

# Making Sense

Market Update | February 2026



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Recorded on February 25, 2026

# What are we going to cover?

## 1. **Economic update:**

Growth expectations | Labor market | Policy developments | Housing outlook

## 2. **Market update:**

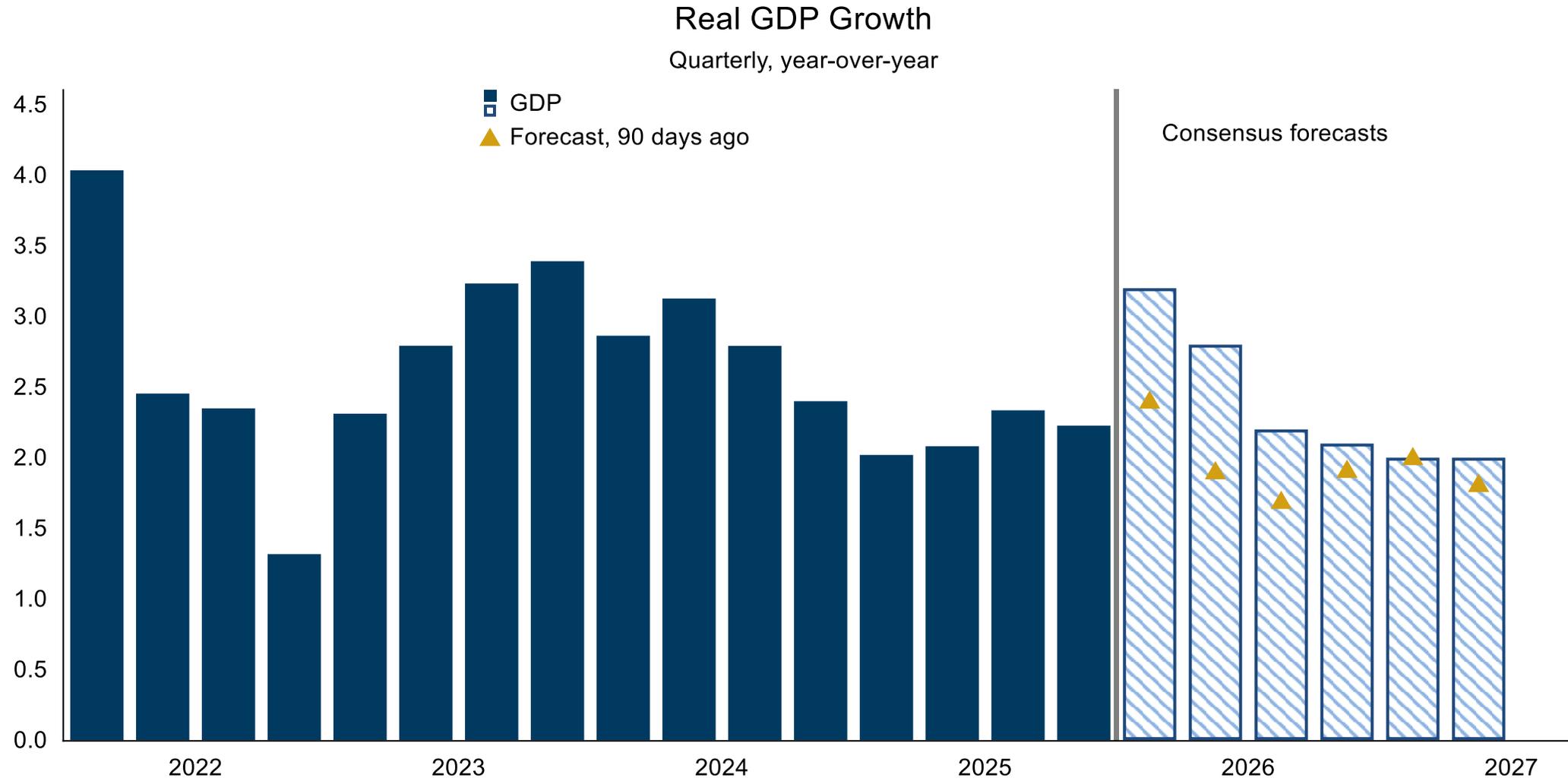
Equity markets | Artificial intelligence | Fixed income



