

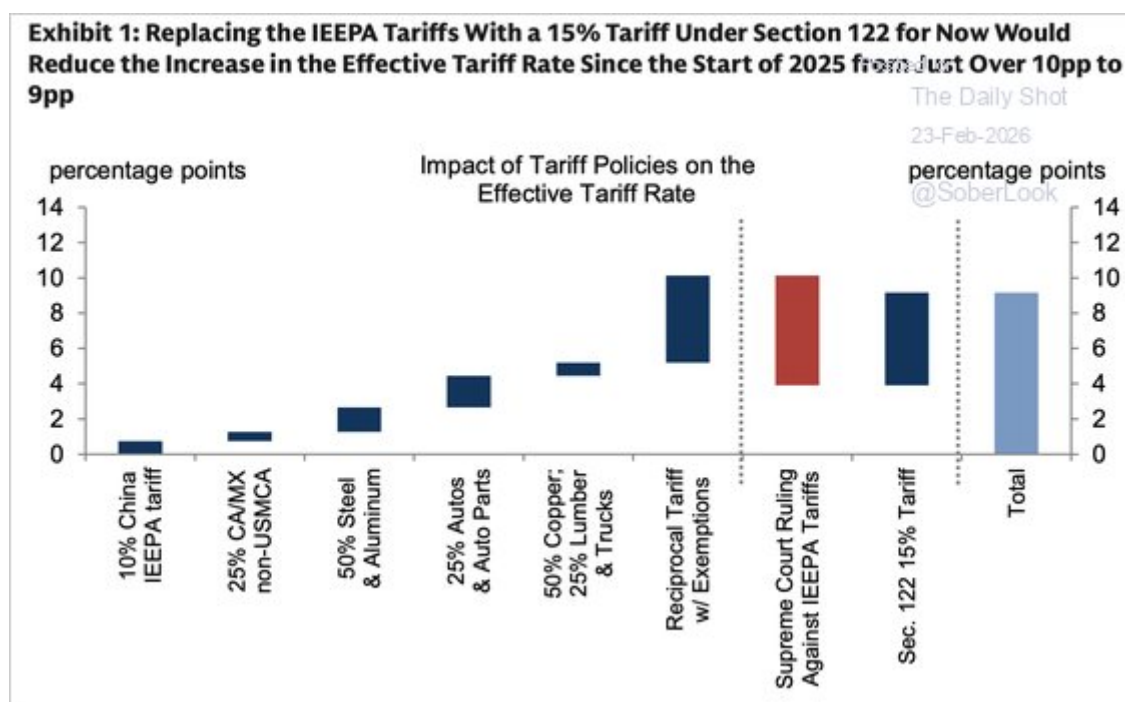
## Our Take On Tariffs - RIA

To address the many emails we received, we present our take on the Supreme Court's tariff ruling.

First, President Trump has multiple ways he can implement trade restrictions beyond what the Supreme Court ruled against. In fact, he implemented a 150-day 15% global tariff after the court's ruling. As we share below, the effective tariff rate is only 1% below its prior level. The 15% tariff gives Trump time to enact new trade policies. Among the most likely are tax measures based on national security provisions. In addition, he could increase foreign-paid taxes through anti-dumping rules, targeted industry restrictions, procurement policy, or negotiated arrangements with other nations. These options and others effectively function as tariffs but may likely survive judicial review. Trump's tariff policy is not binary, allowed or blocked. In reality, the President and Congress possess a wide range of options to achieve similar economic outcomes, and we believe he will do so.

Second, the market was priced for this ruling. The betting markets were posting 75%+ odds that the Supreme Court would overturn tariffs. Despite reduced government revenue, bond yields opened slightly lower on Monday morning. Stocks are opening lower, but not by a meaningful amount. It's also worth noting that industrial and material stocks had been among the best performing. These types of companies were among the most affected by tariffs. Might their outperformance be the market front running the Supreme Court Decision?

