA®

March 2026

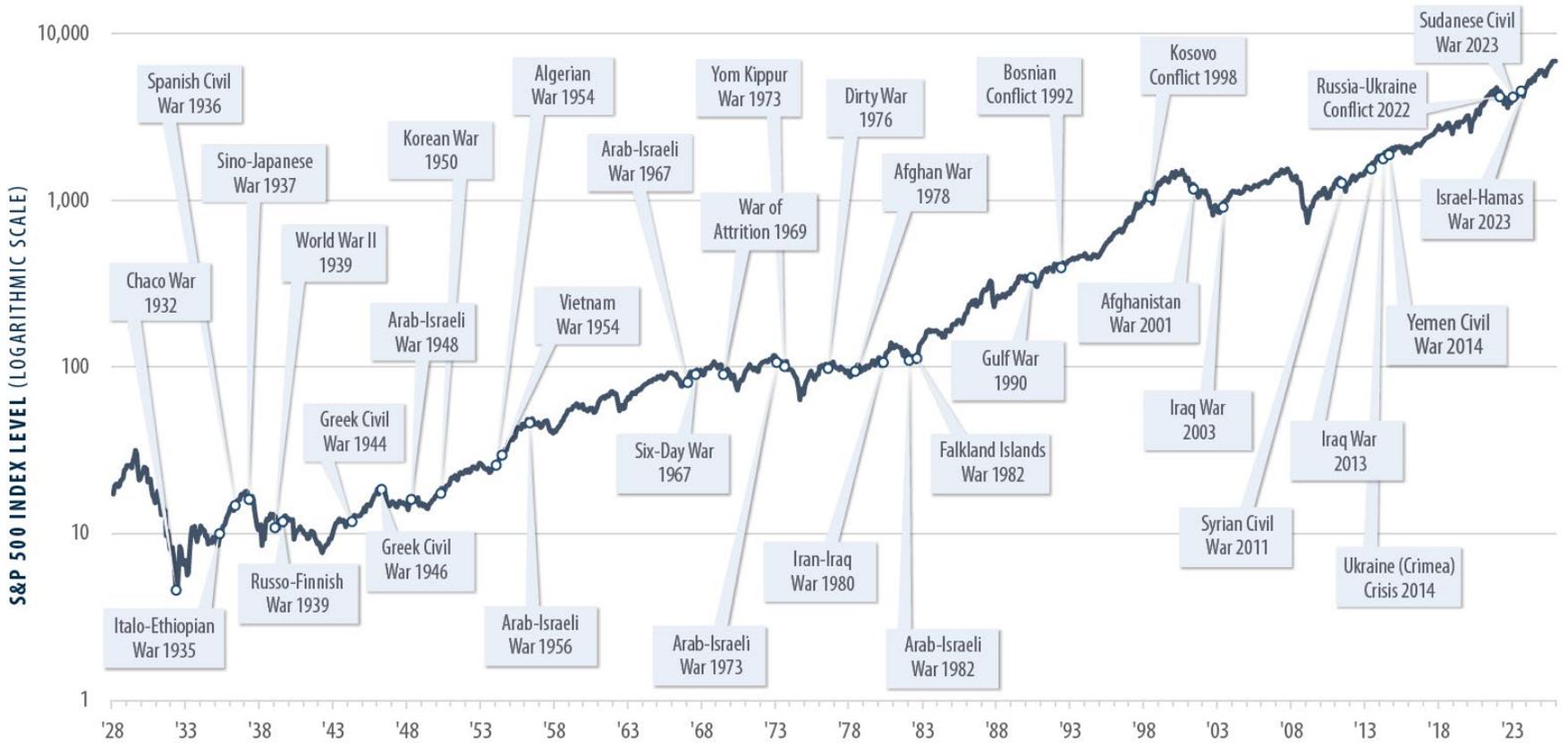
Principle
WEALTH



Today's Agenda

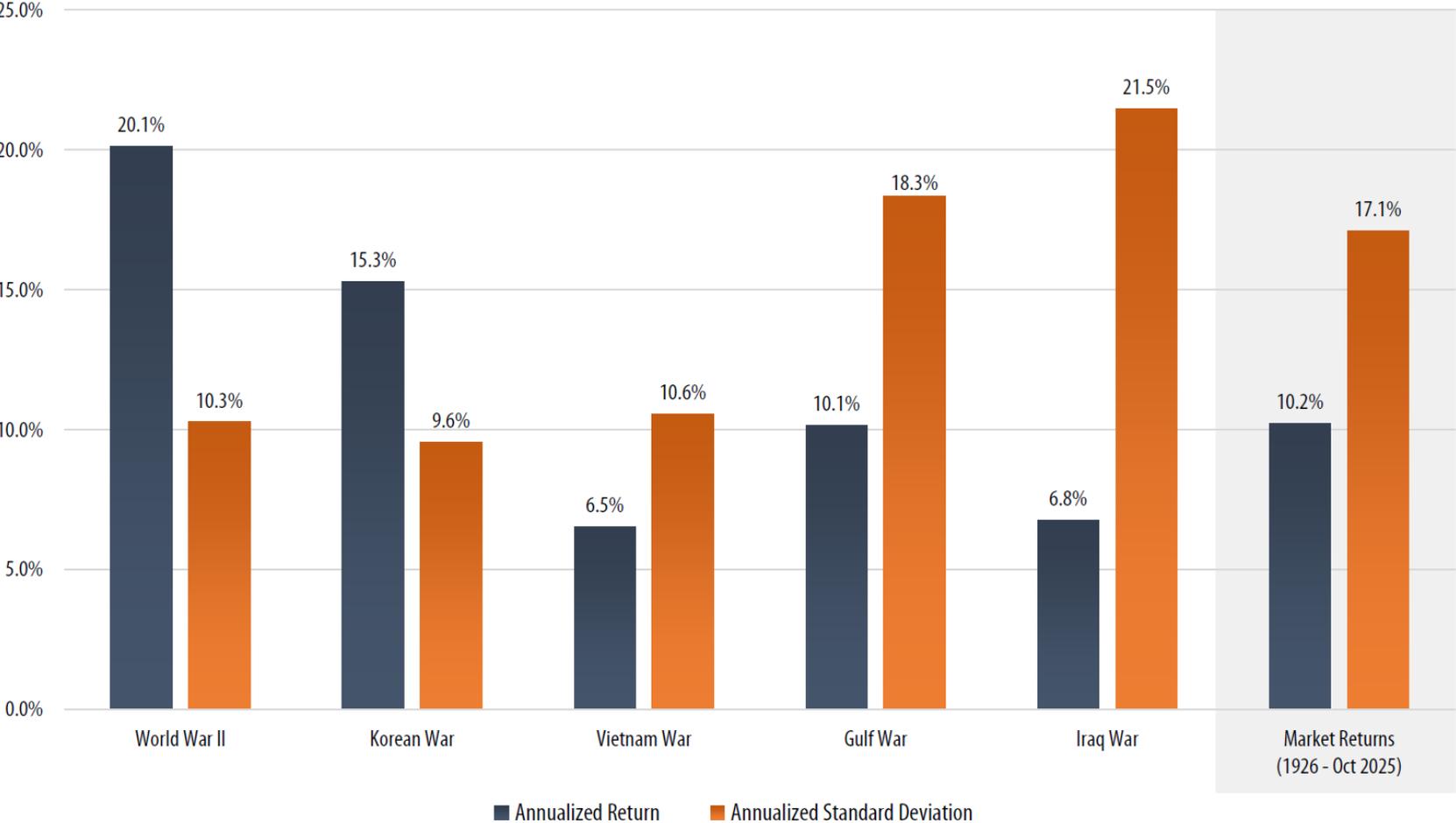
1. Markets
2. Economy & Policy
3. Market Anomalies
4. Everything Else