# Economic update

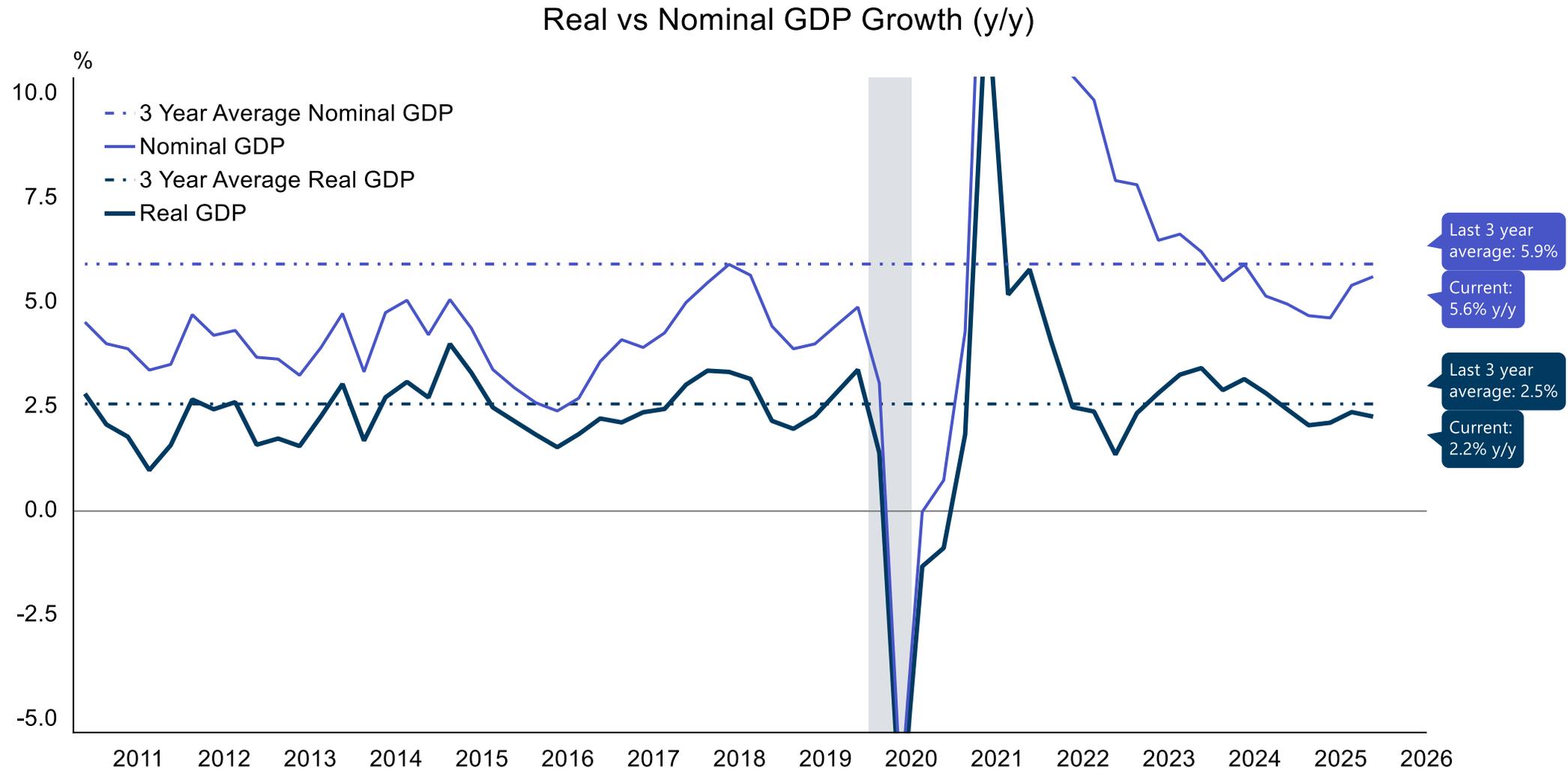


# GDP is still growing at a solid, above-trend pace



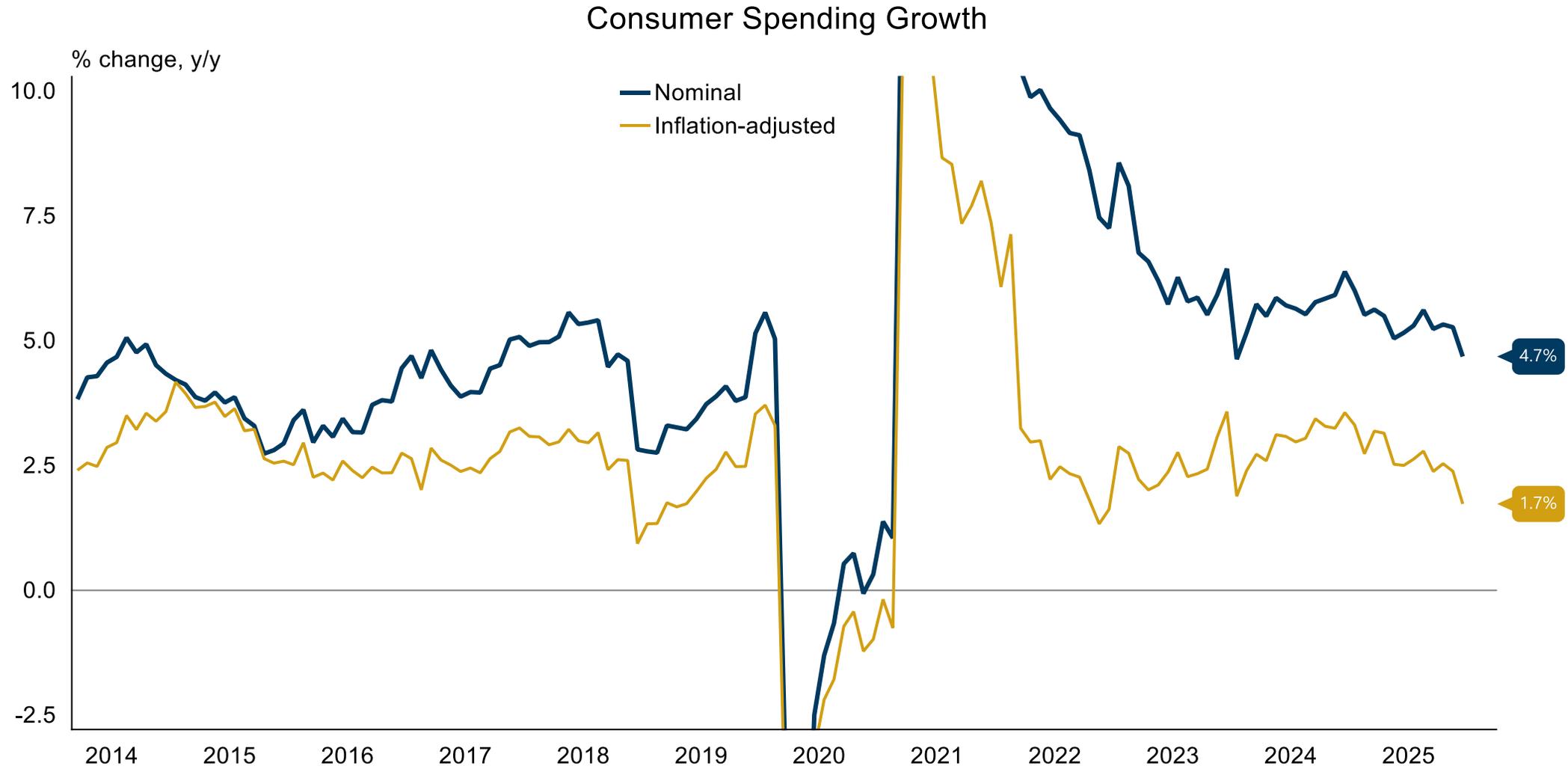
Source: U.S. Bureau of Economic Analysis (BEA), Bloomberg, First Citizens Bank  
Data as of February 23, 2026

# The economy is booming in nominal terms



Source: U.S. Bureau of Economic Analysis (BEA), First Citizens Bank  
Data as of February 20, 2026

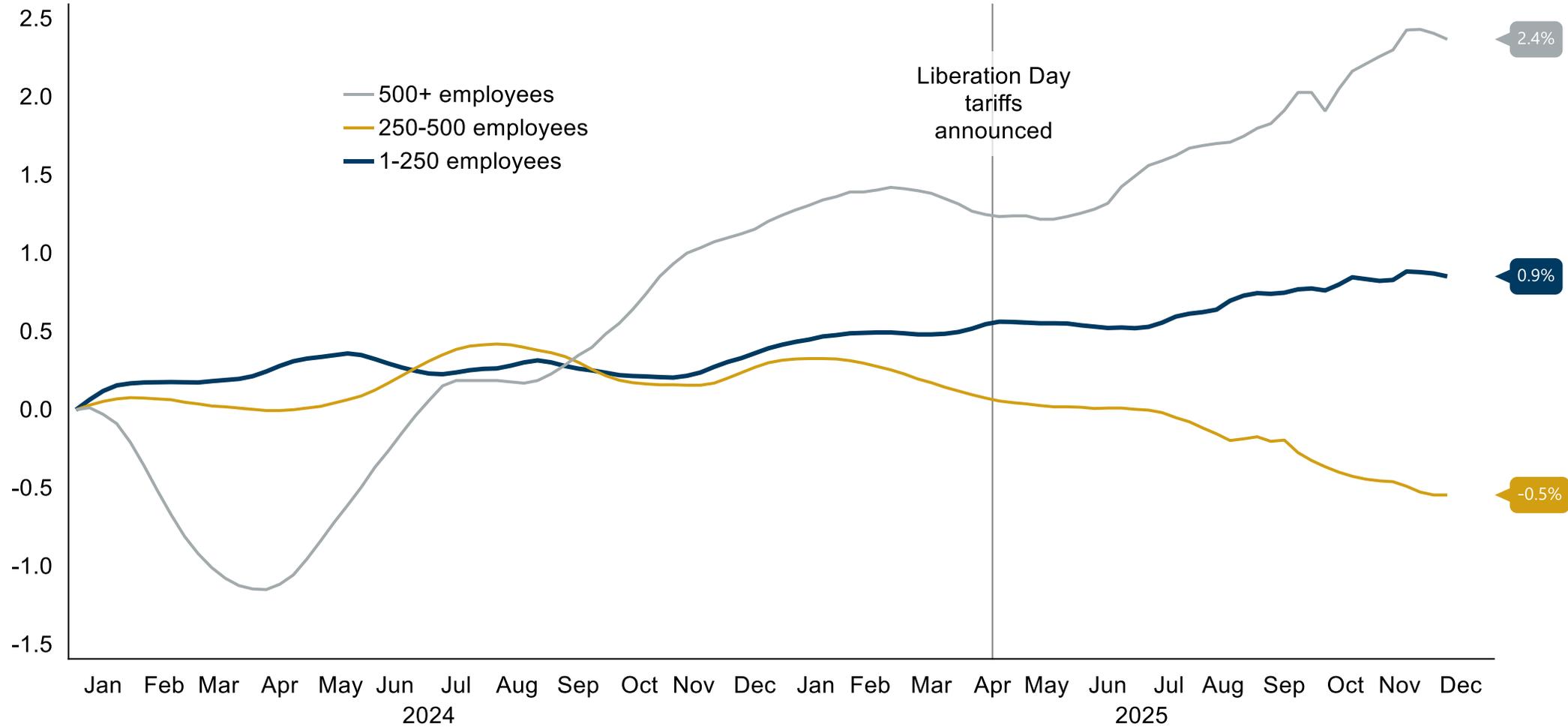
# Household spending growth has decelerated – to a still decent pace



Source: U.S. Bureau of Economic Analysis (BEA), First Citizens Bank  
Data through December 2025

