



Are Momentum Strategies Late To The Game?

Rather than focusing on valuation or fundamentals, momentum strategies use price behavior and relative performance to identify securities that are gaining or losing strength. One would think that, given the massive rotation trade and the resulting gaps in relative performance between various sectors and factors, momentum strategies would be doing well. While some such strategies are doing very well, others aren't. A flaw in some momentum strategies is that their signals can react slowly; they enter trends late in a rotation cycle, after much of the move has already occurred. Further compounding the problem, they may also exit only after losses have begun. These lags can cause investors to chase crowded trades near peaks and suffer reversals when market leadership rotates quickly.

To illustrate the flaw in some momentum strategies, we share findings from [SimpleVisor](#). SimpleVisor uses the iShares USA Momentum Factor ETF (MTUM) to assess the relative and absolute technical standing of momentum strategies.

The left graphic shows the excess returns (relative to the S&P 500) of the factors over the last 30 trading days. Two-thirds of the factors have handily beaten the market, while large-cap growth stocks have lagged. The red rectangle shows that the MTUM ETF has kept pace with the market. The graphic on the right shows that MTUM is at fair value, while value is very overbought and growth is decently oversold. MTUM is slowly shifting from growth to value, but as we share, it's late to the game. Might it be shifting toward value and away from growth just as the market is about rotate back toward growth?

Momentum strategies work in long-lasting trending markets. But in markets with quick, pronounced rotations, or even in the early phase of a longer-lasting trend, they can be flawed, as we see.

SimpleVisor Home Insights Markets Portfolios DIY Research Charts Simple AI Invest \$

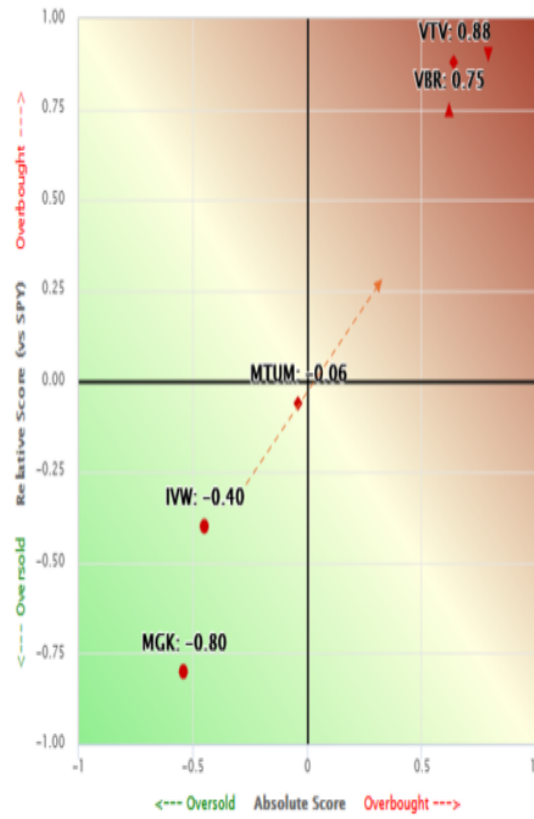
Performance Analysis Factor Analysis Risk Range Credit Spreads Screener Stock Summary Strat

SPY EAGLE5 HODG5 OVERP HODG5 SPY EAGLE5 HODG5 OVERP HODG5

Lookback Days: 30,30,30 Update

30 days
2025-12-31 to 2026-02-13

Symbol Name	Top 10 Holdings	
GDJ	Gold Miners	21.21%
EMM	Emerging Markets	11.74%
VEA	Developed Markets	10.09%
VBR	Small Cap Value	9.24%
EFA	EAFE	8.57%
VYM	High Dividend Yield	8.28%
FDH	Dow Jones MicroCap	8.21%
MDYV	Mid Cap Value	8.15%
VTV	Large Cap Value	7.95%
NDY	Mid Cap 400	7.88%
NDYG	Mid Cap Growth	7.73%
IWM	Small Caps	6.85%
SPLV	Low Beta [Low Vol.]	6.23%
RSP	Equal Weight S&P 500	5.93%
SPHB	High Beta	4.87%
VBK	Small Cap Growth	4.31%
PKW	Buyback Achievers	2.66%
VFGY	Vanguard U.S. Quality Factor	2.53%
MTUM	Momentum	0.49%
IVW	S&P 500 Growth	-1.42%
MGK	Mega Cap Growth	-6.78%
ARKK	Disruptive Tech	-8.83%