Geopolitical Events Through The Years



Source: First Trust, CapIQ, Bloomberg, as of 02/28/2026

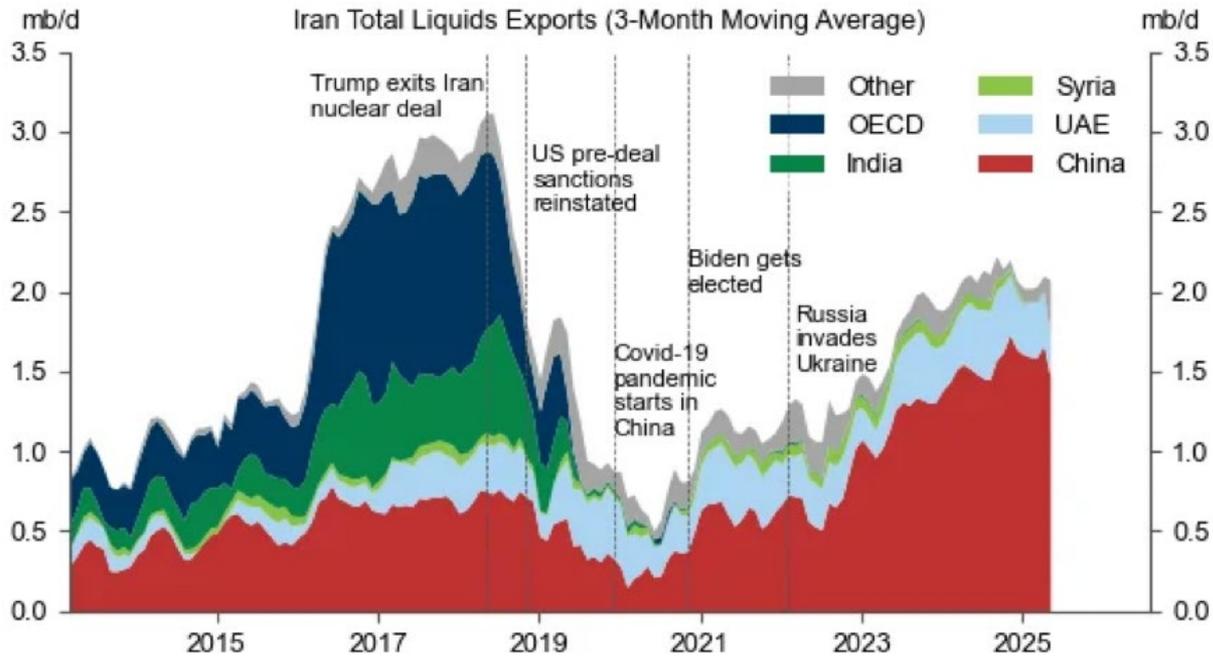
Geopolitical Events Through The Years



Source: First Trust, Ken French Data Library, as of 02/28/2026



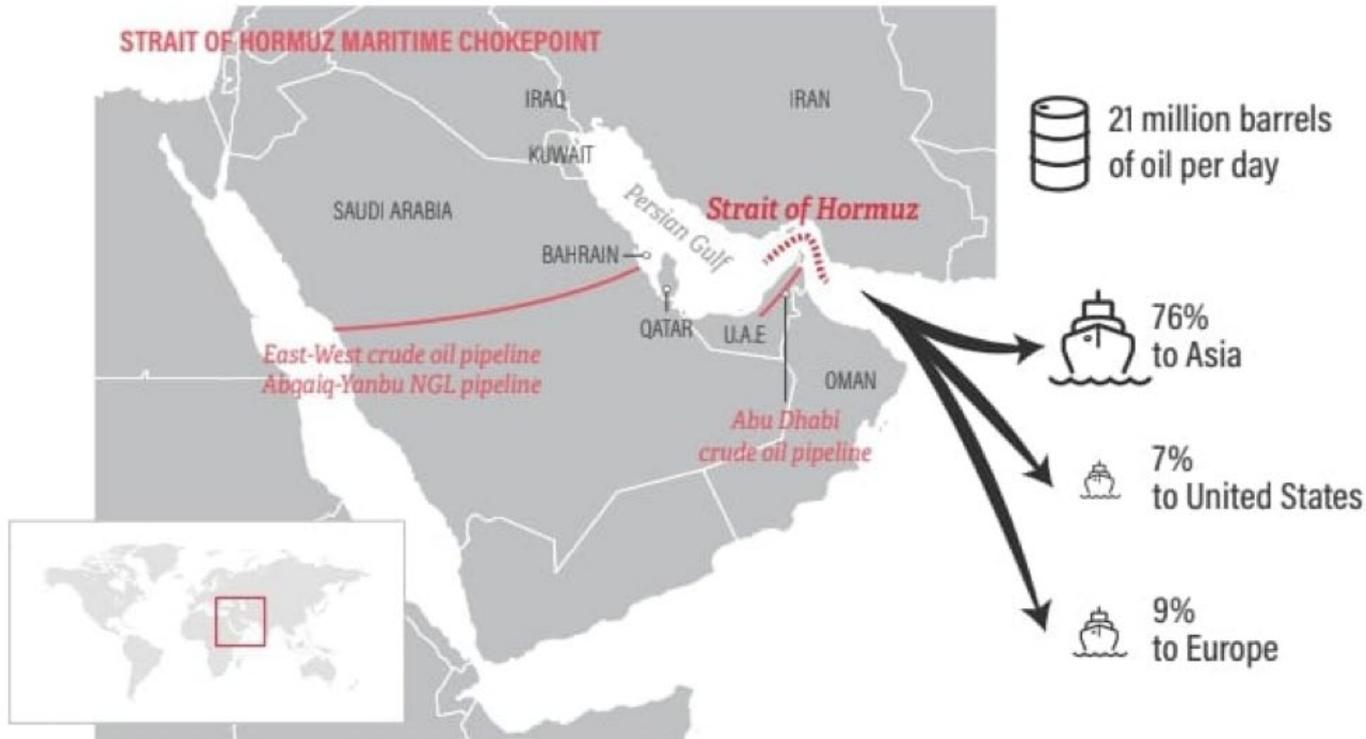
Operation Epic Fury – Iranian Oil Is China’s Oil



Country	Barrels of Oil	Percent of Total Exports
China	1.6 Billion	76%
UAE	400 Million	19%
Other Countries	100 Million	5%

Source: KPler, Goldman Sachs Global Investment Research, EIA, as of 02/28/2026

Operation Epic Fury – Supply Issues For Asia?



Source: US Energy Information Administration

Source: Bloomberg Intelligence, as of 02/08/2026

Mixed Signals

Narratives Circulating

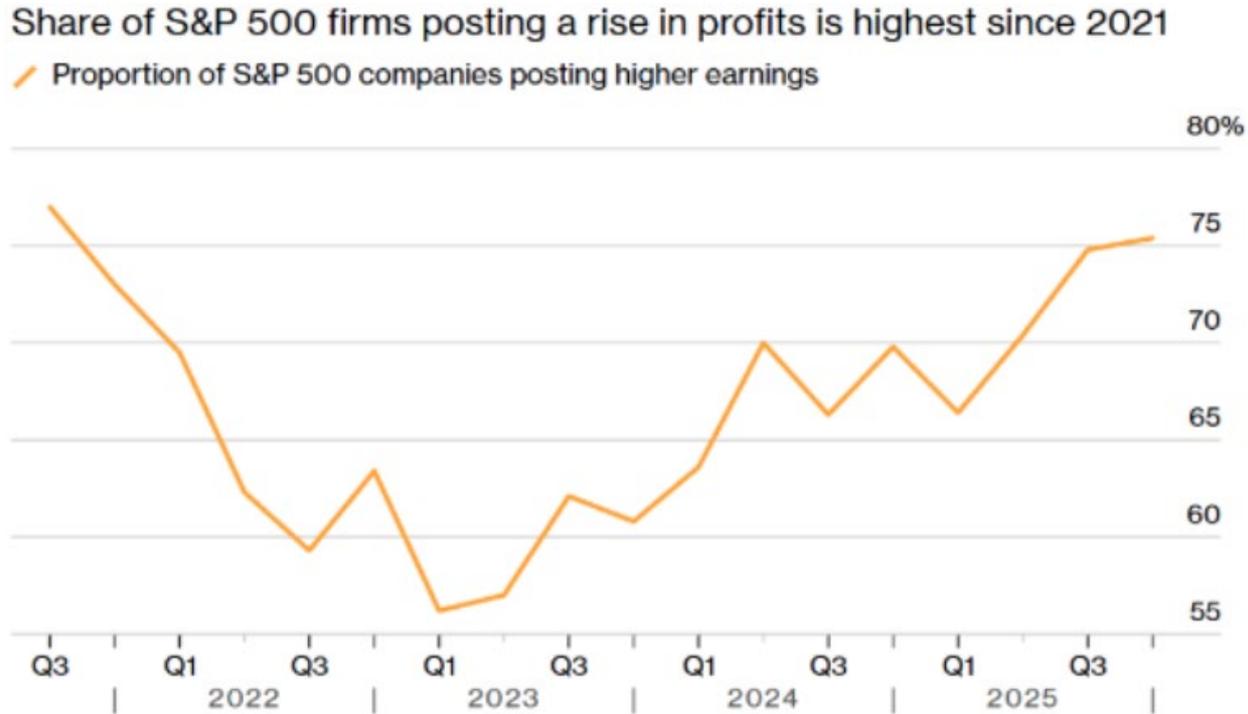
- Fed Independence is at risk!
- Tariffs = High Inflation
- Corporations are borrowing more!
- USD is getting replaced by other currencies!
- The AI buzzsaw is going to replace everything!
- Private credit problem is widespread!

The Facts

- Kevin Warsh was picked
- Inflation is at 2.4%. Services are tariff-free.
- Corporate balance sheets have never been healthier
- More payments are being settled in USD
- AI usage leaning heavily towards enhancing and assisting vs. replacing.
- Private credit is a small segment of the credit markets, and mostly institutionally owned.