# Smaller businesses are facing slower employment growth

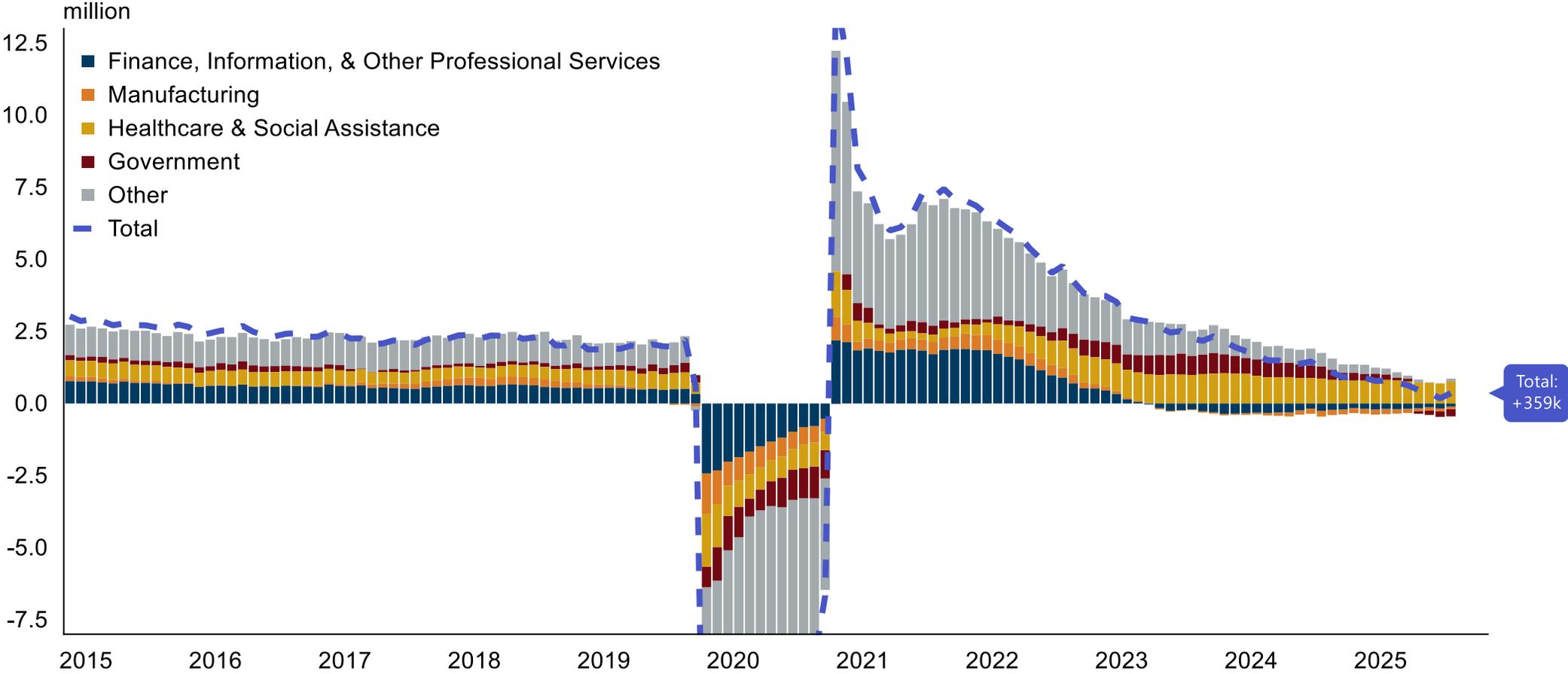
Cummulative change in employment since January 2024, by firm size



Source: Automatic Data Processing, Inc. (ADP), First Citizens Bank  
Data as of February 4, 2026

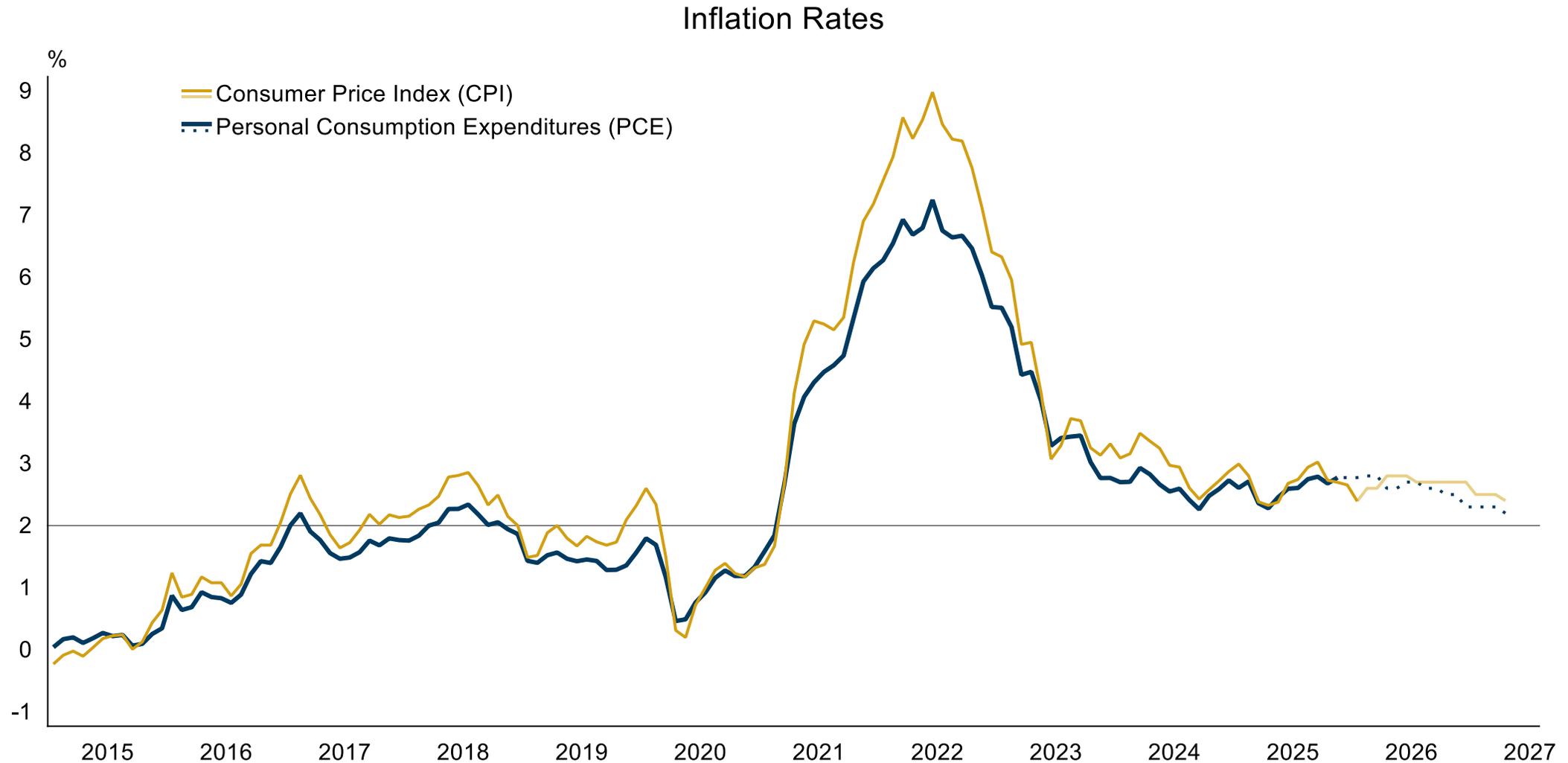
# Payroll job growth has slowed to a stall – outside of healthcare

United States, Employment, Payroll, SA  
Payroll Job Growth, 12-month rolling sum



Source: U.S. Bureau of Labor Statistics (BLS), First Citizens Bank  
Data as of February 11, 2026