Tail Length 3 Weeks

What To Watch Today

Earnings

Wednesday Feb 18	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time		
Booking Holdings <small>BKNG.US</small>		48.06	41.55		6.12B	5.47B	\$167.16B	Q4	PM	★	🔔
Analog Devices <small>ADI.US</small>		2.29	1.63		3.09B	2.42B	\$132.24B	Q1	AM	★	🔔
DoorDash <small>DASH.US</small>		0.59	0.33		3.98B	2.87B	\$116.19B	Q4	PM	★	🔔
Moody's <small>MOO.US</small>		3.34	2.62		1.84B	1.67B	\$94.28B	Q4	AM	★	🔔
Occidental Petroleum <small>OXYL</small>		0.35	0.80		6.29B	6.84B	\$39.72B	Q4	PM	★	🔔
Verisk Analytics <small>VRSK.US</small>		1.61	1.61		777.2M	736M	\$29.83B	Q4	AM	★	🔔
American Water Works <small>AWK.L</small>		1.28	1.22		1.18B	1.2B	\$25.35B	Q4	PM	★	🔔
Insulet <small>PODD.US</small>		1.46	1.15		768.49M	597.5M	\$22.61B	Q4	AM	★	🔔
Edison International <small>EDIS.US</small>		1.46	1.05		4.57B	3.98B	\$21.03B	Q4	PM	★	🔔
Royal Gold Usa <small>RGLD.US</small>		2.56	1.63		345.81M	202.56M	\$19.53B	Q4	PM	★	🔔
Global Payments <small>GPN.US</small>		3.16	2.95		2.32B	2.29B	\$18.54B	Q4	AM	★	🔔
Invitation Homes <small>INVH.US</small>		0.19	0.23		684.97M	659M	\$16.81B	Q4	PM	★	🔔
Reliance Steel & Aluminum <small>RSB</small>		2.85	2.22		3.41B	3.13B	\$15.75B	Q4	PM	★	🔔
Western Gas Partners <small>WES.L</small>		0.96	0.85		1.03B	858.9M	\$14.92B	Q4	PM	★	🔔
CF Industries <small>CF.US</small>		2.46	1.89		1.78B	1.52B	\$14.8B	Q4	PM	★	🔔
Jones Lang LaSalle <small>JLL.US</small>		7.23	6.15		7.51B	6.81B	\$13.65B	Q4	AM	★	🔔
Nordson <small>NDSN.US</small>		2.38	2.06		657.93M	615M	\$13.5B	Q1	PM	★	🔔
Omnicom <small>OMC.US</small>		2.61	2.41		4.54B	4.3B	\$13.29B	Q4	PM	★	🔔
Clean Harbors <small>CLH.US</small>		1.62	1.56		1.47B	1.43B	\$11.75B	Q4	AM	★	🔔

