

# Market Update

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## Market Update

The US stock market closed out February with notable declines, pressured by renewed AI volatility following Nvidia's earnings, hotter-than-expected inflation data, and broader risk-off sentiment. Major indices posted weekly losses, marking a down month for the S&P 500 and Nasdaq (their worst since March 2025), while the Dow managed a slight monthly gain.

On Friday, February 27, 2026, the S&P 500 fell 0.43% (down 29.98 points) to close at 6,878.88. The Dow Jones Industrial Average dropped 1.05% (down 521.28 points) to 48,977.92. The Nasdaq Composite declined 0.92% (down 210.17 points) to 22,668.21. The Russell 2000 fell 1.7% (down 44.93 points) to 2,632.36.

For the full week: The S&P 500 was down 0.4% (approximately 30.63 points), the Dow down 1.3% (648.05 points), and the Nasdaq down 1% (217.86 points). Sector performance showed tech and financials weakening (e.g., Information Technology down significantly amid AI fears), while defensives like utilities, consumer staples, and healthcare held up better.

Key drivers included Nvidia's strong but "disappointing" Q4 results (beat expectations but stock sank ~5-9% over two days on concerns over competitive moat, capex returns, and positioning reset), Salesforce's weak guidance, hot PPI inflation, and AI disruption fears impacting software/business models. Despite mid-week rebounds, Friday's sell-off secured February declines for S&P 500 (-0.9% monthly) and Nasdaq (-3.4% monthly), with the Dow little changed monthly.

## **Expectations for This Week (March 2-6, 2026)**

As of the morning of March 2, 2026, stock futures are sharply lower amid escalating geopolitical tensions following US/Israel military strikes on Iran over the weekend, raising fears of prolonged conflict, supply disruptions, and renewed inflation. Dow futures are down ~1.1-1.3% (over 500-600 points), S&P 500 futures down ~1.1-1.5%, and Nasdaq futures down ~1.4-1.6%.

Oil prices have surged (Brent crude up ~9% to over \$79/barrel, highest in over a year), boosting energy stocks but pressuring broader risk assets. Safe havens like gold are rising, while defense stocks gain and airlines/travel names drop sharply. The VIX has jumped to 2026 highs.

The week begins under heavy risk-off pressure, with focus on conflict developments (potential for wider regional impact, Strait of Hormuz risks) and any economic data. Volatility is expected to remain elevated, with potential for further downside if escalation continues or oil spikes sustain inflationary fears. A de-escalation or contained response could stabilize sentiment, but base case leans bearish/choppy early, with energy/defense as relative outperformers.

Overall, expectations are for significant volatility and downside bias at the open, though historical March patterns (S&P 500 averaging +1.0% with 64% gain frequency) offer some seasonal context—overridden by current geopolitics.

## **Issues Expected to Influence Market Performance in the Near Term**

Several factors are driving heightened volatility, shifting from AI/policy concerns to acute geopolitical risks.

1. **Geopolitical Escalation in the Middle East:** US/Israel strikes on Iran (entering third day) threaten oil supply disruptions (e.g., Strait of Hormuz), potentially causing 1970s-style energy shocks, higher inflation, and prolonged conflict. This has triggered sharp risk-off moves, surging oil/gold, and pressuring equities.
2. **AI Sentiment and Earnings Digestion:** Nvidia's beat failed to sustain rally due to moat/competition worries and capex sustainability; broader AI disruption fears (job losses, business model threats) weigh on tech/software, contributing to February's tech underperformance.
3. **Inflation and Fed Policy:** Hotter PPI and sticky inflation (despite prior cooling) limit rate-cut expectations; tariffs (even moderated) and energy spikes could push prices higher, pressuring growth stocks if yields rise.
4. **Tariffs and Trade Uncertainty:** Lingering effects from prior threats (e.g., global/strategic tariffs) add supply-chain/inflation risks, though some relief from court rulings; ongoing policy noise heightens caution.
5. **Economic and Sector Rotation:** Defensive sectors resilient amid growth concerns; energy/defense benefit from conflict, while cyclicals/airlines suffer. Broader rotation from mega-caps persists, but geopolitics dominates.

These issues point to elevated near-term volatility, with geopolitics as the primary driver overriding AI/economic factors.



## **Conclusion**

Last week's declines capped a choppy February dominated by AI reassessment and inflation pressures. This week's outlook is sharply cautious amid Middle East escalation, with futures signaling a weak open and oil/gold surges reflecting risk aversion. Near-term performance hinges on conflict resolution, energy market stability, and any de-escalation signals. Investors should prioritize caution, diversification into defensives/energy/safe-havens, and close monitoring of geopolitical headlines.

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