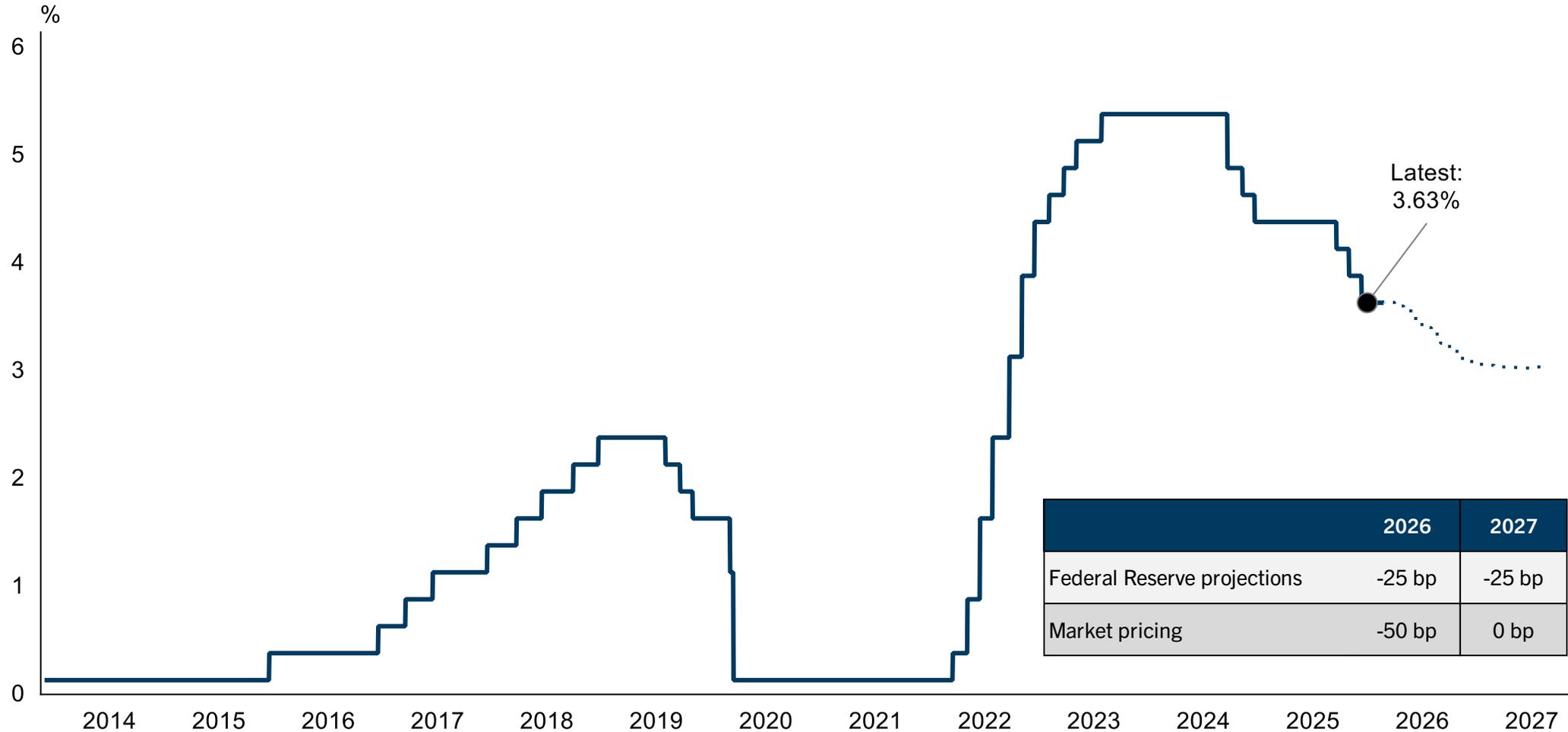
# The last mile back to 2% inflation is proving to be the hardest



Source: U.S. Bureau of Economic Analysis (BEA), U.S. Bureau of Labor Statistics (BLS), First Citizens Bank  
Data as of February 13, 2026

# Monetary easing is likely to be more modest in coming quarters

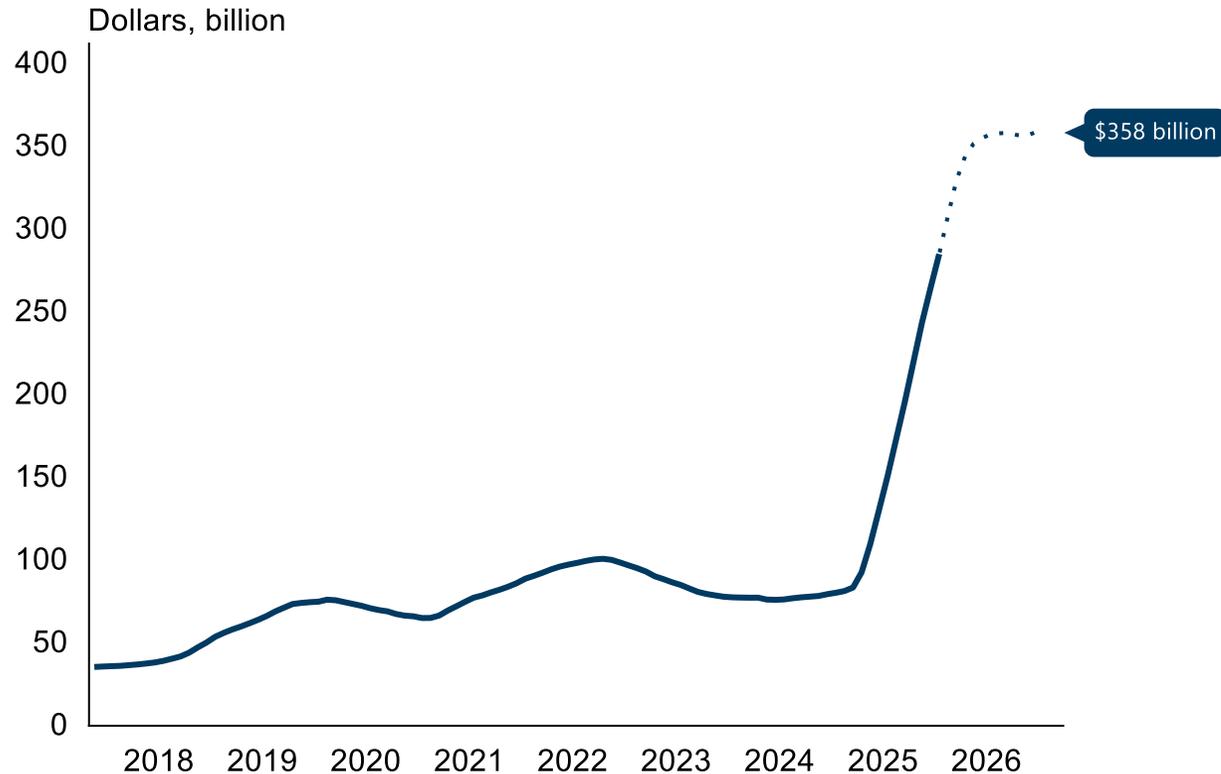
## Federal Funds Rate and Market-Implied Path



Source: Federal Reserve, First Citizens Bank  
Data as of February 22, 2026

# Tariff policy is again uncertain, but companies likely still face similar duties

US Customs Receipts: Tariff Revenue, 12-Month Rolling Sum



Source: U.S. Department of Treasury, First Citizens Bank  
Data as of February 11, 2026

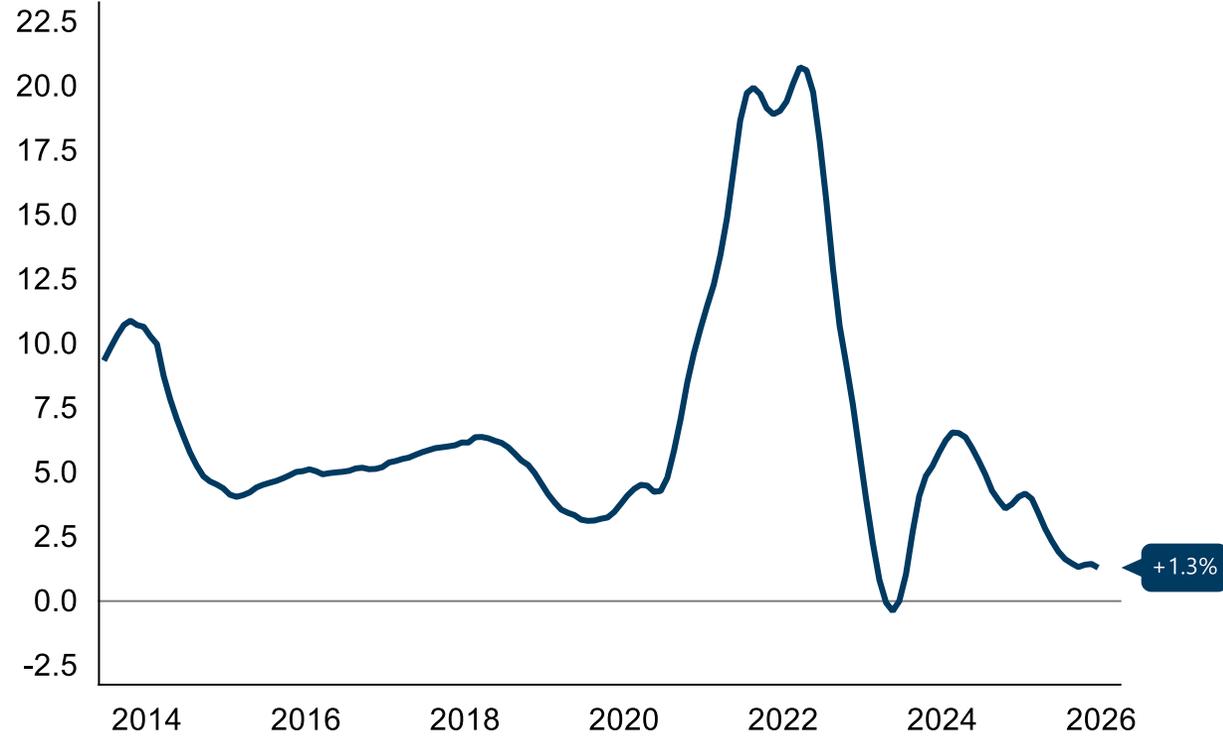
## Latest developments:

- The Supreme Court struck down about 60% of the ~\$300 billion in new tariffs enacted in early 2025.
- In response, the White House imposed a 15% across-the-board tariff using a separate executive authority, which can remain in place through late July.
- In coming weeks, the White House may announce similar tariffs using different executive trade powers.
- Around \$170 billion of tariffs collected since Q1 last year are in limbo as lower courts decide potential refund logistics.

