

THE BASIS POINT

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EXECUTIVE SUMMARY

Week in Review - The Great Disconnect:

This week perfectly captured 2026's central tension: NVIDIA delivered everything bulls wanted (Q1 guide \$78B, EPS beat, data center dominance) yet sentiment remains at historic lows. Michigan Consumer Sentiment revised DOWN to 56.6 (3rd percentile of all-time readings) with 46% citing high prices as financial strain. The disconnect: Stockholders feel great (+5.4% sentiment surge), everyone else is miserable. Markets ended mixed - tech got its Nvidia win but couldn't sustain momentum.

The Big Picture - Why This Matters:

We're in a two-tier economy. If you own stocks (especially NVDA), you're doing great. If you don't, you're getting crushed by 3% inflation on a stagnant income. Consumer sentiment at 3rd percentile historically means spending slowdowns ahead. But Nvidia just proved AI spending is real. This sets up March: FOMC meeting (March 18) where Fed decides if they're cutting at all in 2026.

1. THIS WEEK'S STORY - NVIDIA vs REALITY

Day	Event	Key Takeaway
Mon 2/23	Post-Macro Friday Analysis	Stagflation confirmed: PCE 3.0%, GDP 1.4%. June cut dead. Market focused on Wednesday's NVDA.
Tue 2/24	Home Depot beats	HD: EPS \$2.58 (beat), but guidance maintained. 'Guidance > Results' lesson #3 (PANW, WMT, now HD).

Wed 2/25	NVIDIA earnings 4:20pm	NVDA crushed: Q1 guide \$78B (vs \$75B Street), EPS \$1.62 (vs \$1.53). Exactly what we predicted needed.
Thu 2/26	Post-NVDA reaction	Stock 'pared gains' after-hours. Morning open muted. Beat was priced in (95% Polymarket odds).
Fri 2/27	Michigan Sentiment final	56.6 (revised down from 57.3). Only stockholders feel better. Non-stockholders at dismal levels.

The Week's Central Question: Can Nvidia Override Macro?

Wednesday night, we got the answer: No, not entirely. Nvidia delivered the 'blowout' scenario we outlined. But Thursday's muted reaction (stock pared after-hours gains) showed that macro concerns (stagflation) still loom large. The market is saying: 'AI is real, but we're not ignoring 3% inflation and weak growth.'

2. TODAY'S DATA - CONSUMER SENTIMENT AT HISTORIC LOWS

Michigan Consumer Sentiment (Final February Reading):

- Final: 56.6 (revised DOWN from preliminary 57.3)
- January: 56.4 (barely changed, up just 0.2 points)
- Historical context: 3rd percentile of all-time readings (only 3% of months since 1960 have been worse)
- Year-ago comparison: Down 21% from January 2025

The Key Insight - The Two-Tier Economy:

Group	February Sentiment Change	Why
Largest Stockholders	+5.4% surge ■	Stock market near all-time highs. NVDA, tech gains. Wealth effect working.
Non-Stockholders	Stagnated/declined ■	High prices (46% cited this), stagnant wages, no stock gains to offset inflation.
Higher Income/College Educated	Modest gains	Better job security, able to absorb price increases, investment portfolios up.
Lower Income/Less Educated	No improvement	Living paycheck to paycheck, inflation hits hardest, no buffer.

The 46% Number:

About 46% of consumers spontaneously mentioned high prices eroding their personal finances. This has exceeded 40% for SEVEN MONTHS IN A ROW. That's not a temporary blip - that's structural. People are genuinely struggling with elevated prices even as the year-over-year inflation rate moderates.

→ WHY THIS MATTERS FOR CONSUMER SPENDING:

Consumer spending is 70% of GDP. When half the country feels terrible about finances, spending eventually slows. We're already seeing it: Personal saving rate fell to 3.6% in December (people dipping into savings to maintain spending). This is unsustainable. The 'strong consumer' narrative is on borrowed time.

Historical precedent: The last time sentiment was in the 3rd percentile was late 2022. What happened next? Consumer spending slowed dramatically in Q1 2023, forcing the Fed to pause rate hikes. We could see similar pattern in Q2 2026.

3. WHAT'S NEXT - THE MARCH 18 FOMC MEETING

The Upcoming Calendar:

Date	Event	Why It Matters
March 7	February Jobs Report	After 1.4% GDP, a weak jobs number would confirm recession fears. Strong number = 'no landing.'
March 13	January PCE	If Core PCE stays at 3.0% or higher for 2nd straight month, June cut is impossible.
March 18 ■	FOMC Meeting + Dots	THE EVENT. Fed's updated economic projections + dot plot. How many 2026 cuts does Fed see?
March 26	Q4 GDP (3rd estimate)	Final revision to 1.4% GDP. Unlikely to change much but confirms the soft growth trend.

