

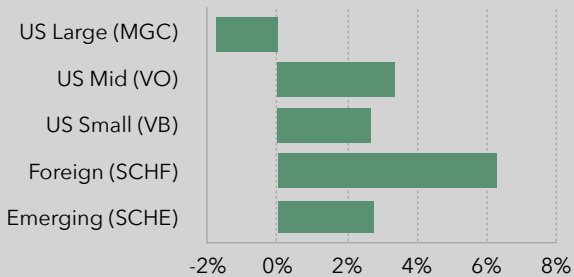
February 2026

Economic Data

- Payrolls fell by 92,000 in February and the unemployment rate edged higher to 4.4%; federal government employment is down 11% from its Oct 2024 peak
- Retail sales were down 0.2% in January with department stores down 6.0%
- Y/y inflation (CPI) fell three-tenths to a 2.4% pace in January; the core rate (less food and energy) was fell to 2.5%
- Existing homes were up 1.7% in January but down 1.4% y/y; the median home price fell to \$398,000

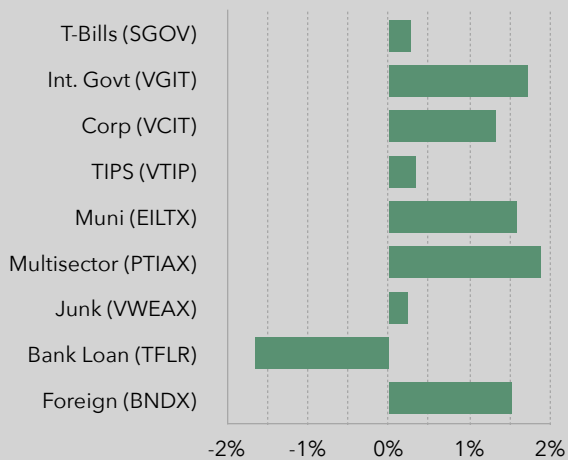
Stocks

February Returns



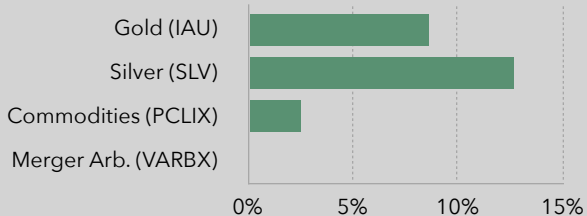
Bonds

February Returns



Alternatives

February Returns



Performance data provided by Morningstar

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and not guided by emotions. It is that second system — type 2 — that we want in control of our investment portfolios.

You Can't Spell Iran without AI

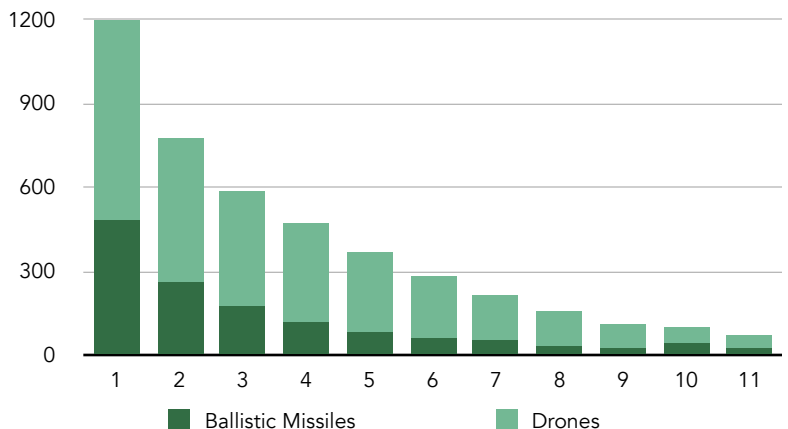
All I really wanted to talk about in this newsletter is AI. I mean, have you tried Claude Opus 4.6 yet or OpenAI's GPT-5.3-Codex? They were both released on February 5th and truly represent a quantum leap in the coding capabilities of AI. And don't get me started on the massive surge in Mac Mini sales to run local, open-source AI agents like OpenClaw and Clawdbot. This should be the big news of the month, but something else happened.

We are now 11 days into the US-Israeli military conflict with Iran. Not surprisingly, oil prices (WTI) are up 26.3% to \$84.45 at the time of this writing, after briefly flirting with \$120 on Monday. The Strait of Hormuz is a chokepoint, with Iran blockading traffic. This has caused an insurance crisis as providers either dropped war-risk coverage of tankers or raised premiums significantly. Some traffic started to move again as tankers turned off their transponders to risk it for the biscuit, but now Iran is reportedly mining the strait with the use of small boats. This is a desperate, last-resort tactic, as it cuts Iran off as well.

A quick end to this is ideal, and hopefully that comes about in the next few weeks without US troops stepping foot on Iranian soil outside of special operators. The regime staying in power—either as a more-entrenched and hardened oppressor or as one that feigns a chastened, soft-looking facade to the outside world while keeping its guns turned inward—would be deeply tragic. A failed state and a power vacuum filled with fractured extremists would be worse. Revolution is the most desirable path out. According to a June 2024 survey by the Group for Analyzing and Measuring Attitudes in Iran (GAMAAN), 89% of Iranians support democracy as a form of governance. But answering a survey and taking up arms against a brutal government that, by some estimates, recently killed some 30,000 of its own people for protesting are two very different things.

Hope is not an ideal investment thesis—although it is a better strategy than panic. So I'll rely on data instead and point your attention to the chart below. The decay rate of Iran's launches of ballistic missiles and drones, which they

Iran's Launch Decay



Sources: IDF, CENTCOM, UAE MoD, CTP-ISW

have launched at an astounding 12 different countries in the region, is quite telling. Launches have gone down each successive day, and have collapsed by 94% since the first day. The cause is launcher attrition, not restraint, with the US claiming that 80-90% of missile launchers have been destroyed.

Polymarket, the prediction market (aka a more dignified name for online gambling), currently has the odds of ceasefire at 52% by the end of April. So that's our base case. If this is mostly over by the end of next month and does not turn into Gulf War III, this is an ephemeral problem and a buying opportunity. AI, on the other hand, is a permanent structural change—a positive one, I believe—and I'm hoping to be able to focus more on that in next month's newsletter.

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Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income			●		
Duration		●			
Inflation				●	
Credit	●				
Foreign	●				
Equities		●			
Large Cap		●			
Mid Cap			●		
Small Cap		●			
Developed Intl.			●		
Emerging			●		
Alternatives					●
Commodities					●
Merger Arbitrage					●

Binge Box

Chad Powers (Hulu)

Glen Powell was on *The Rewatchables* podcast a few months ago reviewing *The Truman Show (1998)*, and he was impressive. He came in very prepared, was incredibly insightful and funny, and you can tell he really loves movies. He brings that charisma to his role in *Chad Powers*, a six-episode comedy that was inspired by Eli Manning's skit where he wore a fake mustache, wig, and prosthetics and tried to walk on at Penn State's tryouts, impressing coaches before revealing his true identity. In the show, Chad Powers is the fake identity of Russ Holliday, a disgraced former quarterback trying to find redemption. It had me laughing and I easily binged it in a couple nights.

About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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