# Home price growth has slowed, but prices are still at high levels

## Single-Family Home Price Growth

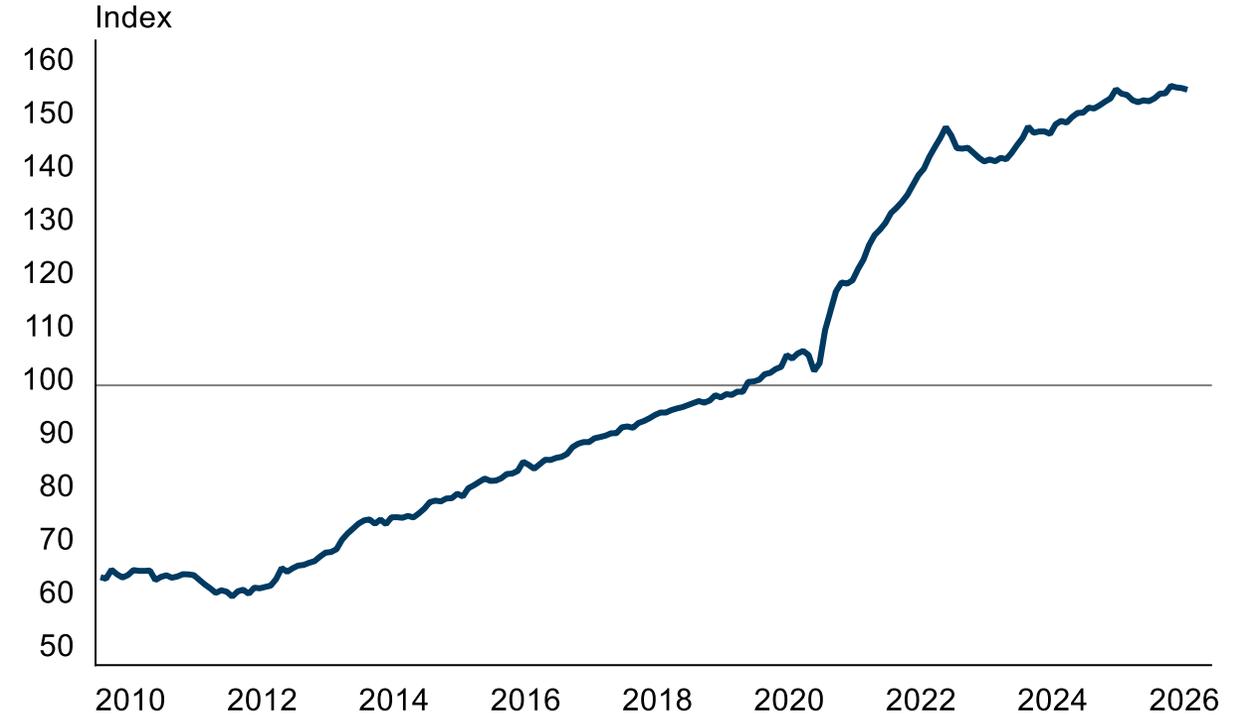
Percent, year on year



Source: S&P Global, First Citizens Bank  
Data as of December 2025

## Existing Home Sales: Median Selling Price

Index relative to 2019

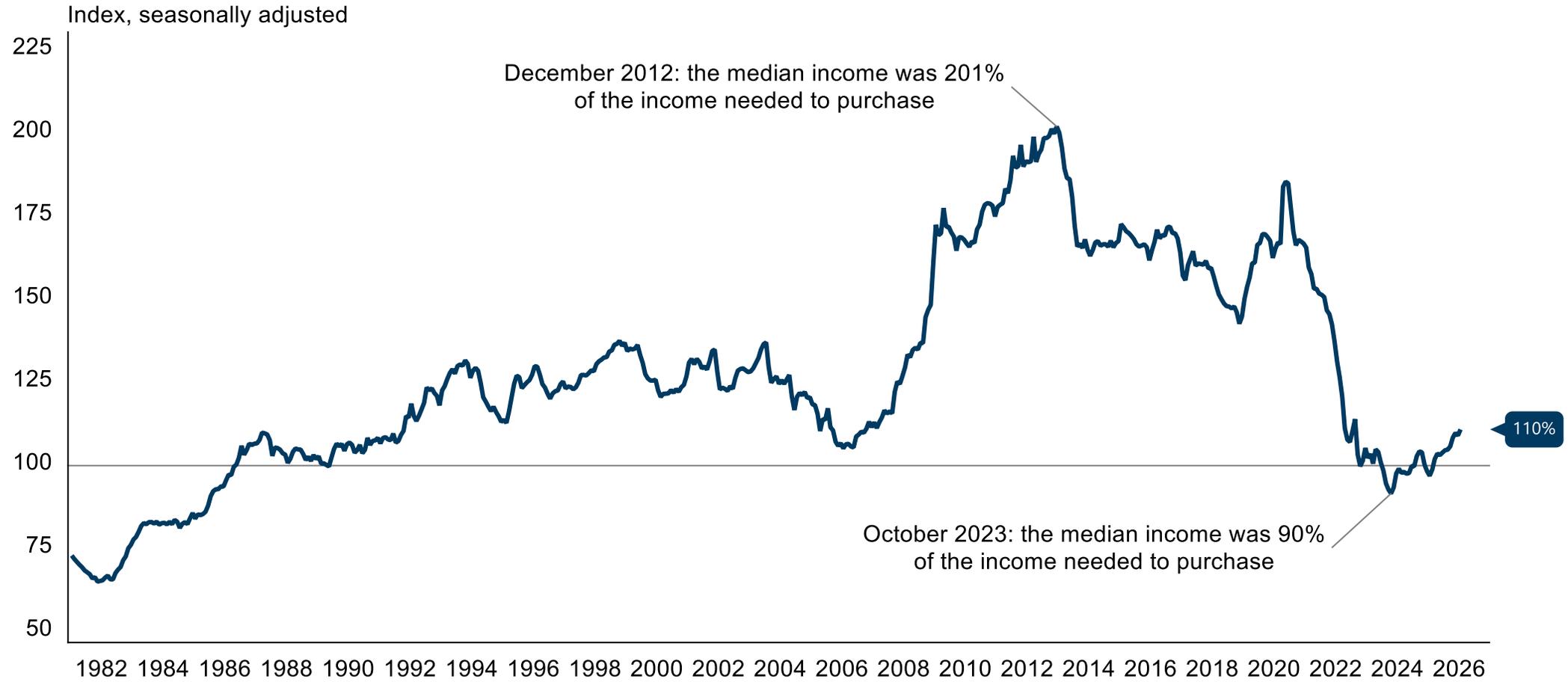


Source: National Association of Realtors (NAR), First Citizens Bank  
Data as of February 12, 2026

# Affordability is still among the lowest since the 1980s

## Housing Affordability Index

Median household income relative to qualifying income to purchase the median single-family home

