

WEEKLY MARKET COMMENTS – MARCH 2, 2026 - EXTERNAL

U.S. stocks sank Friday as the market kept punishing companies that could become losers in the AI revolution. A 15% tariffs by the administration also hurt the market, while oil prices climbed with worries about what has now become tensions after the U.S. and Israel started a war with Iran.

Before the war, the main focus for the week was the report on earnings from market leader NVDA. It sounded like the meeting in 1776 in Philadelphia to draft the U.S. Constitution with everyone cheering for a successful outcome.

But the stock collapsed by more than 9% on the final two days of the week and unfortunately since October it has moved sideways, down about 1% while the S&P is up by 3.3% during that time.

Everyone in the world was called out to justify higher prices including the C.E.O. of the firm in addition to huge numbers of analysts and other experts saying that the stock is going to go higher after the release of what sounded like great numbers from the report. Anthropic announced a series of changes that implied that business software would be replaced.

I also strongly recommended selling very high-priced calls ahead of Wednesday night's report and for instance the 120 call was selling for as high as over \$300, and this along with all others above the closing price on Friday of 177 went out worthless for those who bought them and nice profits for those who sold then as I had strongly recommended.

The Dow finished its worst week since November 21st but did eke out a 10th straight monthly gain while the S&P ended its worst week since April while the Nasdaq unfortunately put in its worst weekly showing since March 2025.

The S&P dropped by 30 to 6879, the Dow skidded by 521 to 48,978 while the Nasdaq gave back 210 to 22,668.

The losses came as investors returned to knocking down software companies and other businesses they suspect could get supplanted by AI-powered competitors.

Block (symbol XYZ), the company behind Cash App, Square and other businesses, gave a signal of what AI can do by cutting its workforce by nearly half. That's even though the company said 2025 was a strong year for it by sending more cash to shareholders through stock buybacks.

The co-founder of Twitter who now runs XYZ said, "I don't think we're early to this realization. I think most companies are late. Within the next year, I believe the majority of companies will reach the same conclusion and make similar structural changes."

Block is cutting more than 4,000 jobs from its workforce of over 10,000. Its stock jumped 16.8% after making the announcement, while announcing its latest quarterly results.

Capable AI tools that can replace humans could perhaps replace entire companies, or at least eat away at their profit margins. Fears about AI disruption have caused sudden and swift sell-offs for stocks seen as potentially under threat, and they've rolled through industries as different as trucking logistics and legal services.

CRM, a Dow component, whose platform helps customers manage their relationships with clients, fell 2.3%. It gave back much of its 4% gain from the day before after reporting a better profit than analysts expected.

Rival chip companies also fell. Worries are hurting such companies not only about whether their stock prices rose too high in recent years but also whether the huge spending driving their growth can continue. Can big spenders like AMZN and GOOG make back all their billions of dollars in AI investments through higher productivity and profits in the future?

On the winning side was NFLX, which climbed 13.8% after canceling its bid to buy WDB Discovery's studio and streaming business. That put Skydance-owned Paramount in a position to take over its Hollywood rival. PSKY shares jumped 20.8%, while WDB fell 2.2%.

Some of the strongest action was for oil, where the price for a barrel of benchmark U.S. crude rose 2.8% to settle at \$67.02. It's the latest swing what took place in the war between the U.S. and Israel over Iran's nuclear program and we shall see what happens here this week if the conflict continues.

Also hurting the broad market was a report showing that inflation at the U.S. wholesale level was at 2.9% last month, much higher than the 1.6% that economists expected.

That could pressure the Federal Reserve to continue to hold off on further cuts to interest rates. Lower rates would give the economy and prices for investments a boost, but they risk worsening inflation at the same time.

In the bond market, the yield on the 10-year Treasury sank to 3.96%. It briefly swiveled higher following the inflation report, but it's down from its 4.02% level late Thursday. Treasury yields often fall when nervousness is high and investors are moving into investments that are considered safer.

Earnings this week will see: today – AZO, BBY and CRWD, Wednesday – ANF, AVGO and OKTA; Thursday – CIEN, COST, GPS and BURL.

Economic reports will have: Friday – February non-farms payroll report and the unemployment rate. The gain is expected to be 60,000 versus 130,000 the prior month while the jobless rate is projected to stay the same at 4.3%.

WEEKLY MARKET COMMENTS – March 2, 2026 – EXTERNAL – DONALD M. SELKIN – Chief Market Strategist