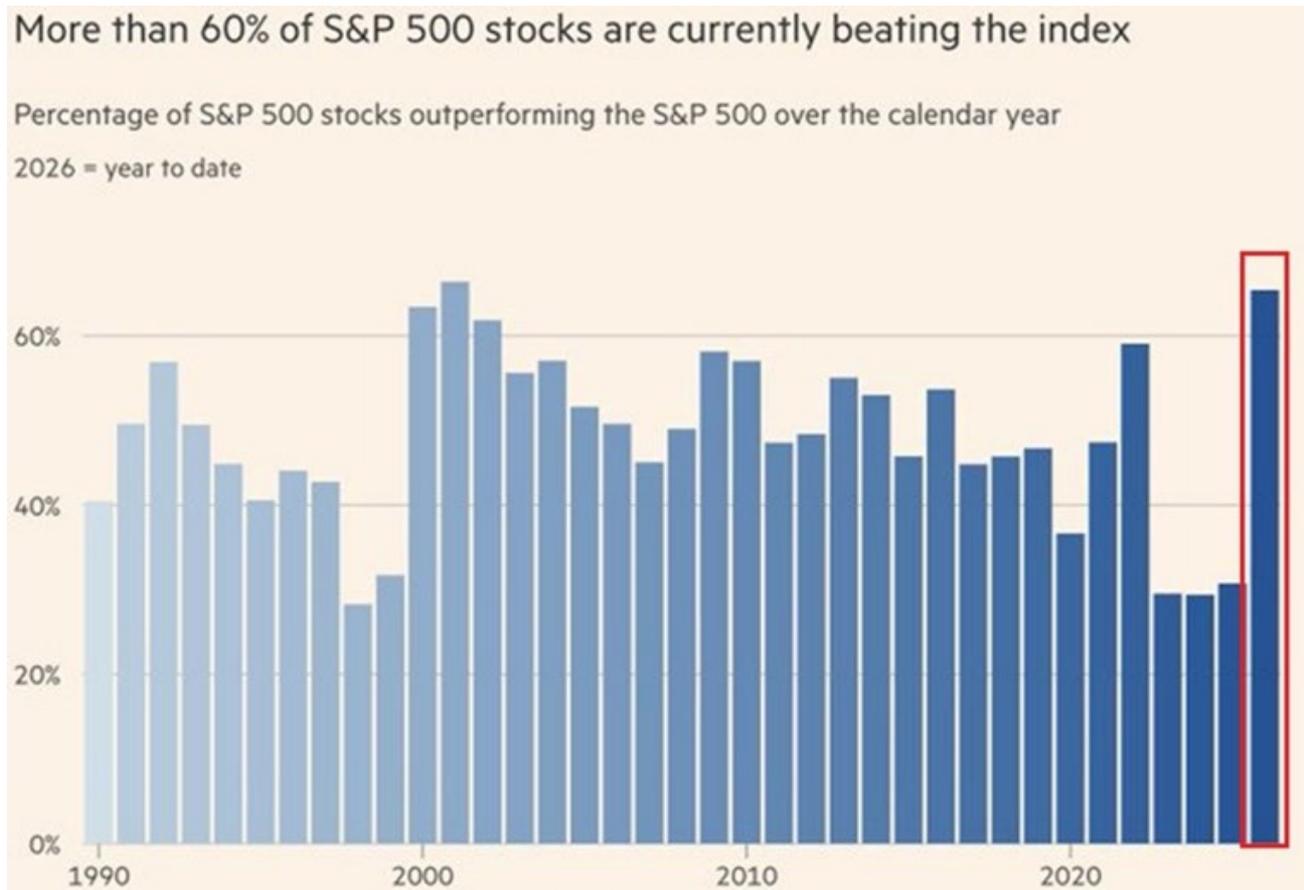
...all while stocks are near all-time highs, profit margins are high and growing, earnings are at an all-time high, we have full employment, productivity is rising, the economy is growing above trend, the current tax and spending bill is pro-growth, we are starting to see growth outside the U.S., and there is approximately \$8 trillion of cash on the sidelines...

All Together Now – Earnings Are Broadening Out...



Source: Bloomberg Intelligence, as of 02/05/2026

...Which Leads To More Stocks Participating Positively...



Source: Financial Times, Ned Davis Research, as of 02/28/2026

P/E Ratio Heading Lower, Which Leads To Good Entry Points

When Price Doesn't Rise, While Earnings Grow...it leads to cheaper stocks!



Source: Strategas, Bloomberg, as of 02/06/2026

P/E Ratio Heading Lower, Which Leads To Good Entry Points

Mag 7 vs Consumer Staples 2026 P/E Ratios

Mag 7:

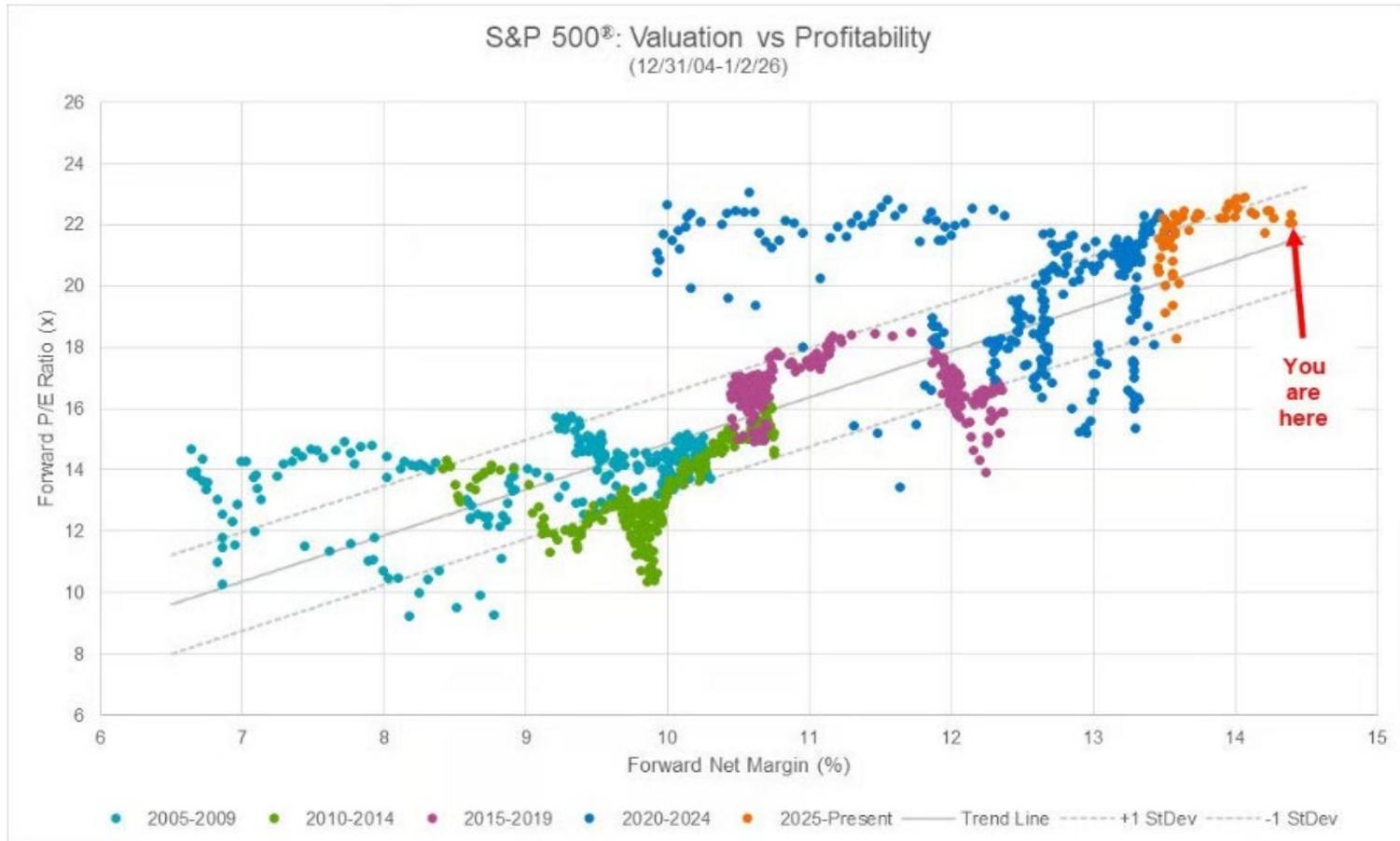
Ticker	Name	P / '26E
1 TSLA	Tesla, Inc.	205.8x
2 AAPL	Apple Inc.	32.2x
3 GOOGL	Alphabet Inc. Class A	26.9x
4 AMZN	Amazon.com, Inc.	26.8x
5 MSFT	Microsoft Corporation	24.4x
6 NVDA	NVIDIA Corporation	22.7x
7 META	Meta Platforms Inc Class	22.1x
Average (ex-TSLA)		25.8x
Median (ex-TSLA)		25.6x

Consumer Staples: **Staples have far higher P/E ratios**

Ticker	Name	P / '26E
1 COST	Costco Wholesale Corpor	48.6x
2 WMT	Walmart Inc.	42.5x
3 KO	Coca-Cola Company	24.9x
4 PG	Procter & Gamble Comp	23.5x
5 PM	Philip Morris Internationa	22.2x
6 JNJ	Johnson & Johnson	21.1x
7 PEP	PepsiCo, Inc.	19.4x
Average		28.9x
Median		23.5x