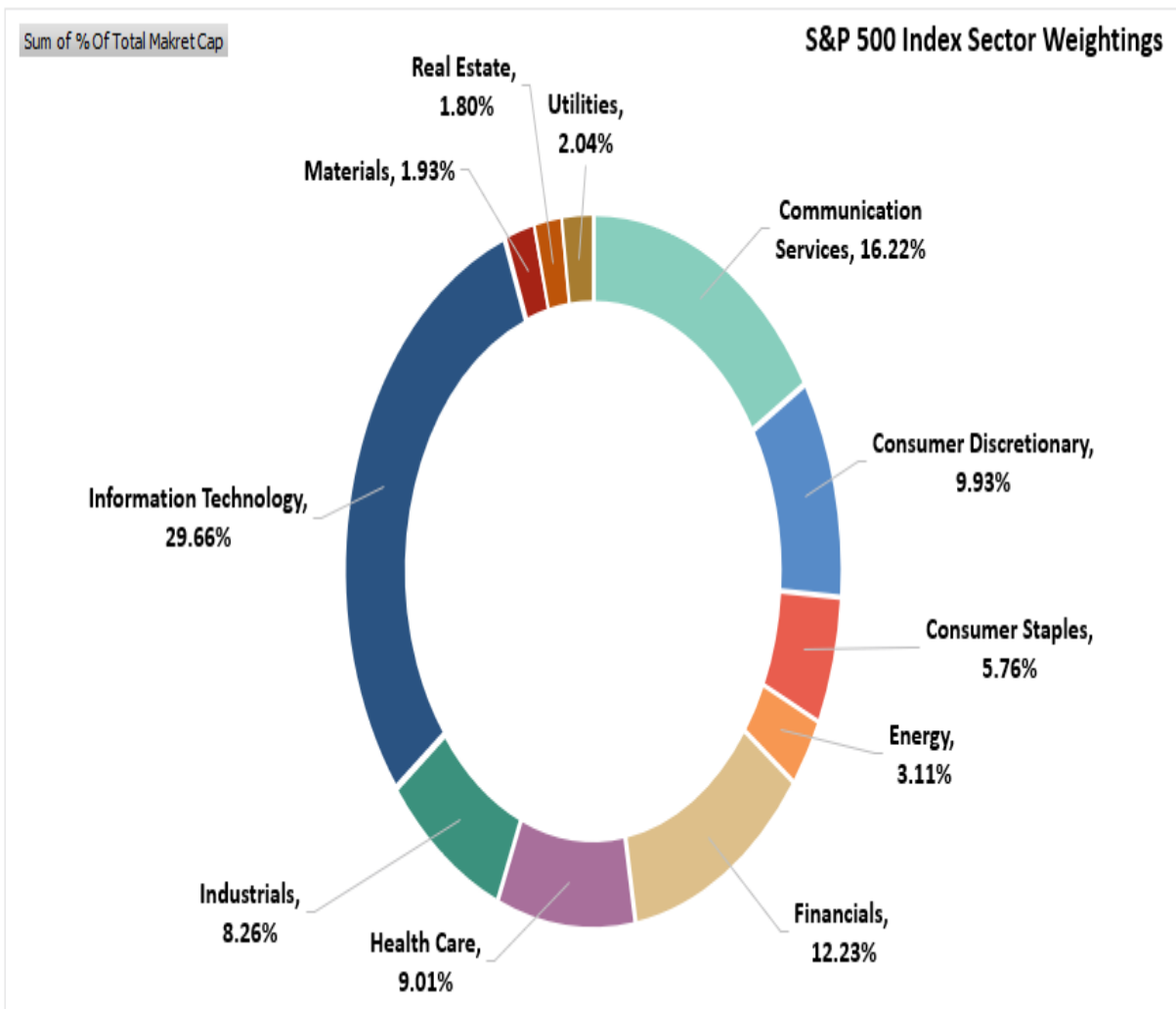
Economy

Wednesday February 18 2026			Actual	Previous	Consensus	Forecast		
07:00 AM	US	MBA 30-Year Mortgage Rate FEB/13		6.21%				
07:00 AM	US	MBA Mortgage Applications FEB/13		-0.3%				
07:00 AM	US	MBA Mortgage Market Index FEB/13		329.9				
07:00 AM	US	MBA Mortgage Refinance Index FEB/13		1284.6				
07:00 AM	US	MBA Purchase Index FEB/13		161.5				
08:30 AM	US	Building Permits Prel NOV		1.411M		1.36M		
08:30 AM	US	Building Permits Prel DEC				1.31M		
08:30 AM	US	Durable Goods Orders MoM DEC		5.3%		-3.4%		
08:30 AM	US	Housing Starts DEC				1.29M		
08:30 AM	US	Housing Starts NOV		1.246M		1.27M		
08:30 AM	US	Building Permits MoM Prel NOV		-0.3%		-3.6%		
08:30 AM	US	Building Permits MoM Prel DEC				-3.7%		
08:30 AM	US	Durable Goods Orders Ex Transp MoM DEC		0.5%		0.3%		
08:30 AM	US	Housing Starts MoM DEC				-4.4%		
08:30 AM	US	Housing Starts MoM NOV		-4.6%		1.9%		
08:30 AM	US	Durable Goods Orders ex Defense MoM DEC		6.6%		-4.3%		
08:30 AM	US	Non Defense Goods Orders Ex Air DEC		0.7%		0.2%		
08:30 AM	US	NY Fed Services Activity Index FEB		-16.1				
09:15 AM	US	Industrial Production MoM JAN		0.4%	0.3%	0.5%		
09:15 AM	US	Capacity Utilization JAN		76.3%	76.4%	76.4%		
09:15 AM	US	Industrial Production YoY JAN		2%		1.9%		
09:15 AM	US	Manufacturing Production MoM JAN		0.2%		0.7%		
09:15 AM	US	Manufacturing Production YoY JAN		2%		1.8%		
11:30 AM	US	17-Week Bill Auction		3.595%				
01:00 PM	US	Fed Bowman Speech						
01:00 PM	US	20-Year Bond Auction		4.846%				
02:00 PM	US	FOMC Minutes						

Market Trading Update

[Yesterday](#), we reviewed the technical backdrop of the market. Also, yesterday, I published a [sector-by-sector review](#) of the S&P 500. As I noted, the bifurcation between sectors of the market is very stretched. To wit:

?As shown below, those market sectors make up a relatively small portion of the overall index: Basic Materials (1.93%), Industrials (8.26%), Energy (3.11%), and Staples (5.76%). In other words, those 4 sectors combined (~19%) are smaller than the Technology sector alone (~29%). This also suggests that the relative outperformance of those sectors in recent weeks has more than offset the weakness in the Technology sector.?



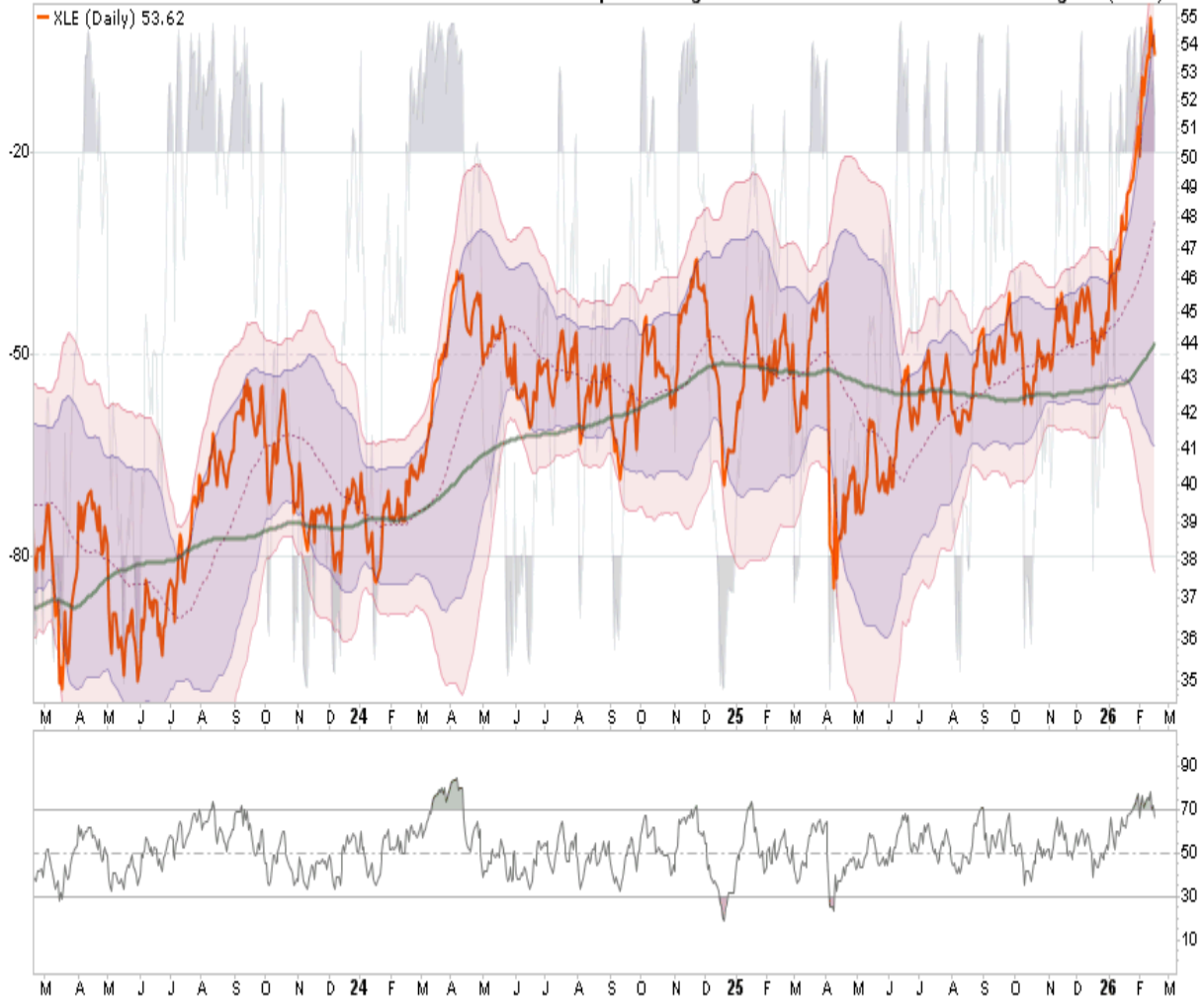
?The breadth of those market sectors has also been extremely strong, with very high percentages of stocks in those sectors trading above their respective 50-, 100-, and 200-day moving averages, versus very low percentages in Communications, Technology, and Financials.?