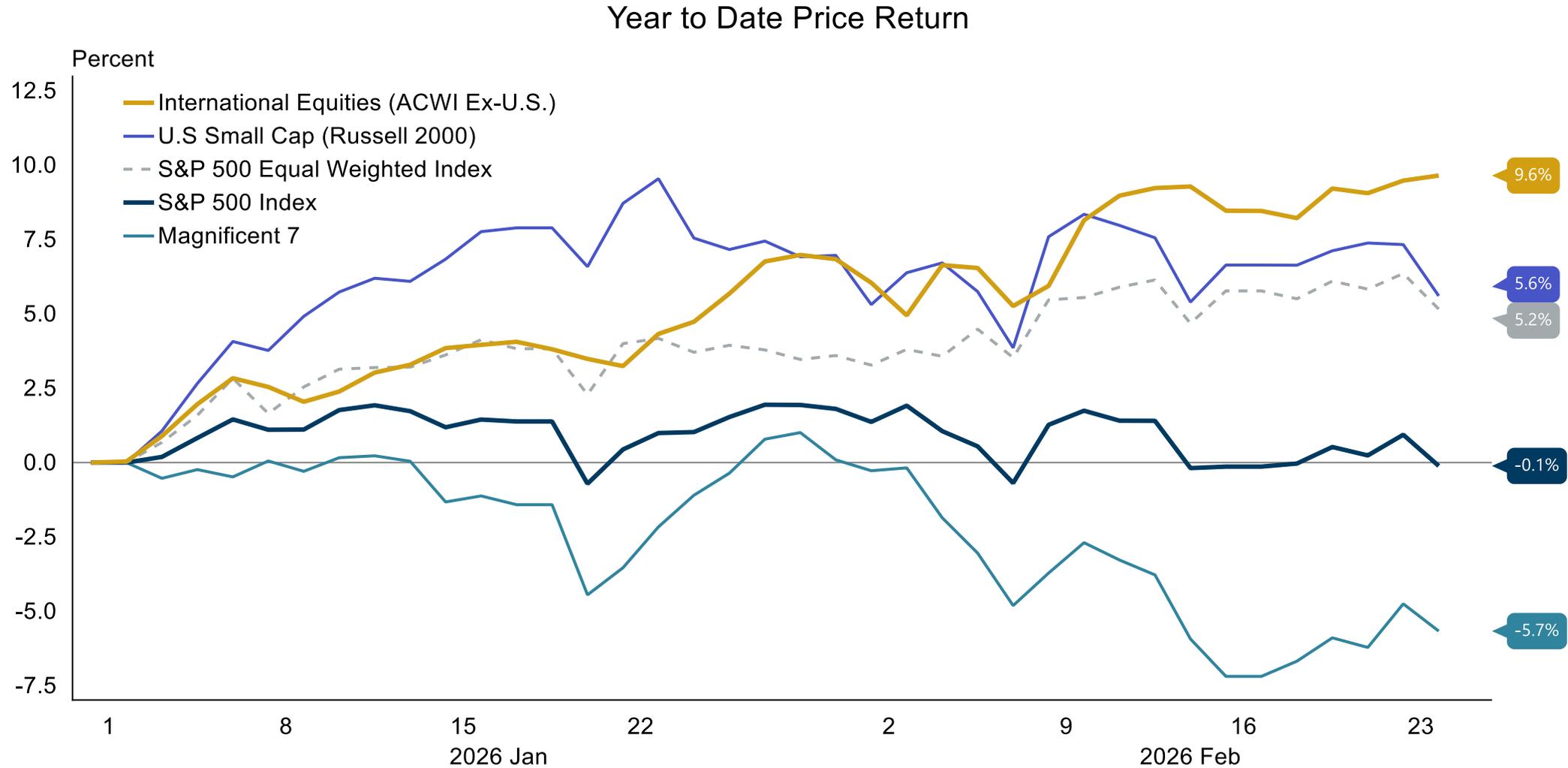


Source: National Association of Realtors (NAR), First Citizens Bank  
Data as of February 12, 2026

# Market update

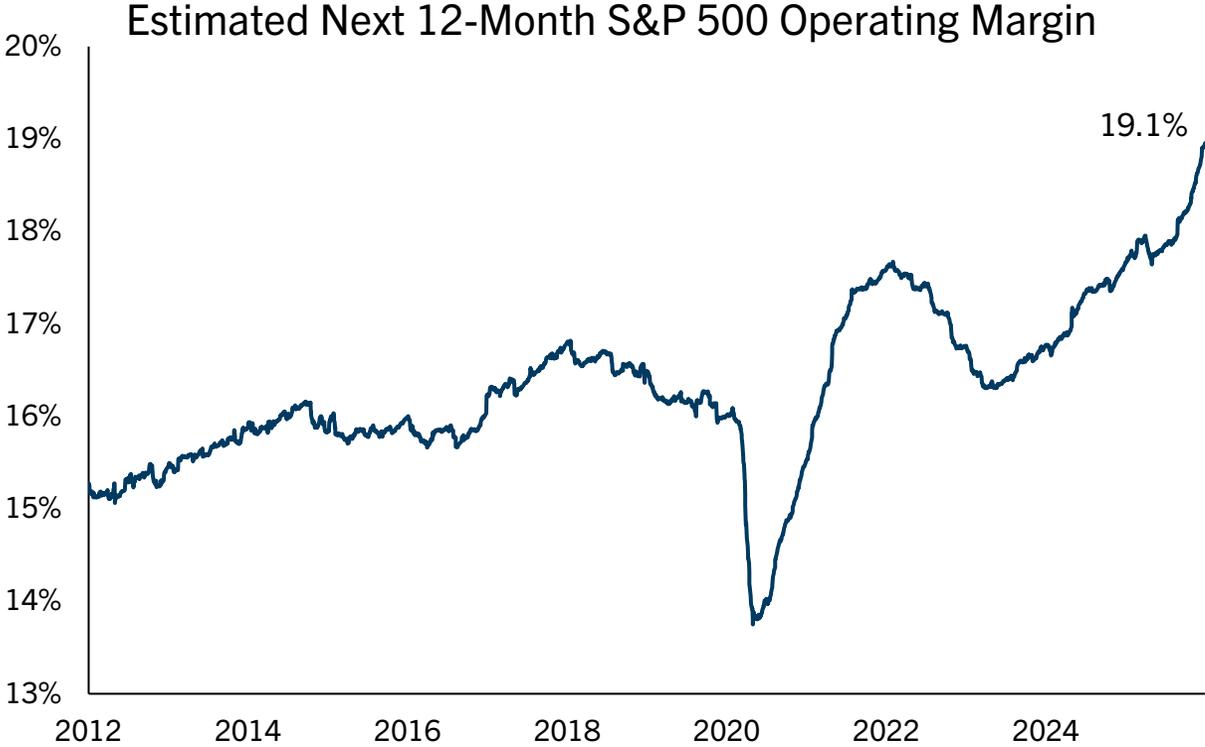


# Small cap and international equities are outperforming US large cap this year



# Estimates point to robust corporate earnings and margin growth for 2026

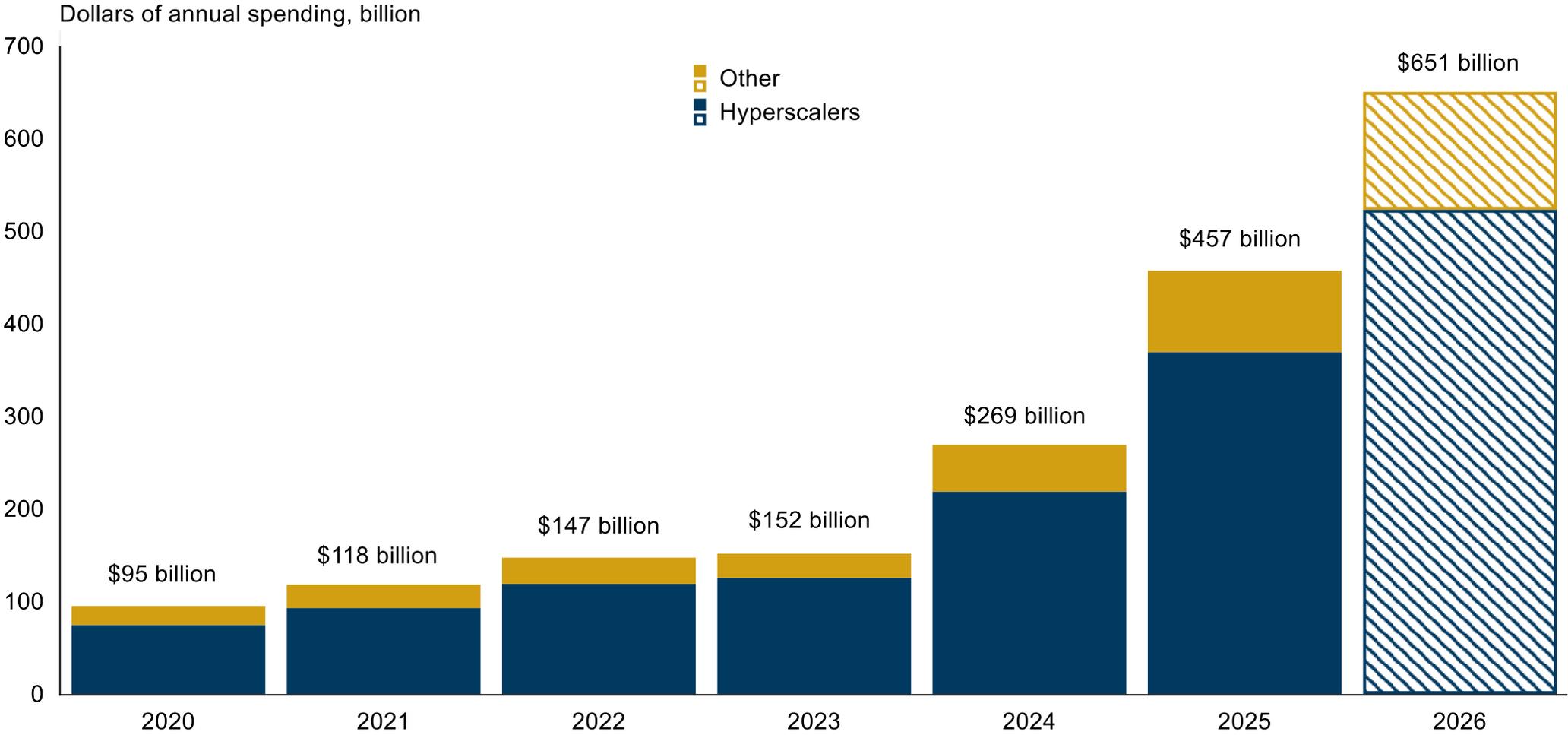
- CY 2025 estimated growth is **13.3%**  
Q4 2025 estimated growth is **13.2%**
- CY 2026 estimated growth is **14.4%**
- Average growth since 1950 is **7.6%**