When markets are already positioned for an outcome, the actual event tends to produce more short-term repositioning than a lasting fundamental shift. Our take is that the tariff ruling changes the legal pathway, not the broader trajectory of trade policy or the economic assumptions investors had embedded into prices.



# What To Watch Today

## Earnings

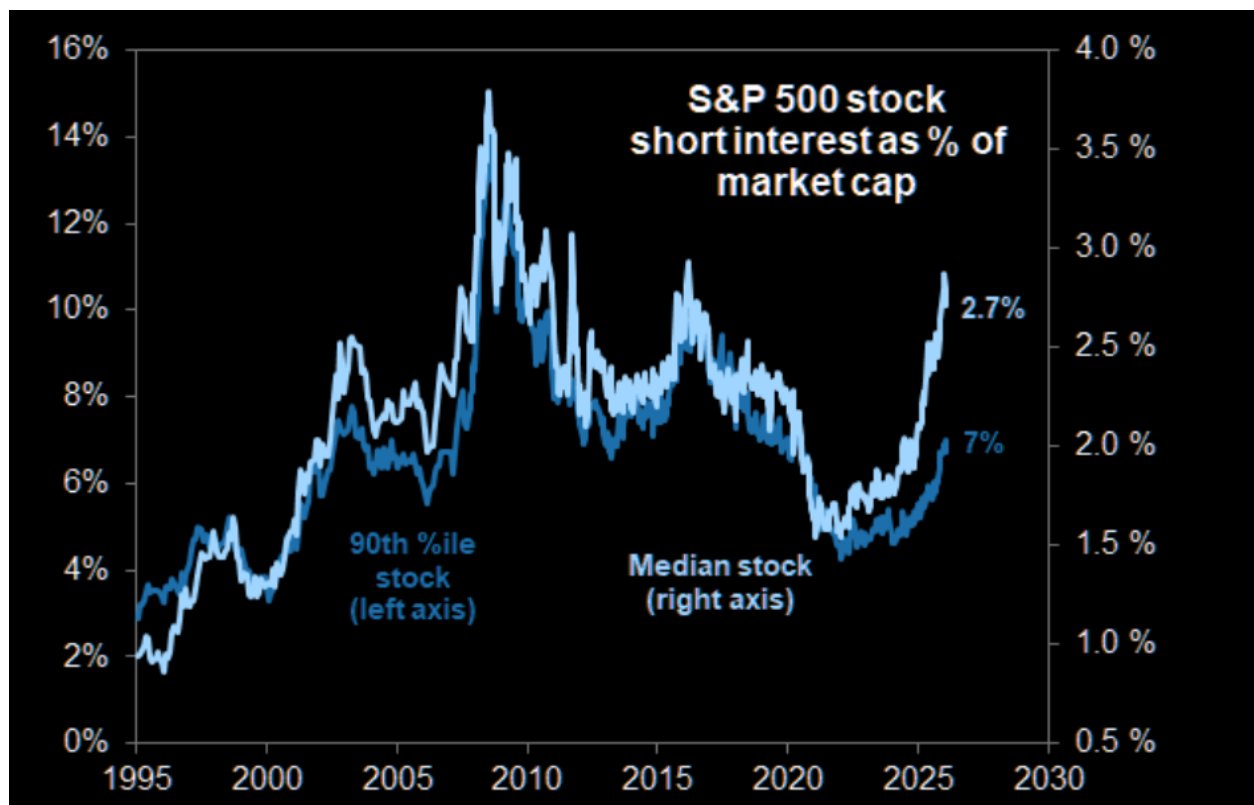
| Tuesday Feb 24                                                                                                                  | EPS | Consensus | Previous | Revenue | Consensus | Previous | MarketCap | Fiscal | Time |   |   |
|---------------------------------------------------------------------------------------------------------------------------------|-----|-----------|----------|---------|-----------|----------|-----------|--------|------|---|---|
|  <b>Home Depot</b> <small>HD:US</small>        |     | 2.54      | 3.13     |         | 38.14B    | 39.7B    | \$333.52B | Q4     | AM   | ★ | 🔔 |
|  <b>Realty Income</b> <small>O:US</small>      |     | 0.38      | 0.23     |         | 1.36B     | 1.28B    | \$267.21B | Q4     | PM   | ★ | 🔔 |
|  <b>American Tower</b> <small>AMT:US</small>   |     | 1.49      | 2.32     |         | 2.68B     | 2.55B    | \$82.19B  | Q4     | AM   | ★ | 🔔 |
|  <b>Workday</b> <small>WDAY:US</small>         |     | 2.28      | 1.92     |         | 2.51B     | 2.21B    | \$61.89B  | Q4     | PM   | ★ | 🔔 |
|  <b>EOG Resources</b> <small>EOG:US</small>    |     | 2.31      | 2.74     |         | 5.85B     | 5.6B     | \$59.02B  | Q4     | PM   | ★ | 🔔 |