Source: Fundstrat, FactSet, as of 02/28/2026

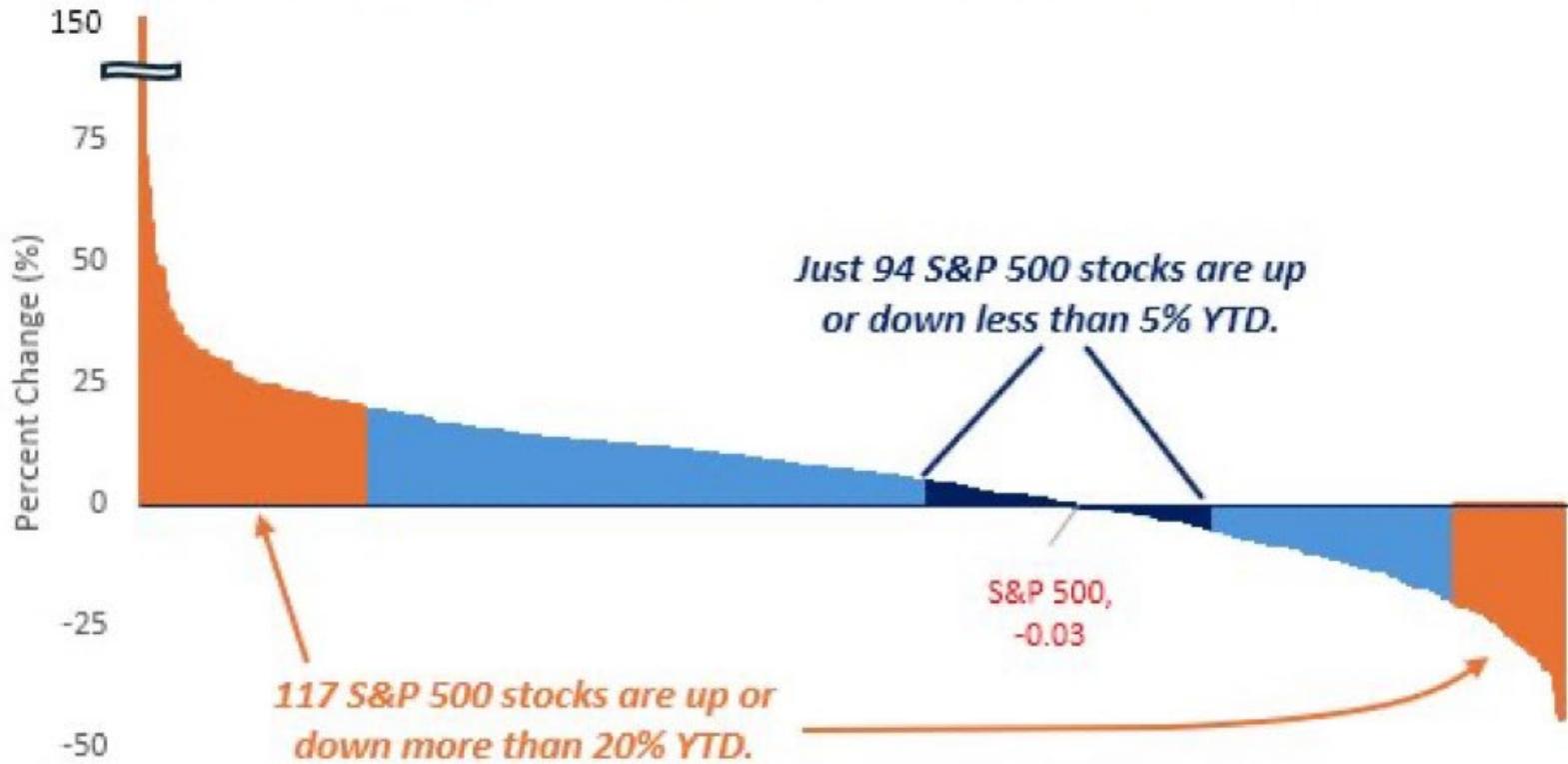
Pay Up For Profits And High Margins



Source: Sandbox Daily, as of 01/21/2026

Churn Beneath The Surface

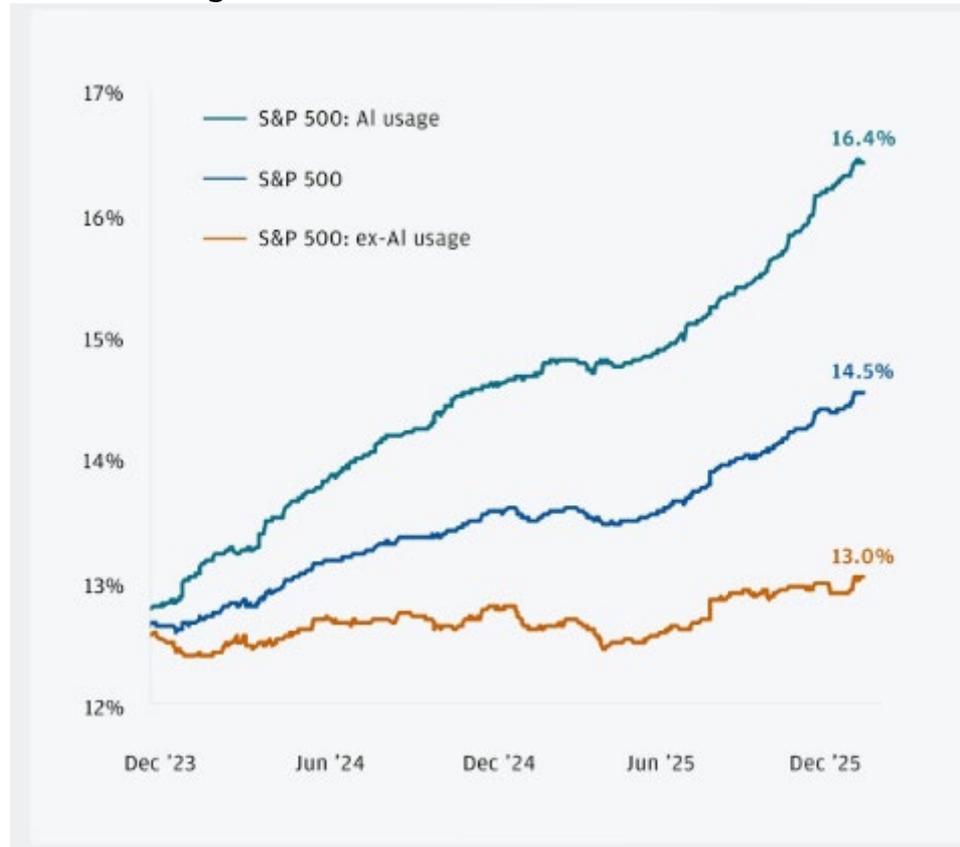
S&P 500 Components YTD Performance Through 2/17/26



Source: Bespoke, as of 02/17/2026

AI Adopters Are Clearly Seeing The Benefit

Profit Margins



Source: J.P. Morgan Asset Management, 22V, FactSet, as of 02/09/2026

The U.S. Is Dominating AI Spending

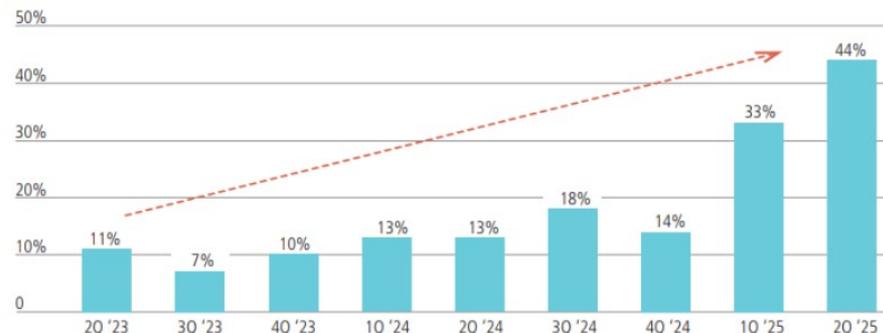
The U.S. And China Are Leading the Global Rush of AI Capex

2024 investment in AI by country (\$bn)



AI Capex Is a Meaningful Driver of U.S. GDP Growth

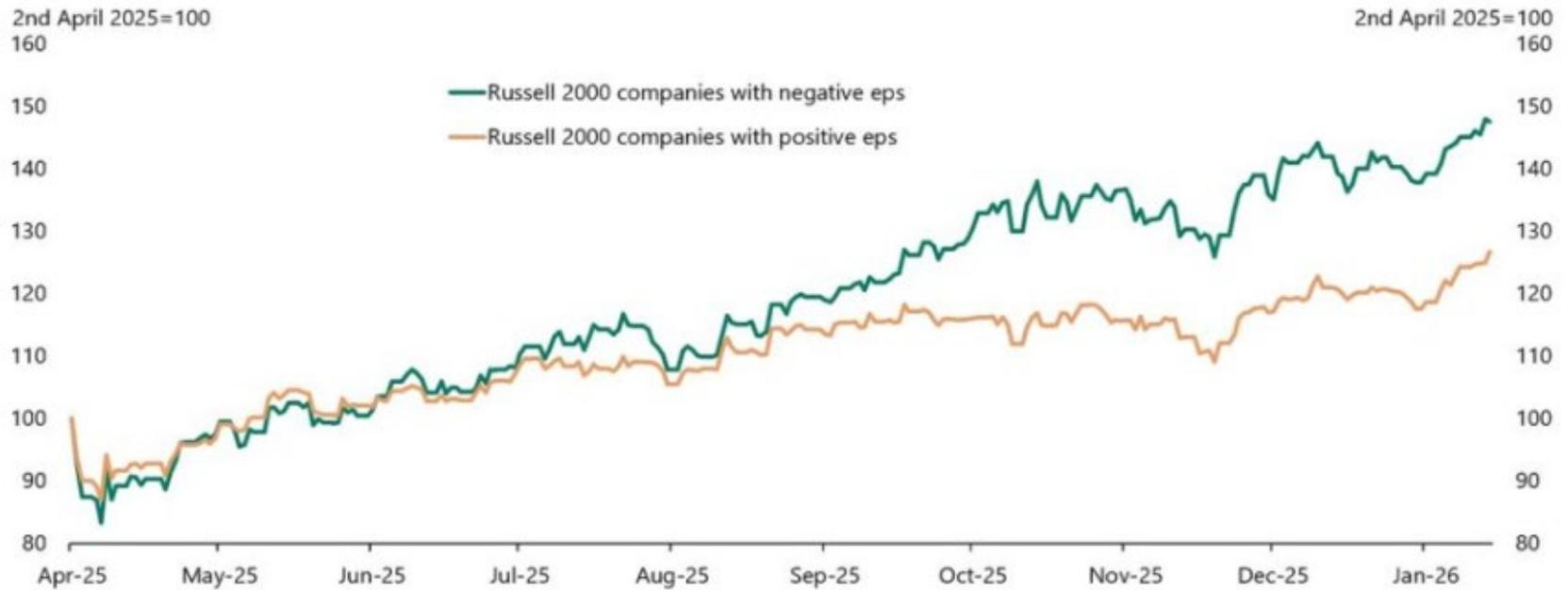
AI/tech-related capex contribution to overall U.S. GDP growth, last 12 months



Source: Top chart: Stanford University Artificial Intelligence Index Report 2025. Bottom chart: Neuberger, FactSet, 2025.
Past performance is not an indicator, guarantee or projection of future performance.

