

THE BASIS POINT

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EXECUTIVE SUMMARY

Today's Main Event - Fed Minutes (2pm ET): Markets are laser-focused on the January FOMC minutes releasing this afternoon. The 10-2 vote (two members wanted to cut) makes these minutes unusually significant. Traders will parse every word for signals about whether the June cut is really happening or if July is more realistic.

PANW's Guidance Miss Tells the Real Story: Palo Alto Networks beat on earnings (\$1.03 vs \$0.94 expected) but the stock fell 7% after-hours on weak Q3 guidance. This is your lesson: **markets care more about the future than the past.** Even a strong quarter means nothing if guidance disappoints.

Dip-Buyers Return: S&P; 500 futures up 0.6%, Nasdaq up 0.7%. After two weeks of tech weakness driven by AI fears, investors are stepping back in. The 10-year Treasury at 4.03% (2-month lows) is making bonds less attractive relative to equities.

1. MARKET SNAPSHOT - PRE-FED MINUTES

S&P; 500 Futures +0.6% Dip-buying after selloff	Nasdaq 100 +0.7% Tech bouncing	10Y Treasury 4.03% 2-month lows	VIX ~15 Modest fear gauge
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What's Driving Action Today:

Pre-Fed jitters + dip-buying: Markets are in a holding pattern ahead of 2pm. Tuesday's action was mixed (S&P; +0.1%, Dow +0.07%, Nasdaq +0.14%), with financials outperforming (JPM +1.5%, Citi +2.7%) while software continued to sell off (Salesforce -2.9%, Intuit -5.1%, Oracle -3.8%).

Morning economic data (8:30am): Building Permits (expected 1.400M), Housing Starts, and Durable Goods Orders (forecast -1.7%). These will set the tone before the main event at 2pm.

Europe hitting records: Stoxx 600 rose 0.9% to a record high on strong earnings from BAE Systems and Puig Brands. This is providing a positive backdrop for US markets.

2. LAST NIGHT: PALO ALTO NETWORKS - THE GUIDANCE LESSON

Why Markets Care More About the Future Than the Past

The Results:

Q2 EPS: \$1.03 (beat \$0.94 estimate by 9.6%)

Revenue: \$2.59B (beat \$2.58B estimate)

Revenue growth: +15% year-over-year

Platformization: Strong customer adoption, CEO noted AI is 'accelerating' the trend

The Problem - Q3 Guidance:

Q3 EPS guidance: \$0.78-0.80 (vs \$0.92 consensus) → **15% miss**

Revenue guidance: \$2.94-2.95B (this actually beat the \$2.60B estimate)

Result: Stock fell 7% in after-hours trading despite beating Q2 estimates.

→ THE MARKET LESSON - GUIDANCE BEATS RESULTS EVERY TIME:

This is one of the most important concepts in equity investing: **stock prices reflect future expectations, not past results.** Here's why PANW fell despite a strong quarter:

1. The 'already priced in' principle: By the time earnings are announced, analysts have spent 90 days modeling the quarter. A small beat (9.6% on EPS) was likely already expected by the market. The guidance, however, was a genuine surprise.

2. Valuation is forward-looking: PANW trades at 92x P/E ratio. When you pay 92x earnings, you're betting on GROWTH. A 15% guidance miss means that growth is decelerating faster than expected. At high valuations, even small slowdowns cause sharp selloffs.

3. Guidance sets the new baseline: Analysts will now lower their full-year estimates. This means every analyst model, every institutional price target, every hedge fund valuation gets marked down. That cascades into selling pressure.

The takeaway for you: When reading earnings, skip straight to guidance. That's what moves stocks. Strong past quarters with weak guidance = sell. Weak past quarters with strong guidance = buy. This is why stocks sometimes rally on 'bad' earnings and fall on 'good' ones.

3. TODAY'S MAIN EVENT - FED MINUTES (2PM ET)

Why These Minutes Are More Important Than Usual:

The January 27-28 FOMC meeting ended with a 10-2 vote to hold rates steady at 3.5%-3.75%. Two members - Christopher Waller and Stephen Miran - dissented in favor of an immediate 25bp cut. This split decision makes today's minutes critical: we'll learn WHY two members wanted to cut and HOW CLOSE the majority was to agreeing.

Current Market Pricing:

- March meeting: 92% probability of hold (8% cut)
- June meeting: Previously 83% cut odds, now shifted to July
- Full year 2026: 2.5 rate cuts priced in (down from 3 last week)

→ WHAT TO LOOK FOR IN THE MINUTES (RELEASED 2PM):

1. **The dissent details:** Why did Waller and Miran want to cut? Was it labor market concerns? Preemptive easing? If their arguments were data-driven and logical, it suggests the majority could flip soon.
2. **'Patient' vs 'Data-dependent' language:** 'Patient' = hawkish (Fed sees no urgency). 'Data-dependent' = neutral (Fed will react to incoming data). 'Downside risks' = dovish (Fed is worried).
3. **Tariff impact discussion:** The January meeting notes indicated focus on 'one-time' tariff effects. If the minutes show the Fed is dismissing tariff-driven inflation as temporary, that's dovish (easier to cut).
4. **Balance sheet (QT) mentions:** Any discussion of slowing Quantitative Tightening would be dovish. The Fed has been shrinking its balance sheet by ~\$100B/month. Slowing that pace is effectively easing even without a rate cut.
5. **Growth language upgrade:** The Fed upgraded the economic outlook from 'moderate' to 'solid.' If the minutes elaborate on this, explaining they feel confident about growth sustainability, that's hawkish (less urgency to support the economy with cuts).