SECTOR	% Above 50-DMA	% Above 100-DMA	% Above 200-DMA
Basic Materials	100%	100%	96%
Communications	30%	43%	39%
Discretionary	60%	58%	62%
Energy	95%	95%	95%
Industrials	73%	77%	74%
Financials	32%	43%	50%
Technology	41%	41%	45%
Real Estate	81%	68%	48%
Staples	89%	97%	75%
Utilities	97%	93%	90%
Health Care	52%	57%	68%

If you haven't read the article from yesterday, it is an interesting piece of analysis that clearly shows the market's current extreme conditions. However, in yesterday's analysis, I left out the **Energy** sector. As noted, Energy currently accounts for just 3.11% of the index, but 95% of its constituents are above their respective 50-, 100-, and 200-day moving averages. The following is the same analysis we did for the other sectors of the market.

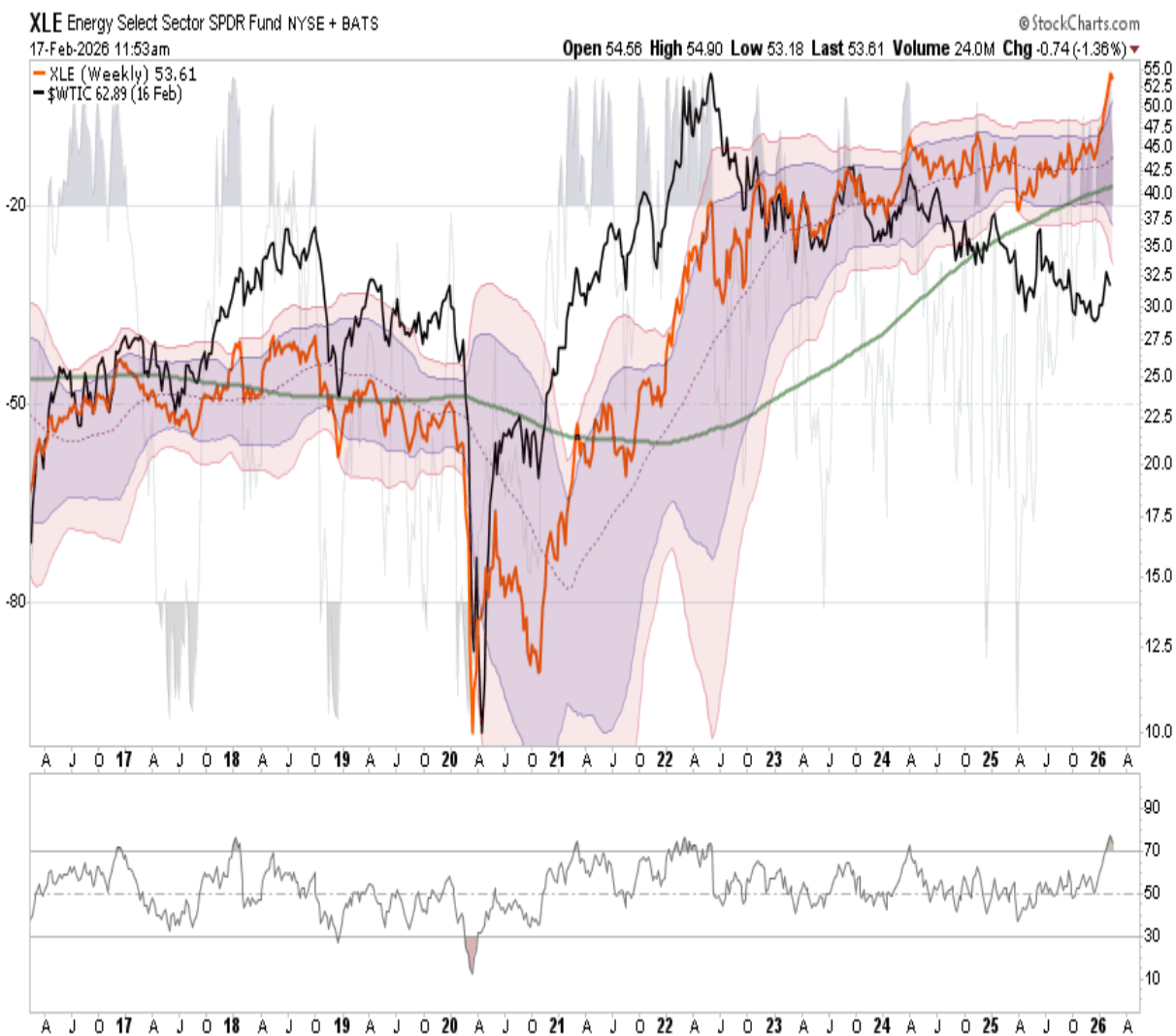
17-Feb-2026 11:47 am

Open 54.56 High 54.90 Low 53.18 Last 53.62 Volume 23.5M Chg -0.73 (-1.34%)