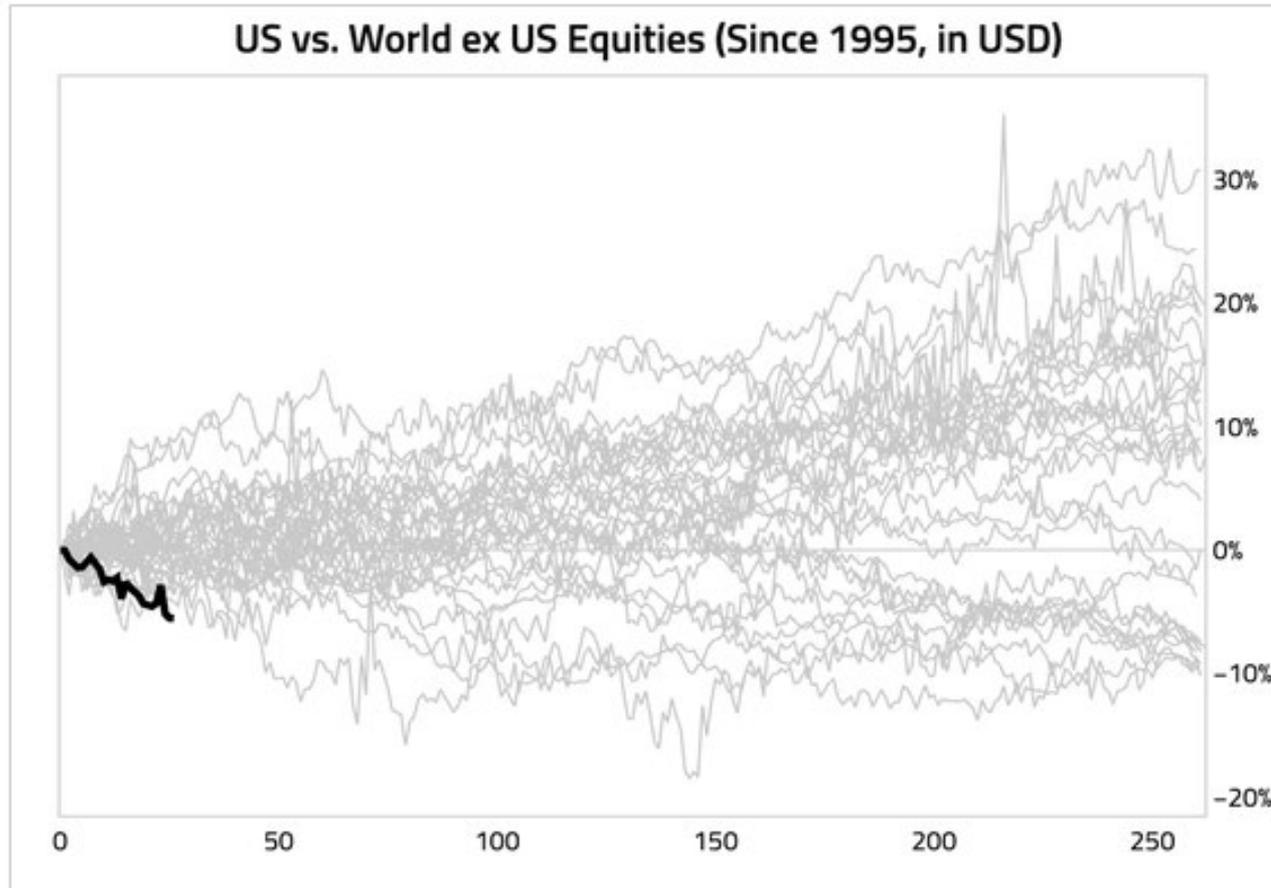
Source: Stanford University Artificial Intelligence Index Report, Neuberger Berman, FactSet, as of 01/31/2026

Low Quality Leading The Way Within Small Cap Stocks



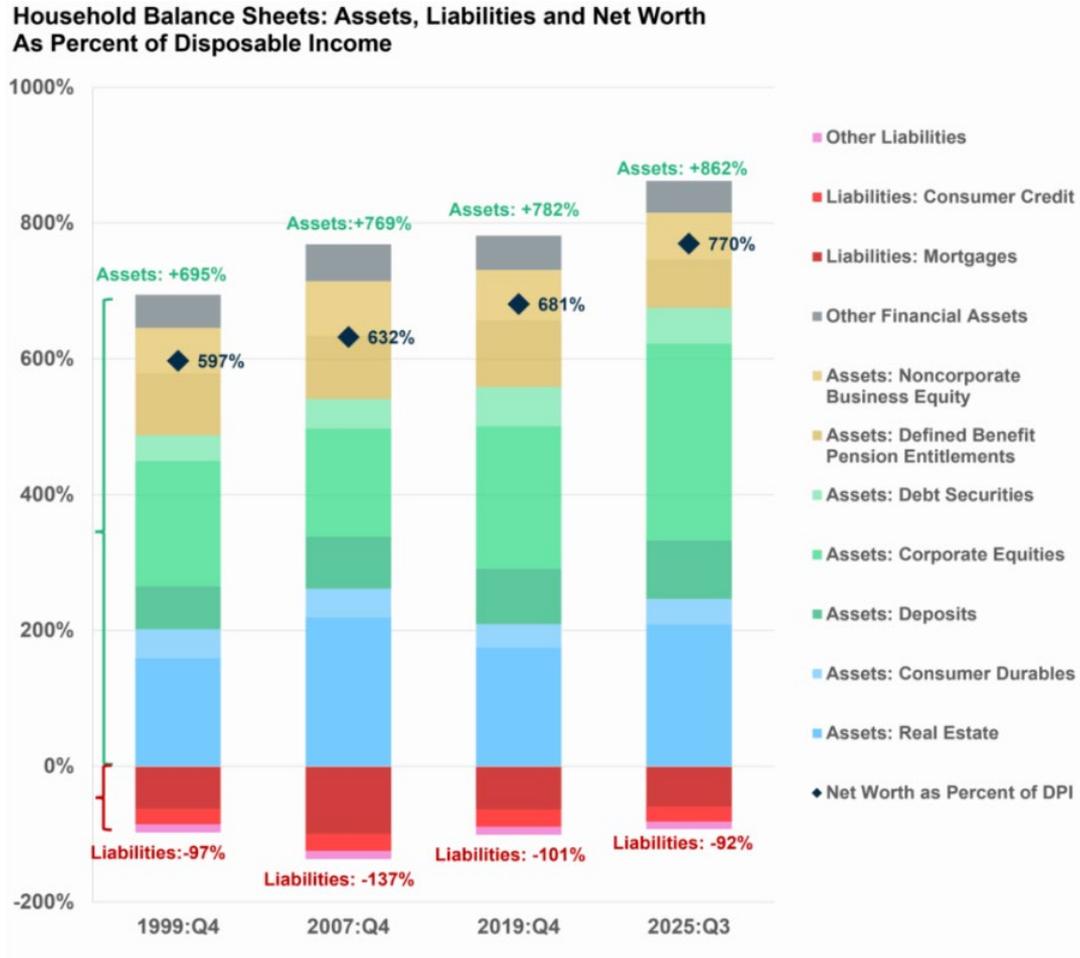
Source: Apollo, as of 01/20/2026

U.S. vs. International Stocks – Opportunity Overseas?



Source: The Daily Shot, as of 01/31/2026

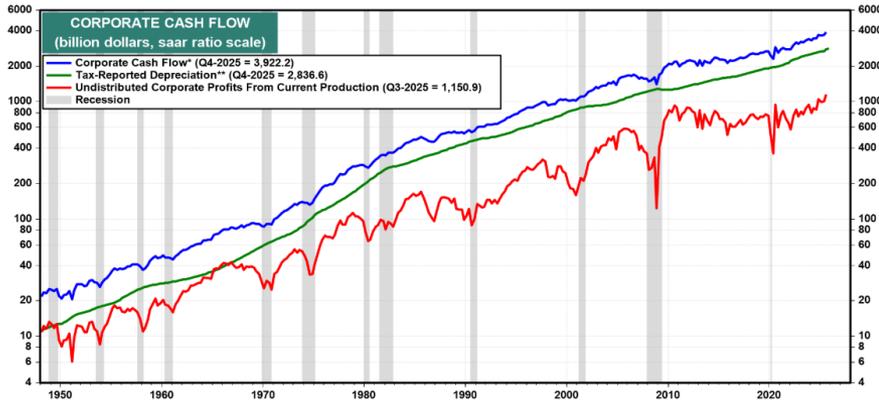
Consumer Balance Sheets Are Strong...