|  <b>Axon Enterprise</b> <small>AAXN:US</small> |     | 1.6       | 2.08     |         | 755.55M   | 575M     | \$54.08B  | Q4     | PM   | ★ | 🔔 |
|  <b>Keurig Dr Pepper</b> <small>KDP:US</small> |     | 0.59      | 0.58     |         | 4.36B     | 4.07B    | \$37.22B  | Q4     | AM   | ★ | 🔔 |
|  <b>NRG Energy</b> <small>NRG:US</small>       |     | 1.02      | 1.56     |         | 6.38B     | 6.86B    | \$36.53B  | Q4     | AM   | ★ | 🔔 |
|  Fidelity National Information                 |     | 1.69      | 1.40     |         | 2.75B     | 2.6B     | \$34.86B  | Q4     | AM   | ★ | 🔔 |
|  <b>CoStar</b> <small>CSGP:US</small>          |     | 0.27      | 0.15     |         | 892.19M   | 709M     | \$27.08B  | Q4     | PM   | ★ | 🔔 |
|  <b>First Solar</b> <small>FSLR:US</small>     |     | 5.18      | 3.65     |         | 1.58B     | 1.5B     | \$25.01B  | Q4     | PM   | ★ | 🔔 |
|  <b>HP</b> <small>HPQ:US</small>               |     | 0.78      | 0.74     |         | 13.83B    | 13.5B    | \$23.82B  | Q1     | PM   | ★ | 🔔 |
|  <b>Expeditors International Of</b> <b>v</b>   |     | 1.41      | 1.68     |         | 2.8B      | 2.95B    | \$19.65B  | Q4     | AM   | ★ | 🔔 |
|  <b>Sun Communities</b> <small>SUN:US</small>  |     | 0.4       | -1.77    |         | 494.84M   | 745.9M   | \$14.87B  | Q4     | PM   | ★ | 🔔 |
|  <b>GoDaddy</b> <small>GDDY:US</small>         |     | 1.58      | 1.36     |         | 1.27B     | 1.19B    | \$14.55B  | Q4     | PM   | ★ | 🔔 |
|  <b>Dillards</b> <small>DOS:US</small>       |     | 8.98      | 13.48    |         | 2.01B     | 2.02B    | \$9.67B   | Q4     | AM   | ★ | 🔔 |