Source: FactSet, Bloomberg. Data as of 2/23/2025.

# Mega cap tech companies are spending massively on AI infrastructure

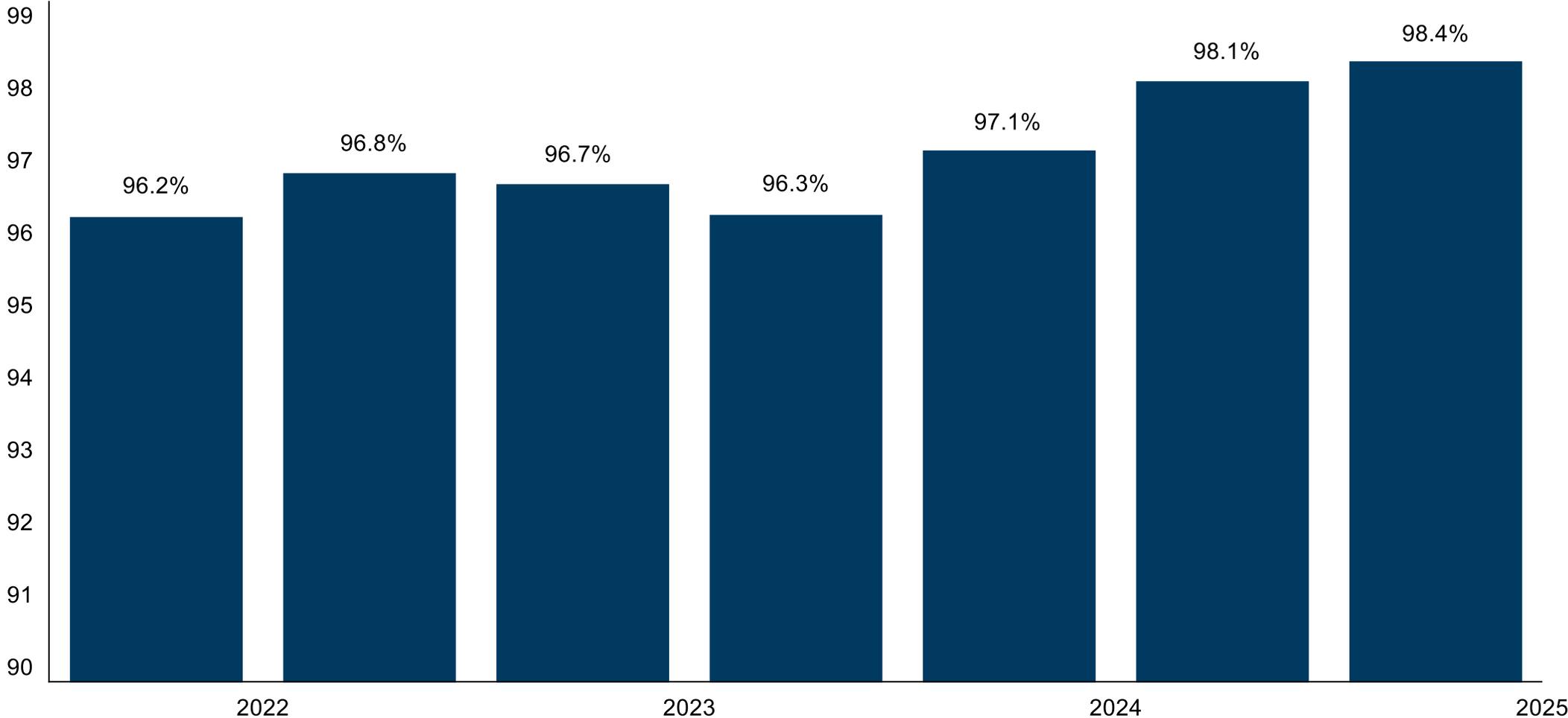
### Capex Spending on Generative AI



Source: Bloomberg  
Data as of: 1/6/2026

# Data center capacity is fully utilized, with still sizeable backlogs

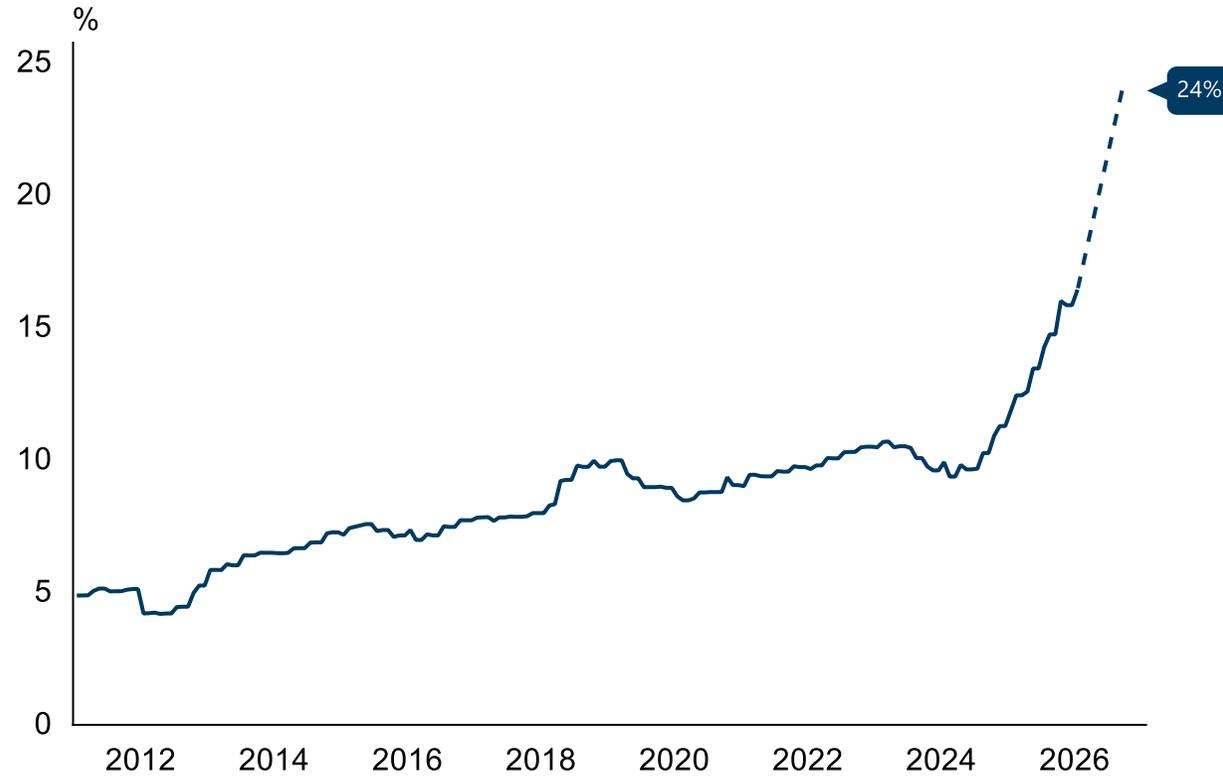
Primary Market Occupancy Rate: Data Centers