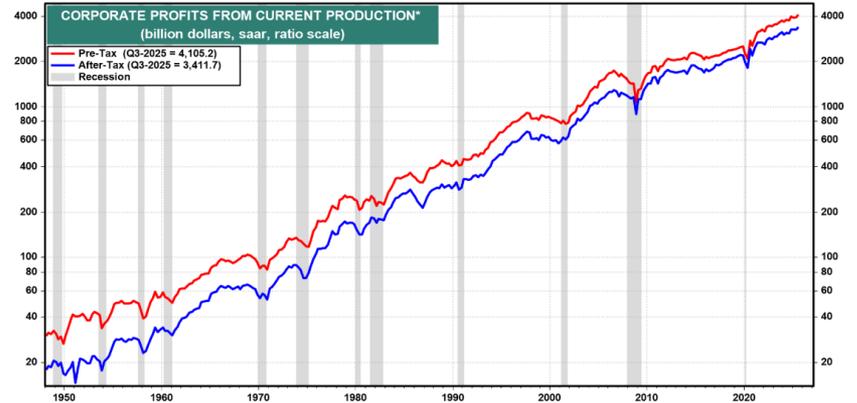
Source: Carson Investment Research, Federal Reserve, as of 01/16/2026

...And Corporate Balance Sheets Look Good!

Free Cash Flow



Profits from Production



Assets and Liabilities



Source: Yardeni Research, LSEG, FRED, as of 02/28/2026

Policy Change – Some Stimulus Coming Our Way

Tallying Up The Economic Costs and Benefits of US Economic Policy

Economic Lever	2025	2026	Notes
Fed Balance Sheet	-212	340	QT in 2025 ended. Fed balance sheet is now expanding
Tariffs	-189	-110	More tariffs coming but mid-year comps go negative y/y
Fiscal Policy	-147	220	Tax cuts for consumers, businesses hit in 2026, net of total tax revenues
Financial De-Regulation	0	200	SLR implemented, 2026 GSIB changes proposed, GSE MBS
Estimate	-548	650	Shock & Awe Economic Policy Is Coming In 2026

↓ ↓
+\$1.198T relative change from
last year expected

Source: Strategas, as of 01/15/2026

Related Rates – Yields Across The Curve Are Lower...



Source: Augur Infinity, as of 02/28/2026, 6-month trend

...Leading To Lower Borrowing Rates!

ECONOMY | HOUSING

Mortgage Rates Fall Below 6% for the First Time Since 2022

The 30-year rate dips below an important psychological threshold and is expected to boost home sales going into the crucial spring season

Source: Wall Street Journal, as of 02/28/2026

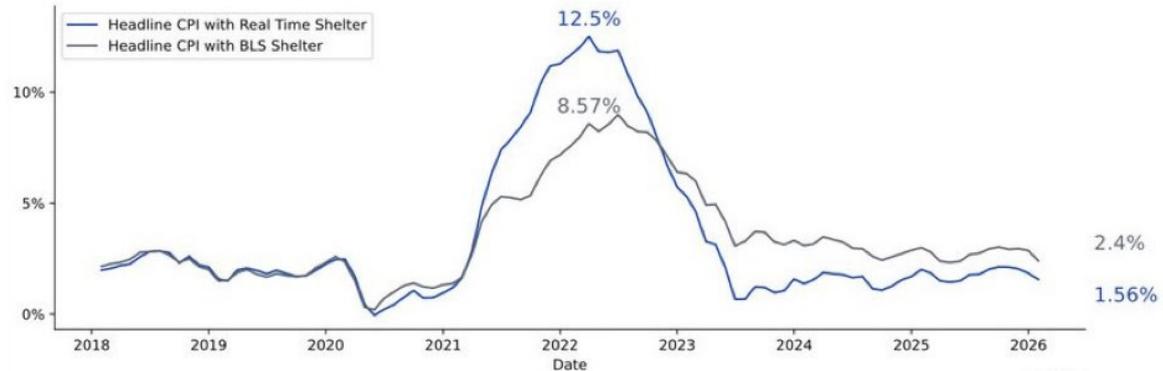
Inflation Is Low...2.4% CPI



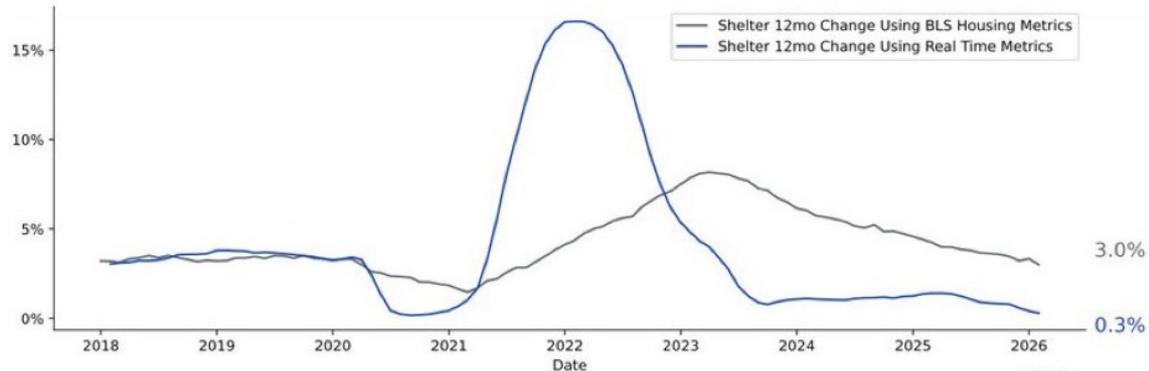
Source: Bloomberg, as of 02/13/2026

...And Measured Live, It's Even Lower!

Trailing 12M Headline Inflation: with Alternative Shelter Metrics



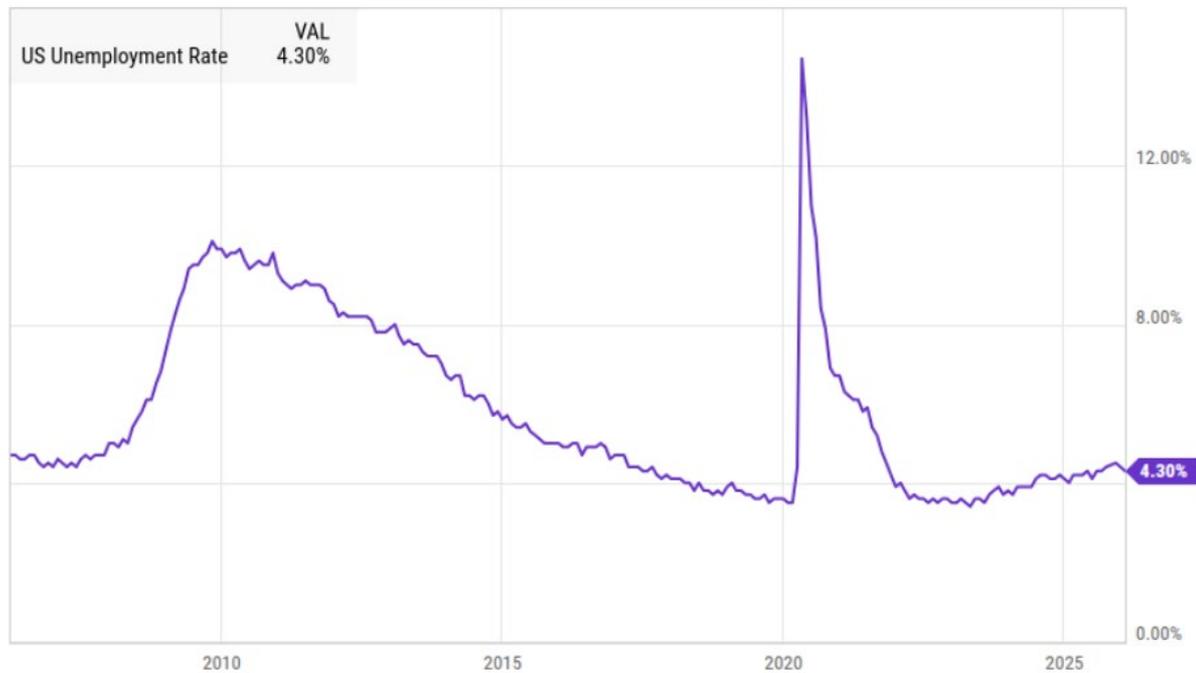
Shelter Inflation



Source: WisdomTree, as of 02/17/2026

...And We Remain At Full Employment!