How Markets Will React in Real-Time:

Scenario	2-Year Yield	S&P; 500	Dollar (DXY)
Dovish (emphasis on labor risks, 'appropriate time to adjust policy')	Falls 5-10bp instantly	Rallies 0.5-1%	Weakens

Neutral ('data-dependent,' 'well-positioned')	Slight drift -2bp	Muted +0.1-0.2%	Flat
Hawkish ('concerns about premature easing,' 'upside inflation risks')	Spikes +5-10bp	Sells off -0.5-1%	Strengthens

■ HOW TO WATCH LIKE A PRO:

At 2:00:00pm ET, open TradingView or Yahoo Finance and have the 2-year Treasury yield chart ready on a 1-minute timeframe. Within 30 seconds of release, algorithms will have scanned the minutes for key phrases and executed trades. You'll see the 2-year yield move BEFORE any human has finished reading the first page. That initial algorithmic reaction (first 2-3 minutes) is usually correct.

4. THE FOUR MACRO DRIVERS - FED MINUTES EDITION

DRIVER #1: INFLATION - The Foundation For Cuts

CPI at 2.4% (8-month low) was last week's story. PCE data releases Friday - that's the Fed's preferred measure and will likely show ~2.0-2.1%, essentially at their 2% target. This is the ammunition the dovish members will use to argue for cuts.

DRIVER #2: INTEREST RATES - Today's Minutes Will Shift Expectations

Current range: 3.50-3.75%. The minutes will reveal how serious the Fed is about the 'pause.' If language shows genuine debate about whether to cut sooner, June cut odds will surge. If language is dismissive of near-term cuts, July becomes the consensus.

DRIVER #3: EMPLOYMENT - The 'Goldilocks' Continues

January NFP at 130,000 was in the sweet spot - not too hot (would delay cuts) nor too cold (would signal recession). The minutes will show if the Fed views this as proof the labor market is 'normalizing' (dovish) or 'resilient' (hawkish).

DRIVER #4: GROWTH - Upgraded to 'Solid'

The Fed upgraded its growth outlook from 'moderate' to 'solid' at the January meeting. Friday's Q4 GDP data (expected ~2.5-3%) will either confirm this optimism or challenge it. Growth too strong = less need for cuts. Growth weakening = cuts come sooner.

5. PROFESSIONAL ANALYST TAKEAWAY

The Setup Going Into 2pm

Markets have repriced significantly in just one week. Last Wednesday, 83% odds of a June cut. Today, July is the consensus. This shift happened because Friday's strong NFP data made traders question whether the economy needs cuts at all.

Three Possible Outcomes:

- 1. Dovish surprise (30% probability):** Minutes reveal the 10 who voted to hold were actually split 6-4, with significant dissent. June cut odds jump back to 70%+. Rate-sensitive sectors (REITs, utilities, homebuilders) rally 2-3%. 10-year yield falls to 3.95%.
- 2. Neutral/as-expected (50% probability):** Minutes show cautious optimism, data-dependent approach, no urgency but open to cutting if data supports. Markets drift slightly higher. Status quo maintained.
- 3. Hawkish surprise (20% probability):** Minutes emphasize 'no rush,' concerns about re-igniting inflation, dismissal of labor market weakness. July cut odds fall, August becomes possible. Tech selloff resumes, 2-year yield spikes to 3.80%+.

The PANW Lesson Applied to the Fed

Just like PANW's past quarter didn't matter (guidance did), the January meeting decision doesn't matter as much as the TRAJECTORY. If the minutes show the Fed moving TOWARD cuts (even if they didn't cut yet), that's bullish. If they show the Fed moving AWAY from cuts, that's bearish. Watch for direction, not current position.

What I'm Watching Most Closely

The dissent rationale. If Waller and Miran made a compelling data-driven case for cutting, and the minutes show other members acknowledging those points (even if disagreeing), that's a leading indicator. It means next meeting, if data cooperates, the 10-2 could flip to 8-4 or even 7-5 in favor of a cut.

6. TODAY'S HOMEWORK - REAL-TIME FED MINUTES

Exercise 1 - Pre-2pm Prediction

Before 2pm, write down your predictions: If minutes are dovish, what happens to (1) 2-year yield, (2) S&P; 500, (3) Dollar? Make SPECIFIC predictions (e.g., '2-year falls to 3.55%' not just 'yields fall'). Then watch the first 60 seconds after 2pm and compare.

Exercise 2 - Algorithmic vs Human Reaction

Watch the first 2 minutes (algorithmic reaction) vs minutes 2-10 (human traders digesting). Do they agree? Often algos overreact initially, then humans correct. Note if there's a 'snap-back' after the initial move. This teaches you when to fade the initial reaction.

Exercise 3 - Apply the PANW Lesson: Tonight, find one other stock that reported earnings this week. Read ONLY the guidance section of their press release. Before looking at the stock price reaction, predict: did it go up or down? Then check. This reinforces that guidance > results.

Sources: Bloomberg, CNBC, Financial Times, Federal Reserve, CME FedWatch, Trading Economics, Charles Schwab

Compiled: Wednesday, February 18, 2026, 7:00 AM ET | **Next Briefing:** Thursday, February 19, 2026 (Post-Minutes Analysis + Walmart Earnings)

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