## Economy

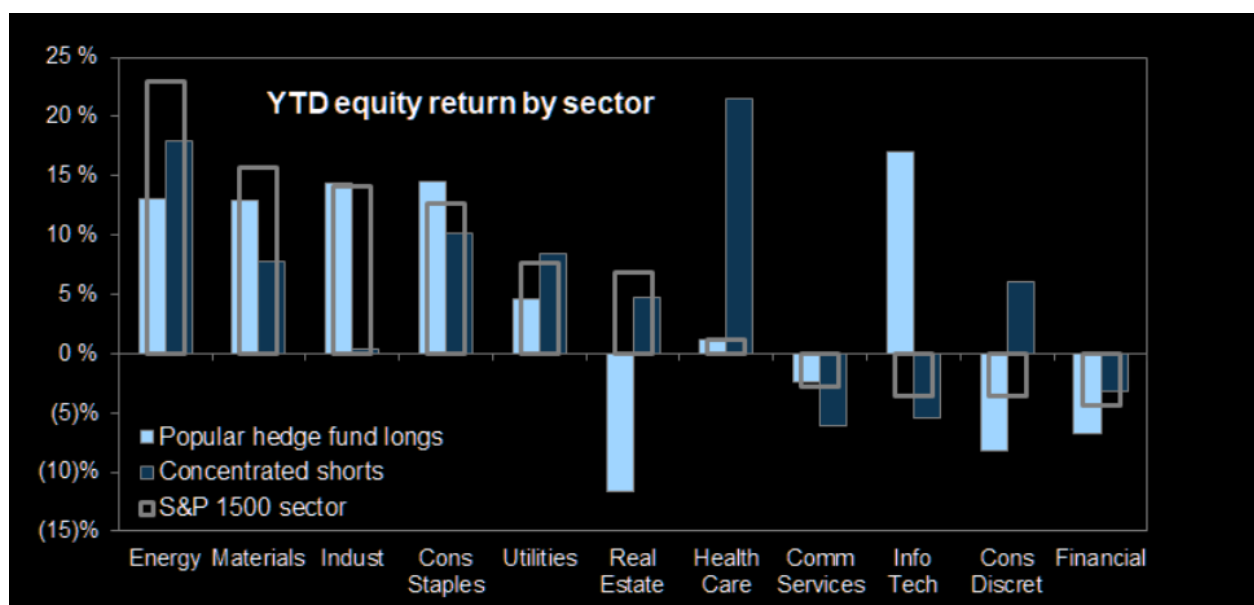
| Tuesday February 24 2026 |    |                                                | Actual | Previous | Consensus | Forecast |                                                                                                                                                                           |
|--------------------------|----|------------------------------------------------|--------|----------|-----------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 08:00 AM                 | US | Fed Golsbee Speech                             |        |          |           |          |                                                                                                                                                                           |
| 08:15 AM                 | US | ADP Employment Change Weekly                   |        | 10.25K   |           |          |     |
| 08:55 AM                 | US | Redbook YoY FEB/21                             |        | 7.2%     |           |          |     |
| 09:00 AM                 | US | Fed Bostic Speech                              |        |          |           |          |                                                                                                                                                                           |
| 09:00 AM                 | US | Fed Collins Speech                             |        |          |           |          |                                                                                                                                                                           |
| 09:00 AM                 | US | S&P/Case-Shiller Home Price YoY DEC            |        | 1.4%     |           | 1.4%     |     |
| 09:00 AM                 | US | House Price Index DEC                          |        | 439.3    |           | 443.6    |     |
| 09:00 AM                 | US | House Price Index MoM DEC                      |        | 0.6%     |           | 1.0%     |     |
| 09:00 AM                 | US | House Price Index YoY DEC                      |        | 1.9%     |           | 1.8%     |     |
| 09:00 AM                 | US | S&P/Case-Shiller Home Price MoM DEC            |        | 0%       |           | -0.1%    |     |
| 09:15 AM                 | US | Fed Waller Speech                              |        |          |           |          |                                                                                                                                                                           |
| 09:30 AM                 | US | Fed Cook Speech                                |        |          |           |          |                                                                                                                                                                           |
| 10:00 AM                 | US | CB Consumer Confidence FEB                     |        | 84.5     | 86        | 85       |     |
| 10:00 AM                 | US | Richmond Fed Manufacturing Index FEB           |        | -6       |           | -8       |     |
| 10:00 AM                 | US | Richmond Fed Manufacturing Shipments Index FEB |        | -5       |           | -6       |     |
| 10:00 AM                 | US | Richmond Fed Services Revenues Index FEB       |        | -3       |           |          |     |
| 10:00 AM                 | US | Wholesale Inventories MoM DEC                  |        | 0.2%     | 0.2%      | 0.1%     |     |
| 10:30 AM                 | US | Dallas Fed Services Index FEB                  |        | 2.7      |           | 1.6      |     |
| 10:30 AM                 | US | Dallas Fed Services Revenues Index FEB         |        | 7.8      |           | 6        |     |
| 01:00 PM                 | US | 2-Year Note Auction                            |        | 3.580%   |           |          |     |
| 01:00 PM                 | US | Money Supply JAN                               |        | \$22.4T  |           |          |   |
| 03:15 PM                 | US | Fed Barkin Speech                              |        |          |           |          |                                                                                                                                                                           |
| 03:15 PM                 | US | Fed Collins Speech                             |        |          |           |          |                                                                                                                                                                           |