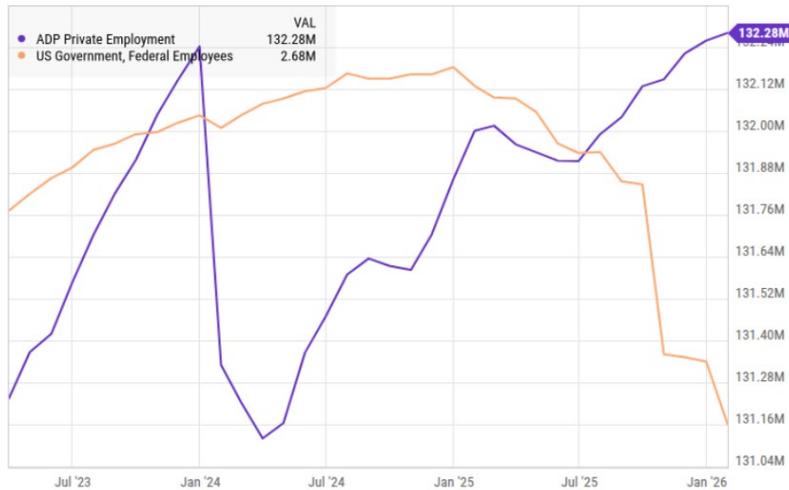
Past 20 Years



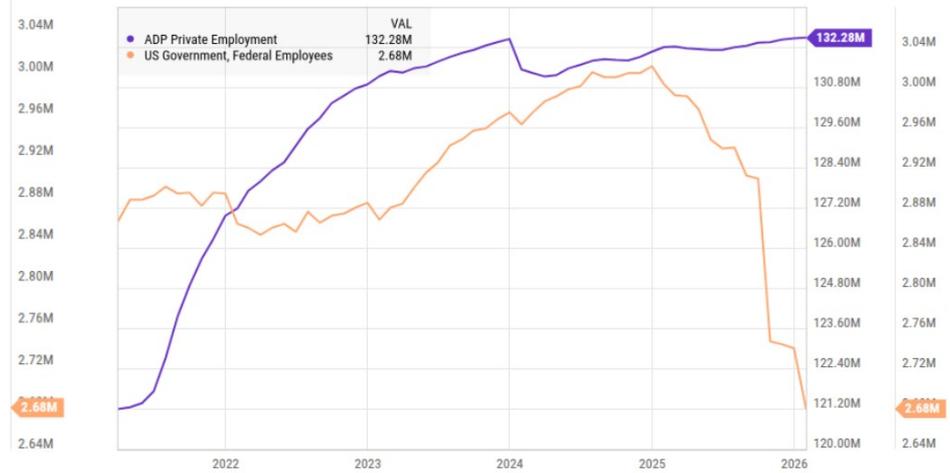
Source: YCharts, as of 02/28/2026

Employment – Smaller Government...

Past 3 Years



Past 5 Years



Source: YCharts, as of 02/28/2026

AI & Employment – Innovation Creates Opportunity In The Job Market

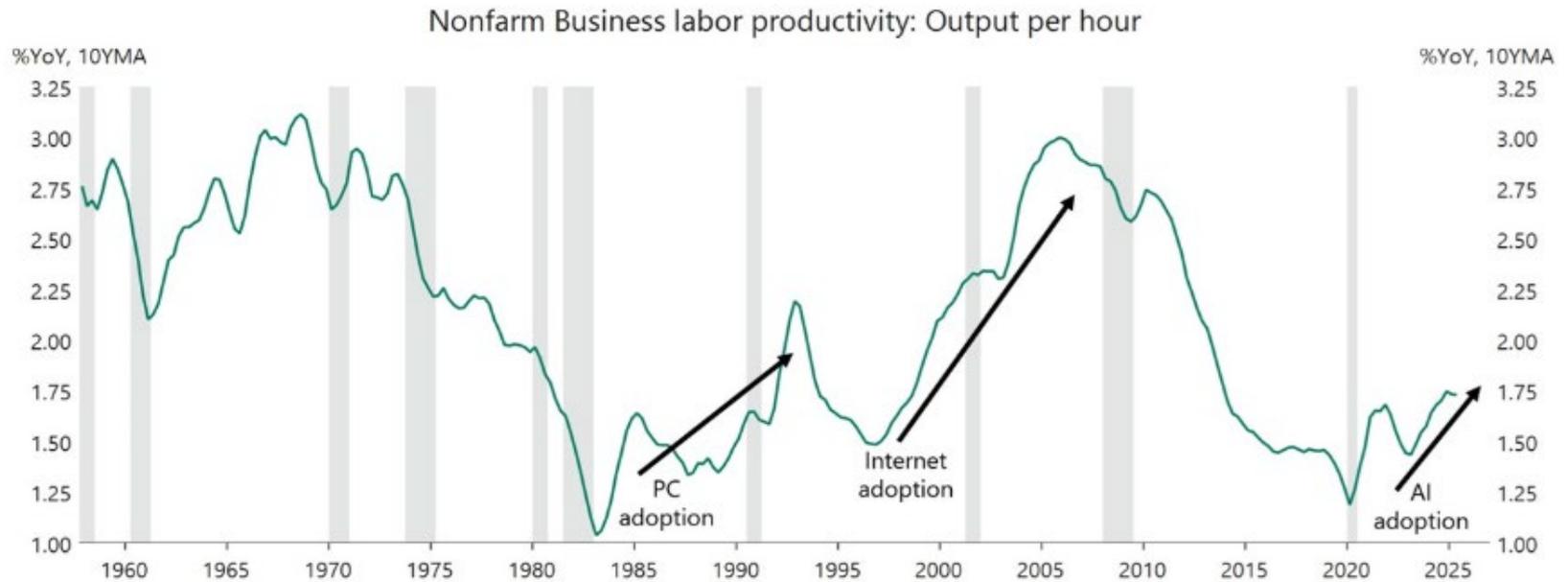
Technological change: a key driver of job growth

Employment by new and pre-existing occupations, millions



Source: Goldman Sachs Investment Research, as of 12/31/2025

A Productivity Boom



Source: Apollo, as of 01/27/2026

Tariffs – IEEPA Tariffs Struck Down

Tariff update: Supreme Court Ruling & Impact

What Happened?

- Supreme Court (6-3) struck down IEEPA tariffs, including “reciprocal” and emergency-related tariffs (Canada, China, Mexico).
- Administration enacted a 15% global tariff under Section 122 (up to 150 days).
- Section 232 (autos, metals) and section 301 (China 2018-2019) tariffs remain in place.
- ~\$180 billion has been collected under invalidated IEEPA tariffs.

Economic Impact

- New 15% tariff replaces ~80%-90% of lost IEEPA revenue.
- New change in effective tariff rate is modest.
- Modest upside to growth expectations.

Trade Implications

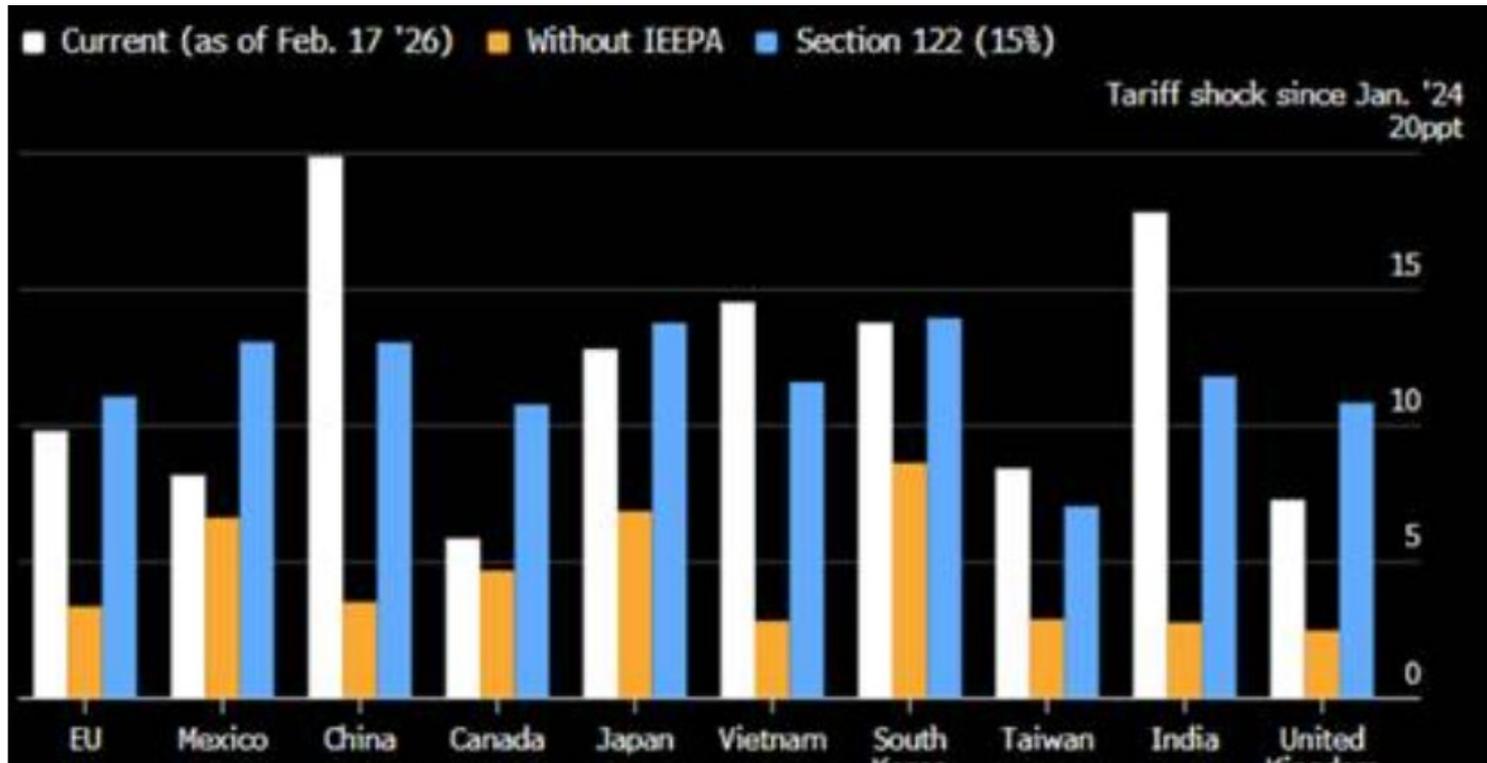
- Existing trade agreements remain intact.
- Countries with lower prior tariffs may face higher costs under global rate.
- Higher-tariff countries may see lower effective rates.
- Reduced tariff threat in ongoing negotiations (China, USMCA).
- China, Mexico, Canada represent ~36% of U.S. imports.