- Energy broke through previous resistance at 47 and is now 3 standard deviations above the moving average.
- Currently, the price is very deviated above the rising 200-day, and extension risk is high after a steep run into 54 to 55.
- With both longer-term readings at more extreme overbought levels as the risk of a correction is rising.
- Keep stops on trading positions at the 50-dma (48ish), which is now support. Critical support remains at 44, which is the 200-dma.
- **Action plan:** Trim into strength, raise stops to 48 or 49 for tactical positions. The longer-term trend stop is near 45-46. Avoid new buys until the 48-49 level holds.

As we have noted previously, the rush into Energy stocks is not supported by the underlying fundamentals, which increases risk in the near future. As we have shown previously, the gap between Energy stock prices and the underlying oil price is key to watch. If oil prices don't catch up to the market, the market will eventually catch down to the source of Energy company revenues.



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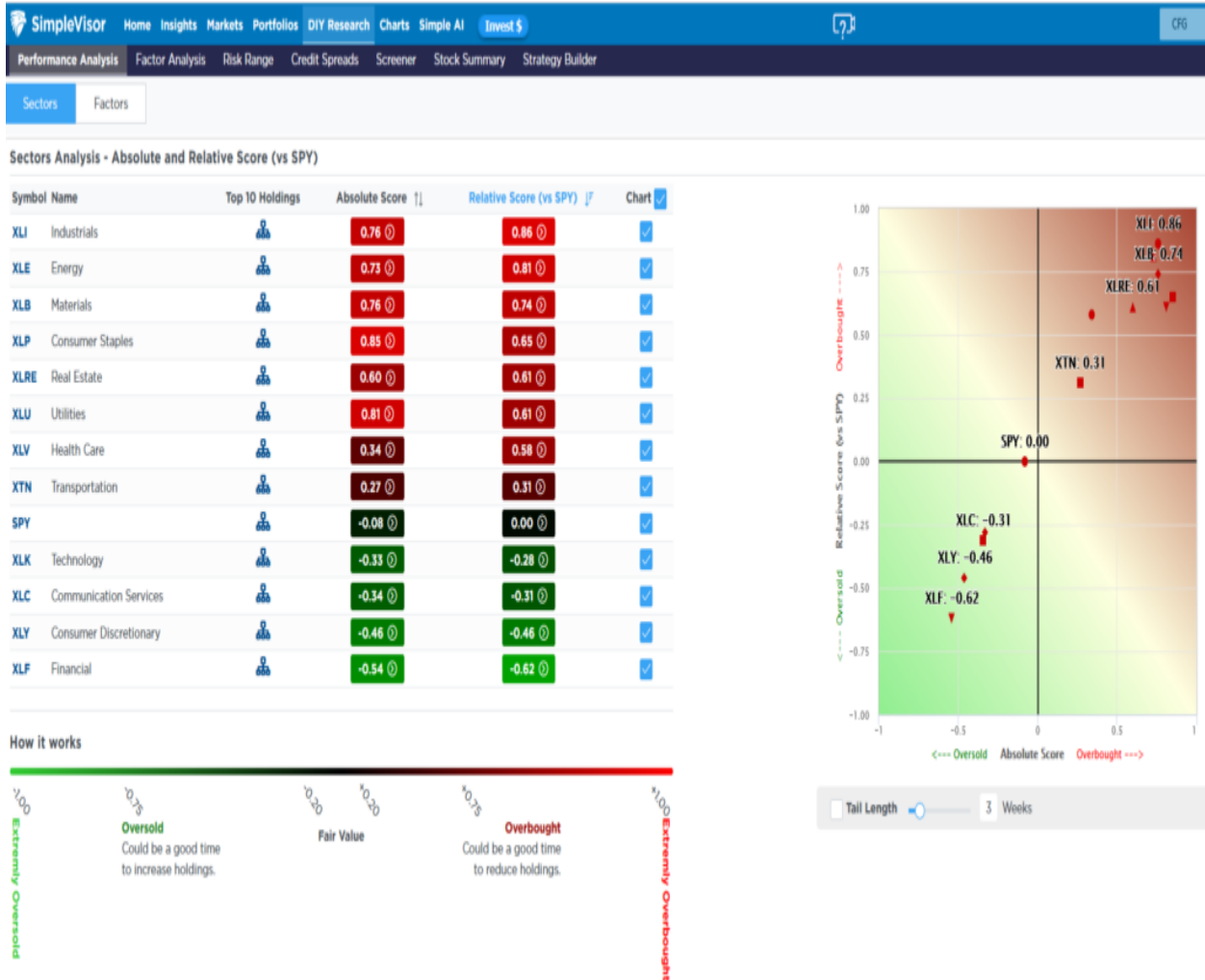
Buy Reflation Sell Growth