Source: CBRE, First Citizens Bank  
Data as of 9/2025

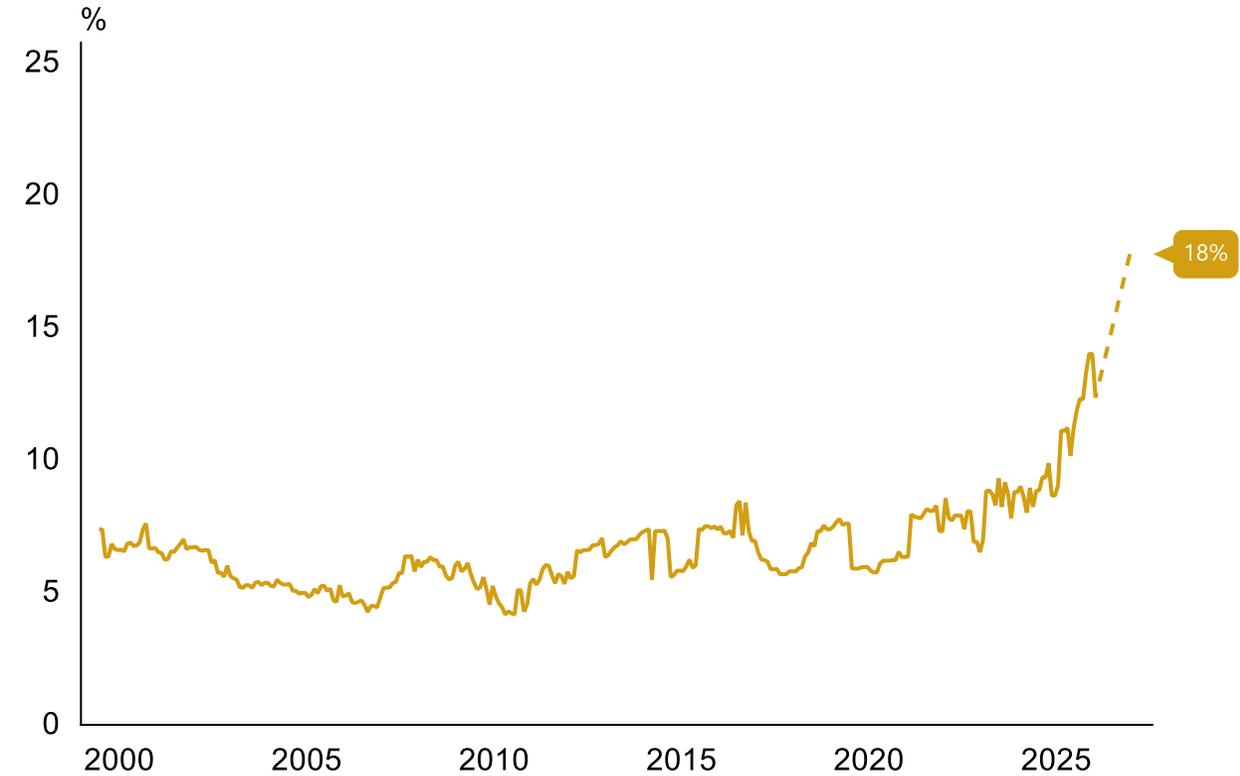
# The largest US firms are spending very large sums on capex investment

## Capex-to-Sales of Magnificent 7



Source: Trivariate Research, First Citizens Bank  
Data as of 1/2026

## Capex-to-Sales of Top 10 Equities



Source: Trivariate Research, First Citizens Bank  
Data as of 1/2026

# Price of gold over the long-term

### Gold Price (Inflation Adjusted)



Source: Bloomberg, First Citizens Bank  
Data as of 2/23/2026

# We are cautiously constructive on the S&P 500

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## Next Twelve-Month S&P 500 Price Target

	Next Twelve Months Price Level	Percent Change from 2/23/2026
Bear	5,300	-22.5%
Base	7,300	6.8%
Bull	7,900	15.5%

# Fixed income is delivering solid yields – and returns

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Fixed Income Indices		
	Yield to Worst	
	12/31/2025	Latest
Aggregate Bond	4.3%	<b>4.2%</b>
Intermediate Government/Credit	3.9%	<b>3.9%</b>
Municipal Bond	3.6%	<b>3.3%</b>
Investment Grade Corporate Bond	4.8%	<b>4.8%</b>
High Yield Corporate Bond	6.5%	<b>6.6%</b>

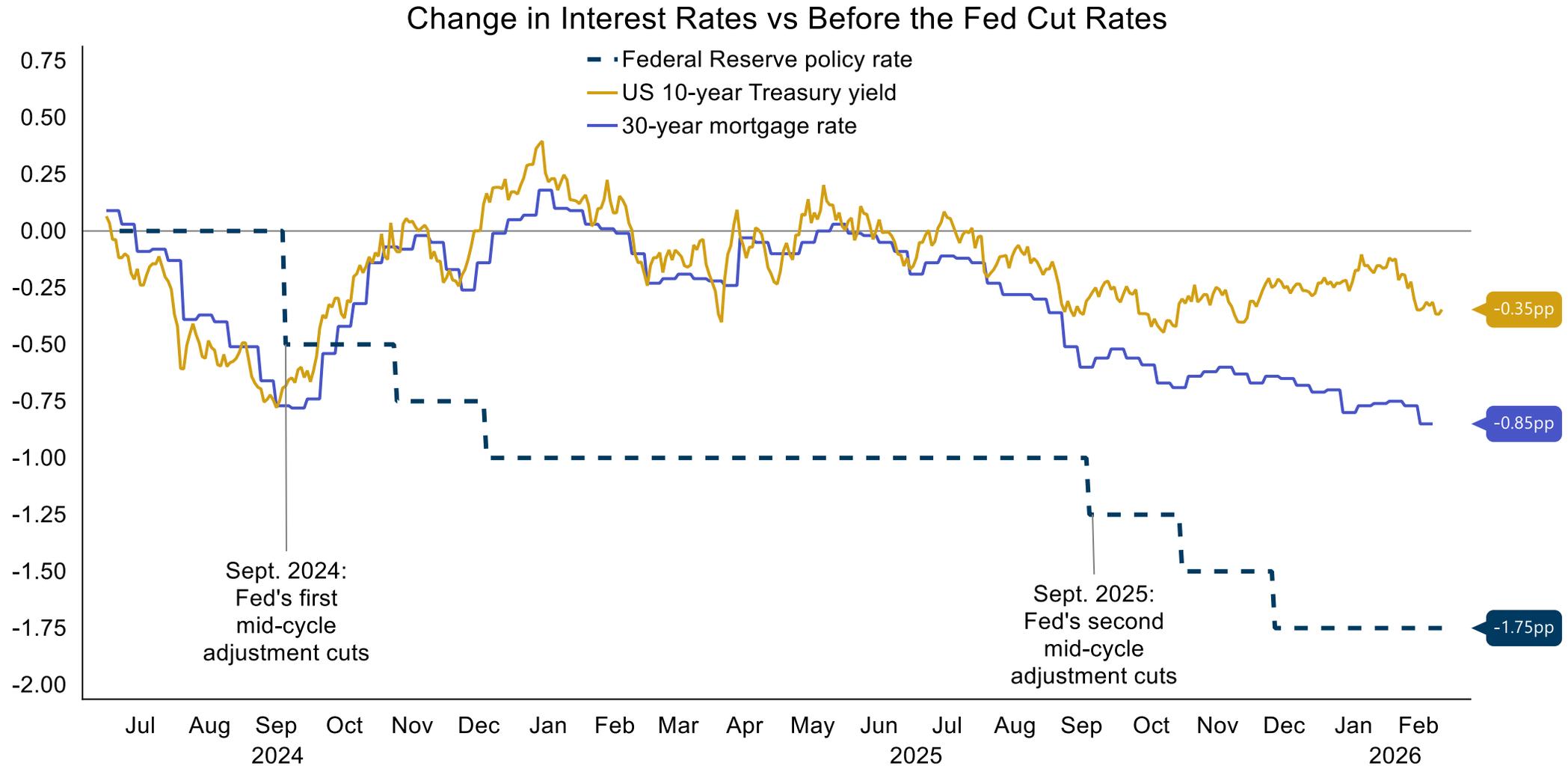
# Credit spreads remain near their tightest in years

## US Fixed Income Option-Adjusted Spreads in Basis Points



Source: Bloomberg  
Data as of: 2/25/2026

# Longer-term rates do not necessarily follow the Fed's policy changes



Source: Freddie Mac, Federal Reserve, Bloomberg First Citizens Bank  
Data as of February 24, 2026

# Making Sense

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