Corporate Considerations

- No ruling on tariff refunds; litigation likely.
- Potential refunds would raise deficit but boost corporate cash flow.
- Continued policy uncertainty may delay investment and inventory decisions.

Source: Bloomberg, CNBC, as of 02/20/2026

Tariffs – IEEPA Tariffs Struck Down



Source: U.S. Census Bureau, Bloomberg Economics, as of 02/17/2026

Tariffs – IEEPA Tariffs Struck Down

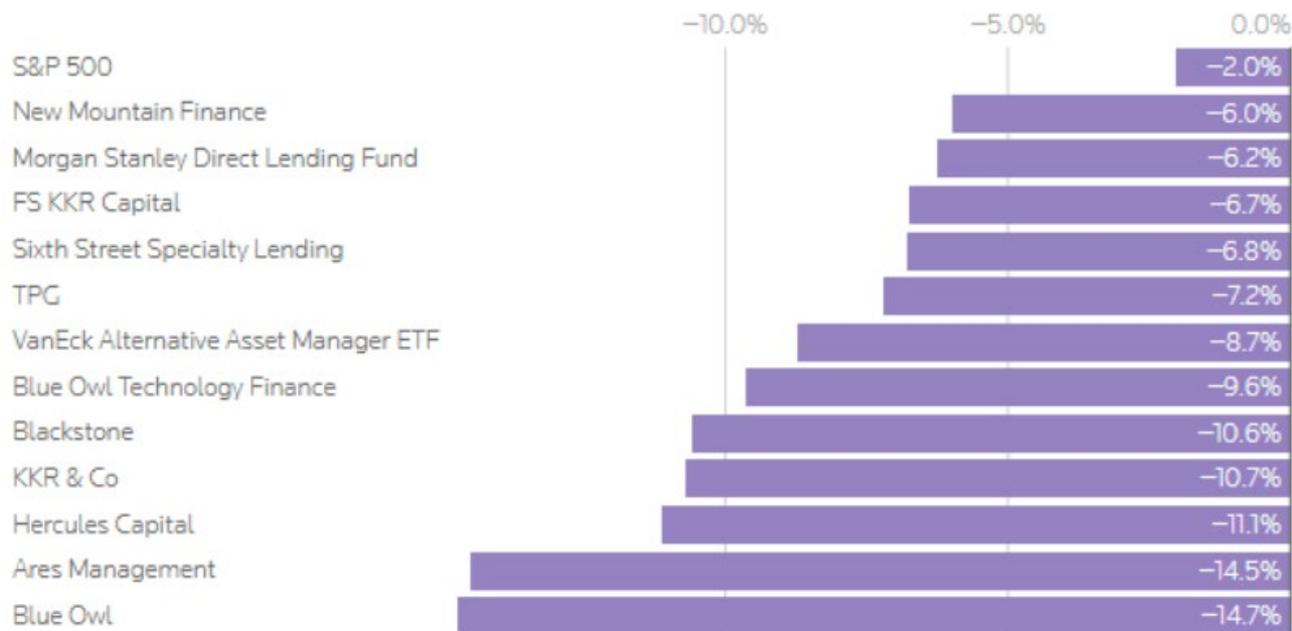
	Reason for imposing tariffs	Federal agency investigation required?	Limit on duration of action	Limit on tariff rate
Section 232	Threat to national security	Yes, by Commerce Department	None	None
Section 201	Injury to domestic industry	Yes, by International Trade Commission	Four years. May be extended to a maximum of eight years.	50% increase. Phasedown required after one year.
Section 301	Discrimination against US businesses or violation of US rights under trade agreements	Yes, by US Trade Representative	Four years. May be extended with no maximum limit.	None
Section 122	International payments problem	No	150 days Can be extended with Congressional approval.	15%
Section 338	Discrimination against US commerce	No	None	50%

→ This is the new “Global Tariff” in place!

Source: Bloomberg, as of 02/20/2026

Private Credit Pain = Software Sensitivity

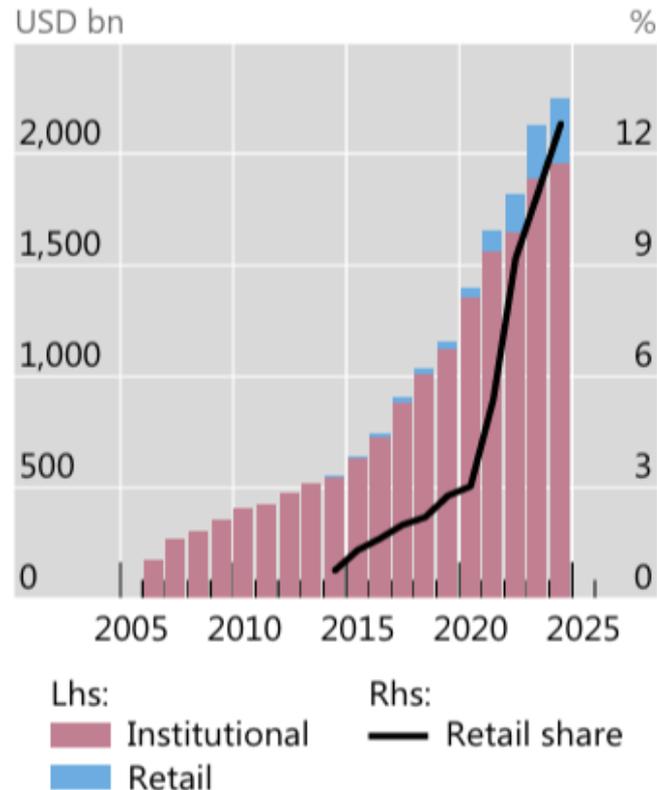
Alternative asset managers, private equity and business development companies suffer sharp pullback this week on worries about over their loan exposure to the software industry



Source: Reuters, as of 02/06/2026

Private Credit – Mostly An Institutional Problem

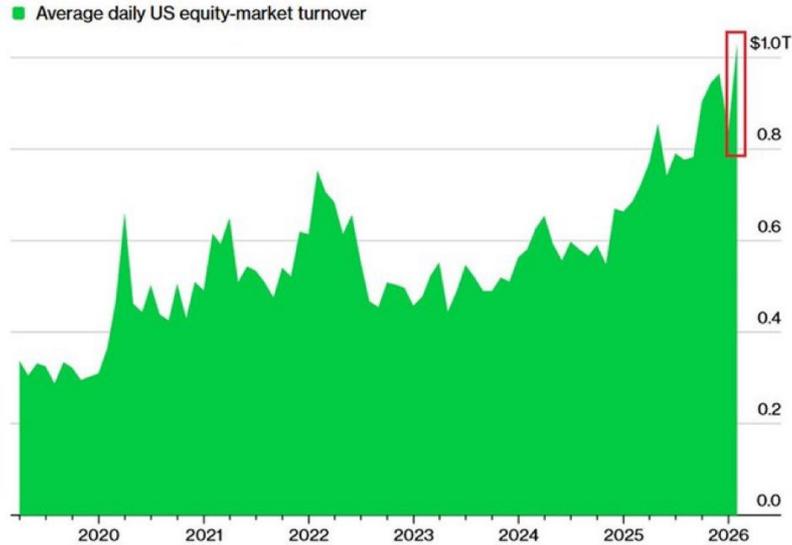
A. AUM have grown rapidly, with growing retail investor entry¹



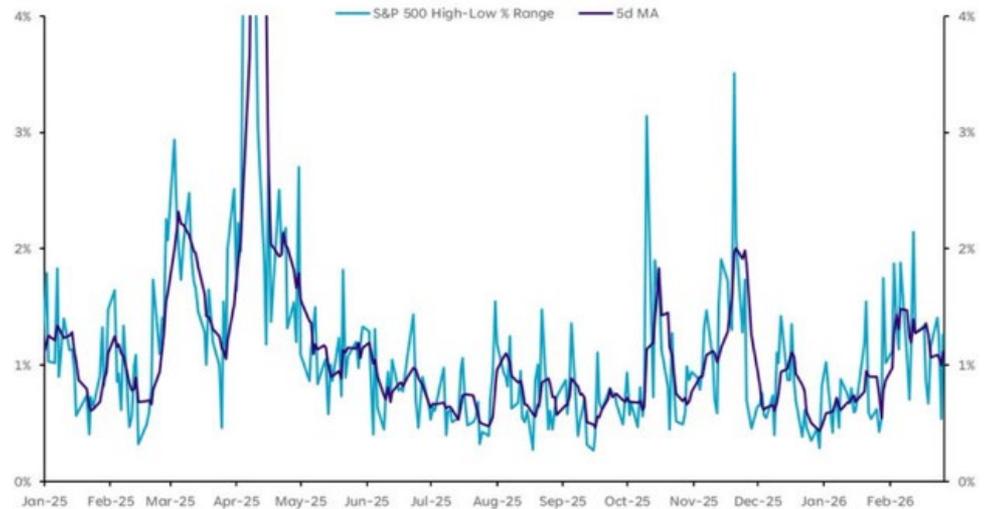
Source: Bank for International Settlements, Pitchbook, Global Private Debt Report 2024, as of 07/09/2025

Machine Trading Running Wild!

Daily Equity Turnover Tops \$1 Trillion



Intraday Ranges Have Been Consistently Elevated



Source: Bloomberg Intelligence, as of 02/08/2026

Spring Cleaning – A Good Time To Get It Together

8 STEPS TO CREATE AN ESTATE PLAN



Source: Motley Fool, as of 02/11/2026

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