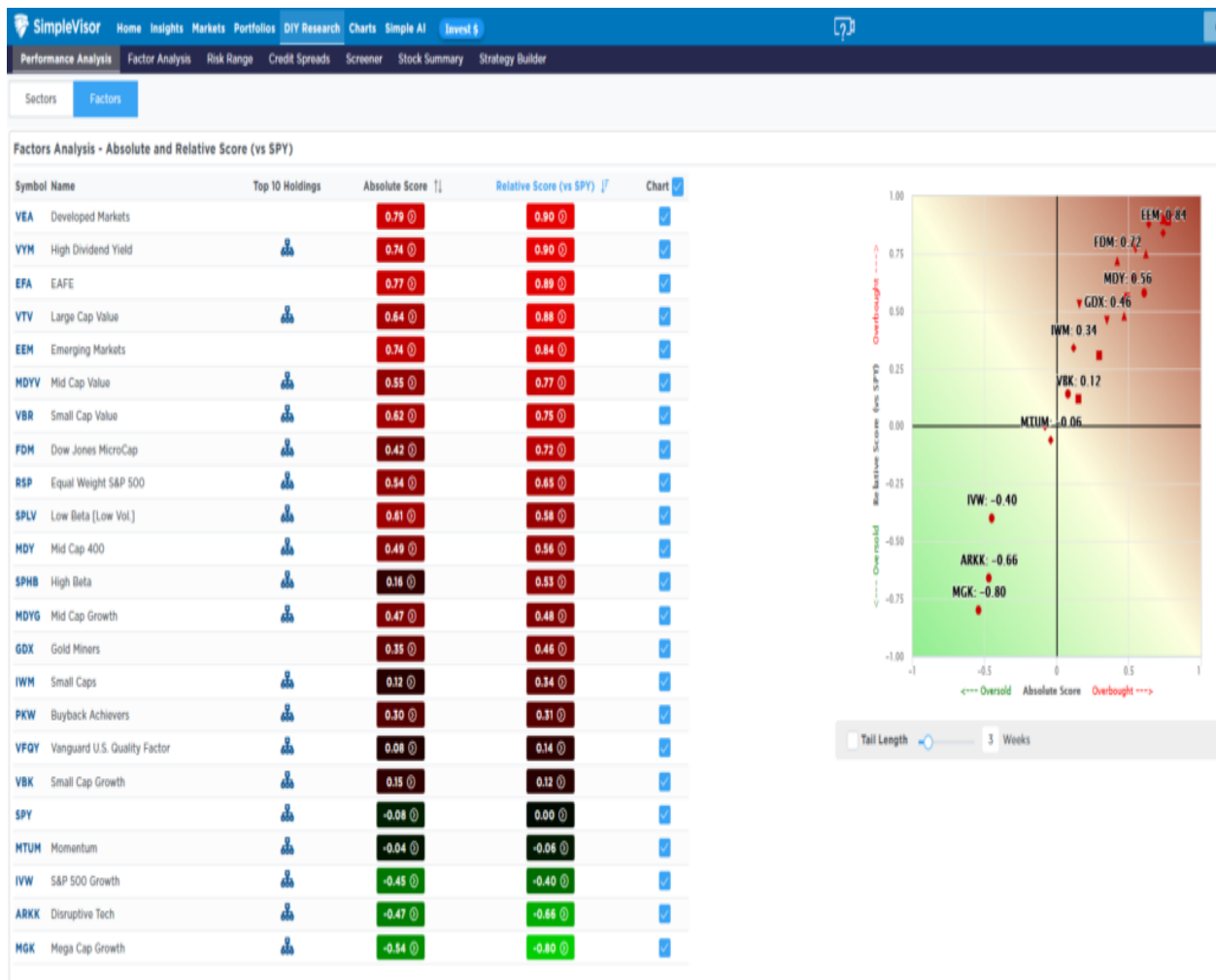
As we share below, the rotation toward economically sensitive sectors and toward value-oriented or conservative stocks, and away from technology and growth, has become severe. The bifurcation of returns is likely to normalize in the coming days or weeks. The question is what will get investors to change their behavior to allow for a more normal distribution of returns across sectors and factors.

We think there are two potential factors. First, the reflation trade fails to deliver. Last week's CPI was lower than expected, and other price indicators suggest lower price growth in the coming months. It's hard to believe the economy is taking off, yet inflation is falling. Moreover, excluding the recent BLS employment report, all other labor indicators point to continued weakness. Again, such doesn't jibe with a reflationary narrative.

Second is Nvidia. Their earnings report, a week from today, could rejuvenate the technology and growth bulls. They are likely to exceed earnings expectations and once again increase their growth forecasts. Given that many stocks in the sector, especially software companies, are trading poorly, a rotation back to growth from value may kick off with their earnings next Wednesday.

Bear in mind that while we expect a rotation toward growth, we are unsure whether it will be temporary or longer lasting. Our technical indicators and analysis will help us cross that bridge when the day comes.





