Richard Rose Wealth Management February 9, 2026

WEEKLY COMMENTARY **Richard Rose AIF®**

Good morning,

What's in this week's Report:

- Can the Market Hold Up Despite Tech Weakness?
- Weekly Market Preview: Does Tech (and especially software) stabilize?
- Weekly Economic Cheat Sheet: An Important Week for Growth and Inflation

Futures are modestly lower as markets digest Friday's big rally following a generally quiet weekend of news.

Politically, Japan's LDP party won a landslide victory, increasing stimulus expectations. But, positively, the yen and Japanese government bonds are stable as the results largely met expectations.

There were no notable economic reports overnight.

This week is a busy and important one from an economic data standpoint, but it starts quietly, with no notable economic reports today.

On the Fed front, there are two speakers today, Bostic (10:50 a.m. ET) and Waller (3:15 p.m. ET) and some earnings (CLF ($-0.62), APO ($1.91), ON ($0.62) but barring any surprises, they shouldn't move markets.

Market	Level	Change	% Change
S&P 500 Futures	6,950.50	-2.25	-0.03%
U.S. Dollar (DXY)	97.07	-0.56	-0.57%
Gold	5,033.44	53.64	1.07%
WTI	63.59	0.04	0.06%
10 Year	4.233%	0.030	0.71%

Stocks

Last Week (Needed Context as We Start a New Week)

Equities were volatile last week as the Warsh nomination continued to be digested amidst suddenly deteriorating U.S. labor market data, ongoing AI-investment skepticism and a fluid geopolitical backdrop. The S&P recovered from early week losses to end Friday with a modest weekly decline of 0.09%).

Equities gapped lower at the open Monday as traders continued to assess Warsh's Fed chair nomination amid disappointing Chinese PMI data and further volatility in the precious metals market. A strong ISM print renewed optimism for a successful NVDA-OpenAI deal, and improving prospects that a stopgap funding bill would be passed to reopen the government helped the market turn higher. The S&P 500 closed up 0.54%.

Selling pressure started to pick up in earnest on Tuesday as AI-systems developer Anthropic rolled out "Claude Cowork," a new AI agent capable of completing complex tasks across corporate capacities, which roiled software and services sector stocks over the course of the day. Rumors of political gridlock on Capitol Hill over the stopgap bill and geopolitical escalations between the U.S. and Iran added to selling pressure, and the S&P 500 ended the day down 0.84%.

Equities were flat to slightly higher on Wednesday thanks to a dovish market reaction to the soft January ADP report. However, a "warm" ISM Services release tempered the dovish optimism, while guidance from AMD and PLTR failed to impress investors, with their shares falling 17.3% and 11.6% on the day. The market came off its lows after Trump said Warsh will likely cut rates as Fed chair, but the S&P 500 still ended down 0.51%.

Stocks extended the week's decline on Thursday, with the S&P 500 notably falling to YTD intraday lows, as earnings and guidance from tech giants GOOGL and QCOM left investors unimpressed. Then multiple U.S. labor market releases badly missed estimates, rekindling worries about economic growth and potential recession risks. The S&P 500 closed down 1.23%, barely avoiding a new YTD settlement low.

Markets flipped "risk on" in a meaningful way on Friday as the tech rout was seen as overdone coming into the session, while AMZN announced $200B AI capex plans for 2026 and NVDA's CEO noted AI technology demand is "through the roof." The rally accelerated meaningfully on the back of a solid Consumer Sentiment headline and a 0.5% drop in 1-Yr ahead inflation expectations mid-morning. It continued higher as the Fed's Daly hinted at multiple 2026 rate cuts. The S&P 500 maintained a bid into the close, up 1.97%.

<u>Can The Market Hold Up Despite Tech Weakness?</u>

The "rest of the market" was very resilient last week amid intense tech weakness, as the Nasdaq fell 2%, yet the S&P 500 slipped only 0.10% thanks to the strong performance of the rest of the market. To that point, the equal-weight S&P 500 ETF (RSP) rose 2.11% and, more granularly, eight of the 11 sector SPDRs were higher last week!

Looking forward, the key is whether the rest of the market can hold up despite tech weakness and we addressed this point back in mid-November and identified the key variable that history implies will decide if that answer is "yes," the rest of the market can hold up, or "no," it can't. Below is an excerpt from my Nov. 17 *Weekly Commentary*:

<u>Can the Rest of the Market Rally If Tech is Weak?</u>

History suggests it's unlikely, but it is possible. Over the past three years, the Nasdaq has declined by more than 10% on three occasions for extended periods (which I define as a few weeks). Essentially, these have been the three pullbacks/corrections in the robust tech bull market.