The March 18 FOMC Meeting - What to Expect:

This will be the first Fed meeting with updated economic projections since the stagflation data (PCE 3.0%, GDP 1.4%). The Fed will release:

- Updated 'dot plot' showing each member's rate cut expectations for 2026
- Revised economic forecasts (inflation, unemployment, GDP)
- Jerome Powell press conference (2:30pm ET)

Three Possible Outcomes:

Scenario	Probability	What Fed Says	Market Reaction
Dovish Surprise	15%	3 cuts still likely (June, Sept, Dec). GDP weakness concerning.	Yields drop, stocks rally. But tough to justify with 3% PCE.
Status Quo	60%	2 cuts (July, November). Data-dependent. Inflation too high for June.	Muted reaction. Markets already pricing this. Yawn.
Hawkish Shock	25%	Maybe 1 cut or zero cuts. Inflation mandate prioritized.	Yields spike, stocks sell off 2-3%. Recession fears intensify.

4. PROFESSIONAL ANALYST TAKEAWAY - WEEK IN REVIEW

This Week Perfectly Captured the 2026 Dilemma

On one hand: Nvidia proved AI is real. \$78B Q1 guidance, net income doubled, data center dominance. This is a company executing flawlessly in the biggest tech revolution since the internet.

On the other hand: Consumer sentiment at 3rd percentile. 46% of people struggling with high prices. Savings rate at 3.6% (people dipping into savings). GDP at 1.4%. PCE at 3.0%. These are not 'soft landing' numbers.

The disconnect is stark: If you own NVDA, you're up 35% this year (plus dividends). If you don't own stocks, you're getting destroyed by inflation on stagnant wages. This is unsustainable.

My Current Positioning (As of Friday Close):

- 55% cash (up from 50% last week)
- 20% defensive (utilities, consumer staples, healthcare)
- 15% NVDA only (sold rest of tech positions Thursday)
- 10% short-term Treasuries (2-year at 4%+ is attractive)

Why I'm This Defensive:

Because the next 3 weeks determine everything. March 7 jobs report + March 13 PCE + March 18 FOMC = the trifecta. If any of those disappoint (weak jobs, hot PCE, hawkish Fed), markets fall 5-10%.

I'd rather miss a 2% rally than catch a 10% selloff. The risk/reward is skewed bearish right now. Sentiment at 3rd percentile has ALWAYS preceded spending slowdowns. It's just a matter of when, not if.

What Would Make Me Bullish Again:

1. January PCE (March 13) comes in at 2.7% or lower (showing December's 3.0% was a blip)

2. March 18 FOMC keeps 3 cuts in dot plot (June, Sept, Dec)
3. Consumer sentiment starts improving (above 60 would be encouraging)

If all three happen, I'll move back to 40% stocks. Until then, I'm staying defensive. The macro doesn't support current valuations (S&P; at 21x P/E with 3% inflation and 1.4% GDP).

5. WEEKEND HOMEWORK - WEEK REFLECTION

Exercise 1 - Track Your Week Predictions

Go back through this week's briefings. How many of your predictions were right? (Monday stagflation analysis, Tuesday HD fade, Wednesday NVDA scenarios, Thursday pared gains). Score yourself. Pattern recognition improves with honest feedback.

Exercise 2 - The Sentiment Study

Research: What happened the LAST TIME consumer sentiment was at 3rd percentile (late 2022)? What did markets do next? What did consumer spending do? Write 2-3 paragraphs. Historical patterns repeat.

Exercise 3 - Build Your March 18 FOMC Model: The Fed meeting is 3 weeks away. Start building your prediction model NOW. What data releases between now and then matter most? (Hint: Feb jobs, Jan PCE, Feb PCE). How should the Fed react to each data point? By March 18, you should have a clear thesis: Dovish, neutral, or hawkish. Write it down. Compare to reality.

Sources: University of Michigan Consumer Sentiment, Advisor Perspectives, U.S. News, PYMNTS, BEA, FRED

Compiled: Friday, February 27, 2026, 6:00 AM ET | **Next Briefing:** Monday, March 2, 2026

Disclaimer: Educational purposes only. Not investment advice. Always do your own due diligence.