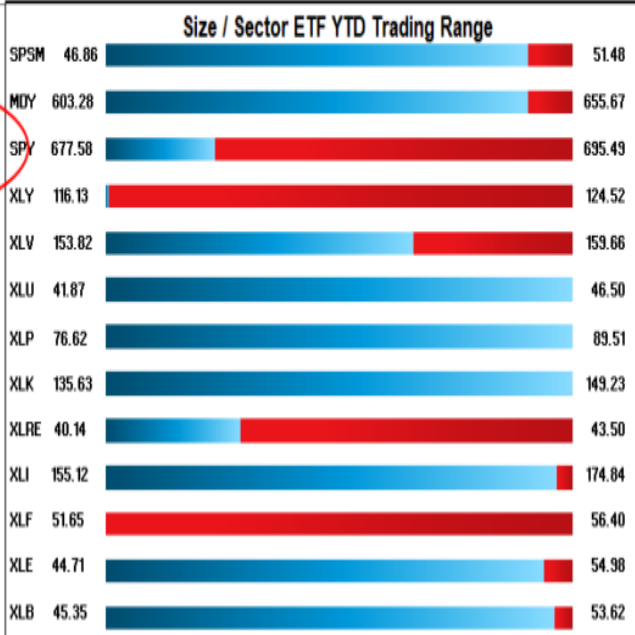
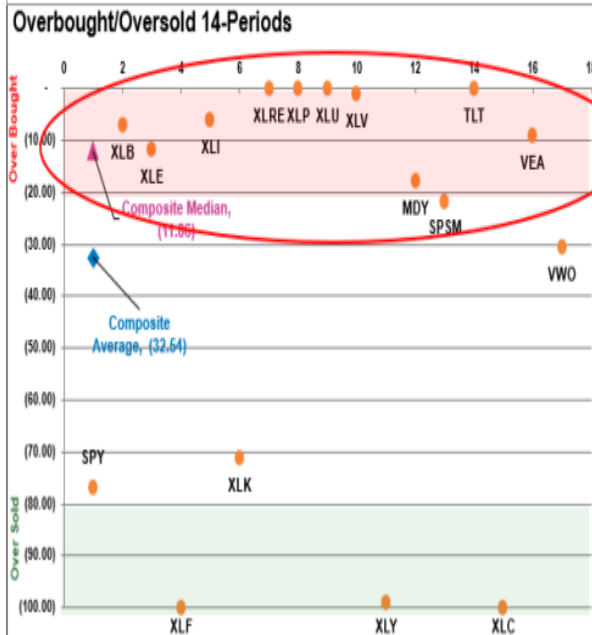
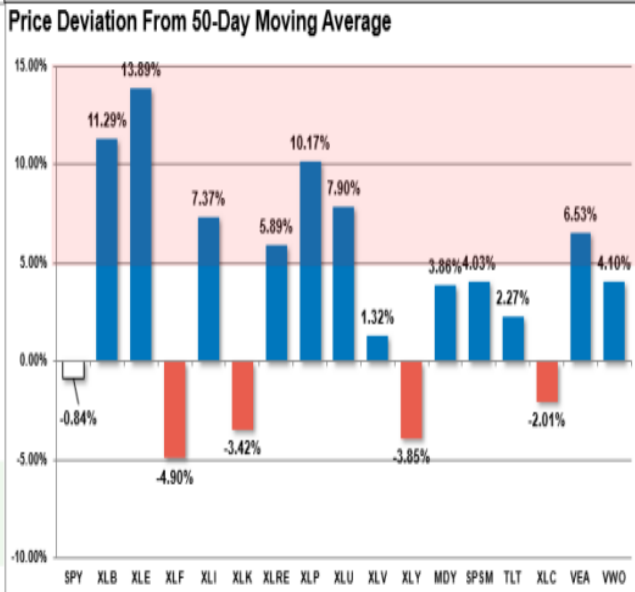
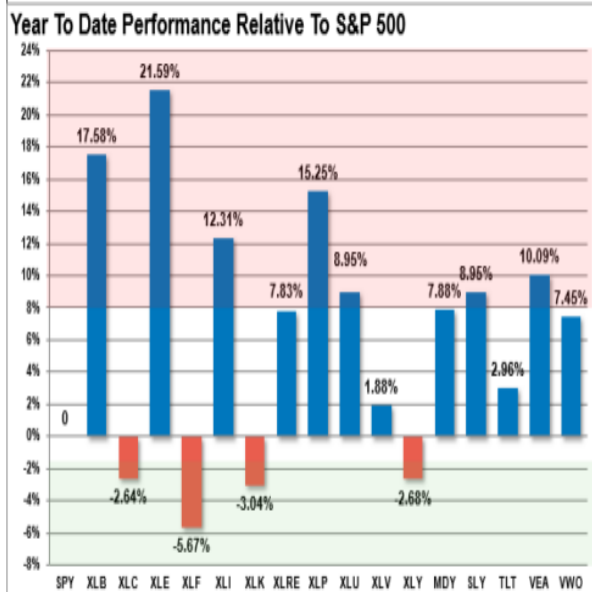
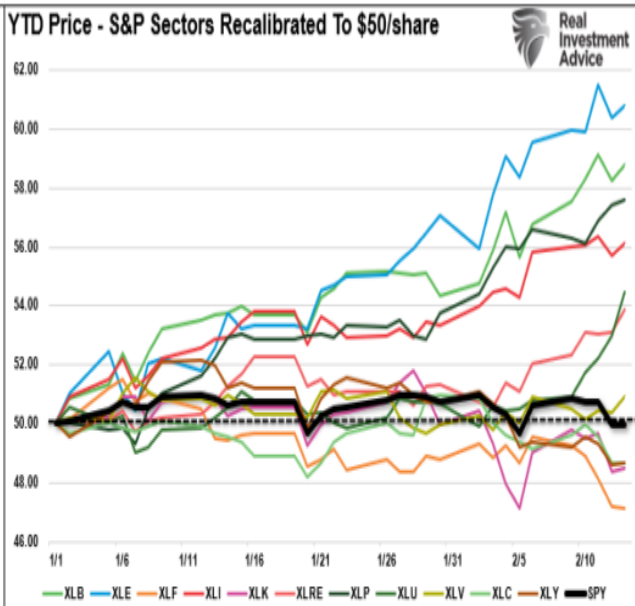
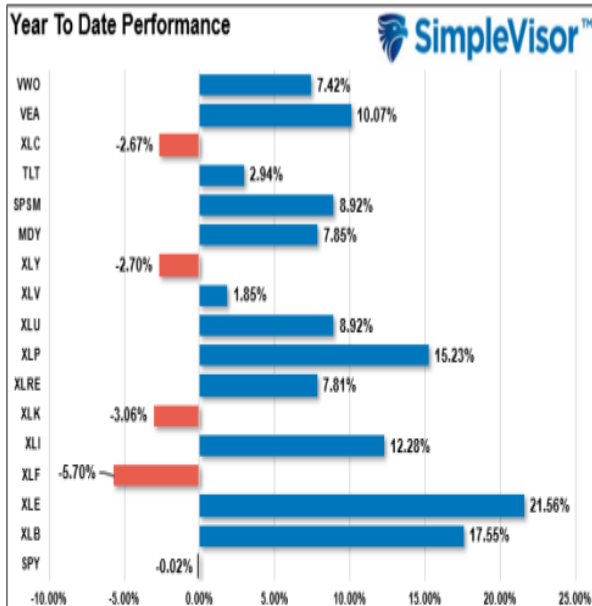
Market Sector Review