In two of those instances, July 2023-October 2023, and February of this year until April, the rest of the market did not hold up when tech fell. In both instances, the QQQs fell 10.5% and 23%, respectively, while the equal-weight S&P 500 ETF (RSP) declined 13.2% and 16.4%. Point being, diversifying away to the rest of the market didn't really matter.

However, there is one instance, from early July 2024 to early August 2024, when the rest of the market held up. During that period, QQQ fell 12.5%, while RSP was essentially flat. In that instance, the declines in tech were driven by underwhelming Q2 earnings and broader concerns about economic growth (labor market data softened, and inflation rose). That stagflation environment hit the most expensive/highest flyers the hardest, while more value-oriented sectors held up and offered significant outperformance.

Economic Data (What You Need to Know in Plain English)

Last Week

For the first time in 2026, some economic data last week provided a bit of a negative surprise, as the labor market data we received was universally disappointing and contributed to the decline in stocks on Thursday, although it wasn't bad enough to increase concerns about the economy.

First, we did not receive the January jobs report last Friday due to the short government shutdown; it will now be released on Wednesday. However, we did get several other labor market indicators, and they were all soft.

Thursday contained three disappointing labor market numbers. First, JOLTS (Job Openings and Labor Market Turnover Survey) fell to 6.54 million vs. (E) 7.25 million. That's the lowest job openings reading since December 2020! Fewer job openings mean a potentially deteriorating labor market, and while 6.5 million isn't a "bad" number in an absolute sense (it'd really need to head under 6 million to be a negative signal), JOLTS are clearly trending lower, and that's not a good sign if it continues.

Second, jobless claims jumped to 231k vs. (E) 212k, which is a one-month high. Again, claims at 231k aren't "bad" in an absolute sense, and that's not a number that should make anyone worried about the labor market deteriorating. However, it's still a one-month high and if those numbers continue to rise towards 260k or higher, that will be a negative signal on the labor market.

Third, the Challenger survey showed a huge jump in layoffs, rising to 108k from 35k in December. That's the biggest jump since 2009 (the depths of the financial crisis), and while that number was skewed by 30k layoffs at UPS and substantial technology-sector layoffs, the bottom line is that it's clearly more than expected. Again, one number doesn't signal trouble, but if it continues to be high, that will be a negative signal.

Finally, the monthly ADP jobs report showed just 22k jobs added vs. (E) 45k. Again, that's not a negative number, but it is worse than expected. While it doesn't signal trouble in the labor market, it's still somewhat uncomfortably close to zero (and a few months of negative readings would be a negative signal).

The labor market data wasn't bad last week, but it was softer than expected. That does not mean the labor market is contracting or that it's a threat to growth, but it was a negative surprise. We will want to see this week's January jobs report show stabilization in the labor market because sudden concerns about the labor market would add downward pressure to stocks.

Looking at the growth data last week, positively it was better than expected. The ISM Manufacturing PMI was the best report of the week, jumping to 52.6 vs. (E) 48.5. Details were also strong, as New Orders, the leading indicator in the report, surged to 57.1 from 47.4, while Prices were stable (59.0 vs. (E) 59.3). The services PMI also beat estimates at 53.8 vs. (E) 53.5. The details were a bit mixed, as New Orders slipped to 53.1 vs. (E) 55.0 and employment fell towards 50 (50.3 vs. (E) 52.3). However, like the employment data last week, the ISM Services PMI reading wasn't bad, and it shouldn't make anyone nervous on growth. The key for those PMIs is that neither drops below 50.0.

On balance, the economic data last week stayed Goldilocks, but the labor market data was underwhelming, which puts more focus on this week's delayed jobs report. If it's weak, anxiety about the labor market will rise, and that isn't what this market needs.

Important Economic Data This Week

This will be another busy week on the economic front, as we get an important, unscheduled update on the labor market, along with regular updates on inflation and consumer spending. For each report, a Goldilocks outcome that implies solid growth and stable price pressures is the best case for this market, as Goldilocks data has helped support stocks YTD (the recent declines would be much, much worse if people got nervous about growth, and we got a hint of that last Thursday).

The key report this week is Wednesday's jobs report, which is a delayed release due to last week's brief government shutdown. Following the universally disappointing labor market data from last week, investors will want to see a solid number on Wednesday (along with no real rise in the unemployment rate) to push back on any labor market concerns.

The second-most-important report this week comes on Friday, with the December CPI report. Inflation isn't getting as much attention as growth data recently, but it still matters: if CPI is firmer than expected, it will push back on rate-cut expectations. Remember, for all the Fed drama recently, the market is still expecting at least one rate cut this year (and probably two), and if that changes because inflation firms, it'll introduce a new negative to this market.

Finally, the third important report this week comes tomorrow via December Retail Sales. Consumer spending is the engine of growth for the U.S. economy. Despite sticky inflation and affordability concerns, consumer spending has remained remarkably robust, and it needs to stay that way. Again, solid growth has been an important, if unsung, support for this market, and if retail sales cast doubt on the strength of the consumer, we should expect volatility to increase.

Bottom line, economic data has been almost perfectly Goldilocks since the government reopened in late November and that needs to continue to help stocks weather rising AI skepticism.

Special Reports and Editorial

Is AI Enthusiasm Starting to Wane?

AI skepticism is suddenly on the rise in the markets, evidenced by last week's drop in the tech-heavy Nasdaq, as dual worries about AI weighed on the major indices. Two specific events pressured tech stocks and the S&P 500 last week, and each of them addressed investor concerns about AI. First, the Software-as-a-Service (SaaS) sector saw intense selling following a potentially disruptive update to Claude AI.

Second, the relationship between Nvidia (NVDA) and OpenAI appeared to fray a bit, reviving concerns about how OpenAI will fund the $1 trillion-plus in spending commitments it has made for the coming years. Both events hit specific parts of tech, but they also reminded investors of broader concerns about AI profitability, which led to heavy selling across tech and, for a bit of the day, weighed down the entire market.

Negative Influence 1: Will AI Disrupt Big Parts of Tech? The Software-as-a-Service sector has been under pressure for months on concerns that AI will basically replace them at a much lower cost. Those fears were compounded last week following an update from Claude AI (which is run by Anthropic).

Recently, Claude introduced "Claude Cowork," which is basically an AI platform to help businesses coordinate tasks that AI could theoretically handle for them. Specifically, tasks such as document review, sales and marketing automation and insights, drafting emails/documents, and HR duties such as continuing education, etc. The idea was that Claude would then create "apps" to address different needs in the business, and, with Claude Cowork, they'd all "talk" to each other, providing massive cost savings and efficiency.

Claude then introduced "Claude Legal," the first potentially disruptive app to exit Cowork, and the impact was immediate. Companies that focus on legal research in the U.S. and EU were hit very hard, including familiar names such as LegalZoom (LZ down nearly 20% this past Tuesday), FactSet, and Thomson Reuters. The immediate concern is that companies that provide legal database access will see demand drop, as Claude replaces much of that work at a much lower price.

But the reason that Claude Legal pressured the SAAS names more broadly wasn't because of legal concerns (there aren't that many publicly traded legal database companies). Instead, it's because markets fear Claude Legal is just the first disruptive application, and it will be followed by things like Claude CRM (bad for Salesforce), Claude HR (bad for Workday) and Claude Sales and Marketing (bad for Salesforce), and bad for integration platforms (Service Now). To that point, CRM, WDAY and NOW all fell between 6% and 8%.

Here's why this is a bigger concern. If AI begins to render entire sectors of tech obsolete, that is a problem for the Nasdaq and the S&P 500, and that loss of earnings could offset AI efficiency gains in the short and medium term. Software is a major subsector of the Information Technology sector (accounting for more than 40% of the sector). If AI starts to make large parts of it irrelevant (which isn't happening overnight, but it's a risk), that will be negative for the broader markets simply because of the sheer size of these companies. Essentially, Claude Cowork and Claude Legal pose a risk to large, existing companies and that possibility weighed on those stocks and the entire tech sector, which then pulled the S&P 500 lower. If AI blows up large market sectors, it won't be good for the S&P 500.

Negative Influence 2: More Worries About OpenAI. There were reports of a potential rift between OpenAI and one of its bigger potential investors, Nvidia (NVDA) last Tuesday. Specifically, the *Wall Street Journal* reported that a $100 billion infrastructure deal between Nvidia and OpenAI, where NVDA would fund OpenAI with up to $100 billion to build data centers and other AI infrastructure, has "stalled." NVDA refuted the report, and the agreement stated that NVDA had until the second half of 2026 to fund the deal. So, reports of the rift could be premature. However, that was enough to pressure stocks closely linked to OpenAI (NVDA, MSFT and ORCL all down ~3%).

Here's why this is a bigger concern. One of the biggest unknowns regarding AI is where the money will come from to cover the $1 trillion in spending commitments made by OpenAI, given that the company's revenues were around $50 billion per year. One answer to that question seems to be Nvidia, which has pledged to invest hundreds of billions in its largest customers, perhaps providing them with the capital to buy the chips and equipment needed for AI infrastructure.

If a rift is growing between OpenAI and NVDA, that eliminates one potential funding solution. Since OpenAI has pledged to buy large amounts of equipment and networking from MSFT, ORCL, and other tech companies, the prospect that OpenAI would have to cancel those orders weighed on those tech stocks on Tuesday.

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