Since the beginning of the year, we have discussed the *reflation trade* and its impact on specific market sectors. This past weekend's newsletter also showed some of these more extreme returns in various market sectors since the beginning of the year. To wit:

Despite what seemed like a rough week in the market, it really wasn't as most sectors and markets, outside of technology, moved into very overbought territory on a short-term basis. Energy, Materials, Industrials, and Staples, or rather value, have strongly outperformed every other market and sector this year. These areas are the most overbought, and a rotation back to growth seems increasingly obvious.

There are several key takeaways from the analysis below.

1. Since the beginning of 2026, Staples (up 15%), Industrials (up 12%), Energy (up 21%), and Materials (up 17%) have vastly outperformed the market as a whole, which is effectively flat YTD.
2. The performance differential of those sectors versus the markets, and the deviations from their 50-day moving averages, are at extremes.
3. While the overall market has been trading weakly since January, that is only a function of the largest market sectors, by capitalization, underperforming and are now oversold.

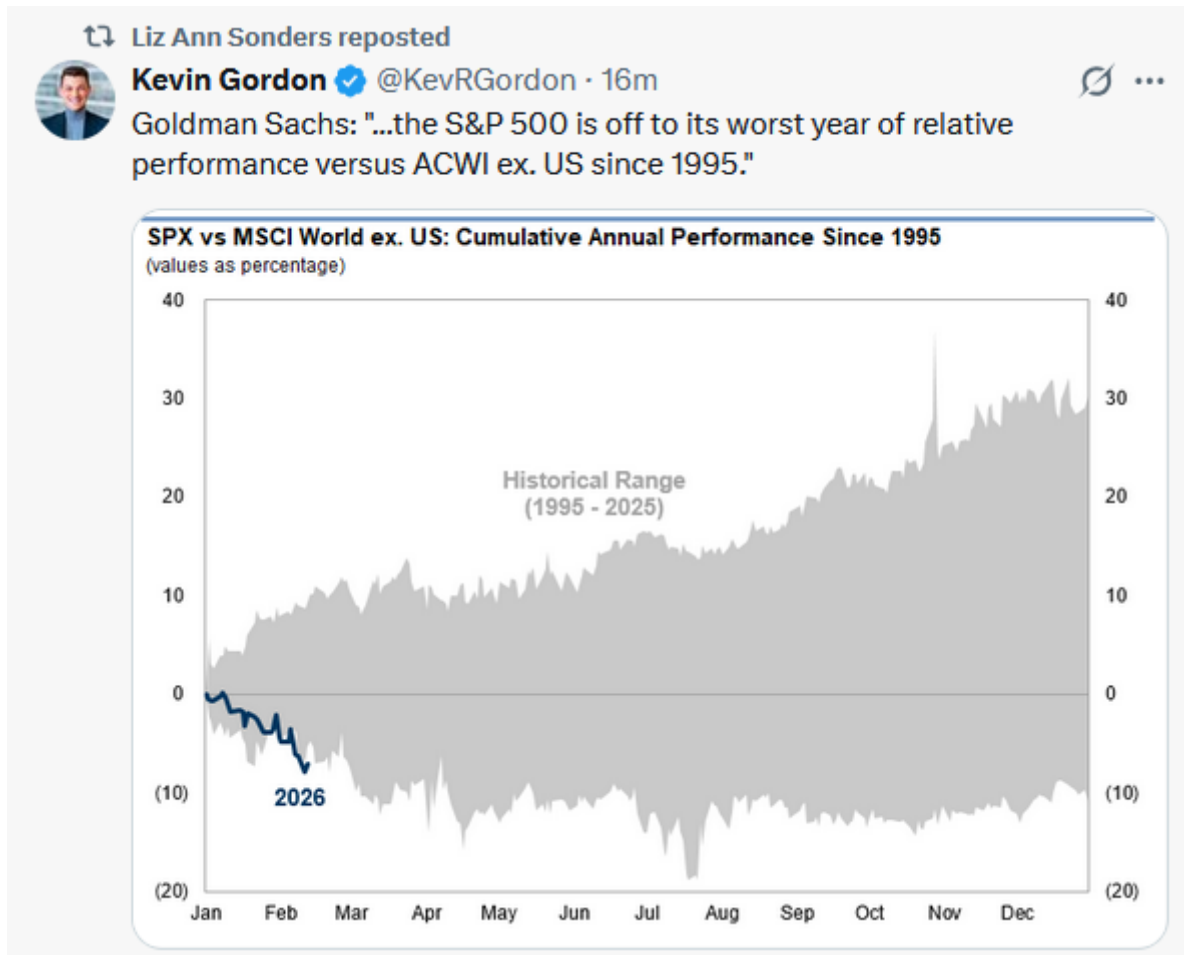


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