## Market Trading Update

[Yesterday](#), we discussed the technical backdrop of the market heading into this week. One interesting note about the current market is the sharp increase in short interest, which is now at very elevated levels. The median S&P 500 stock carries short interest equivalent to 2.7% of market cap, ranking in the 84th percentile since 1995 and the 97th percentile over the last five years.



The rise in short interest is not necessarily an immediate alarm bell, but high levels of short interest have previously coincided with poorer returns. Recently, however, that short squeeze has affected nearly every sector. The most concentrated short positions have outperformed popular longs in 6 of 11 sectors YTD. Those sectors, of course, are Materials, Industrials, Staples, Transports, Utilities, and Energy. On the other hand, concentrated shorts have declined outright YTD in Communication Services, Info Tech, and Financials.



As we discussed last week, the bifurcation in market sectors is very notable, and value stocks are not trading as *value* but rather *momentum*. In other words, those sectors are not cheap, and with short interest in those defensive sectors at the highest levels relative to history, the risk is rising. Short interest is close to 30-year highs in Consumer Staples and Health Care, and is why Consumer Staples is up +13% YTD.

## Median stock short interest as share of market cap

| Sector             | Current     | Average since 1995 | %ile rank vs. history | Last 3m change |
|--------------------|-------------|--------------------|-----------------------|----------------|
| Consumer Staples   | 3.9%        | 2.0%               | 99%                   | 0.7 pp         |
| Health Care        | 2.5         | 1.8                | 97                    | (0.0)          |
| Utilities          | 2.8         | 1.9                | 93                    | (0.4)          |
| Energy             | 3.4         | 2.6                | 91                    | 0.7            |
| Materials          | 2.9         | 2.2                | 90                    | 0.6            |
| Comm Services      | 4.2         | 3.0                | 85                    | 1.1            |
| Financials         | 2.0         | 1.8                | 84                    | 0.3            |
| Industrials        | 2.6         | 2.0                | 81                    | 0.2            |
| Info Tech          | 2.8         | 2.5                | 71                    | 0.3            |
| Real Estate        | 2.7         | 2.9                | 68                    | 0.0            |
| Cons Discretionary | 3.7         | 3.7                | 58                    | 0.4            |
| <b>S&amp;P 500</b> | <b>2.7%</b> | <b>2.2%</b>        | <b>84%</b>            | <b>0.2 pp</b>  |

This is just another one of the many reasons to consider taking profits and rebalancing risk in the traditional "cyclical" and "defensive" areas of the market, and look for an eventual rotation into the areas most beaten up over the last several months. As we noted this past weekend in the [#BullBearReport](#):

*As we noted last week, the "bifurcation" in market-sector performance is pretty telling. Financials, Discretionary, Services, and Technology (the largest sectors of the S&P 500) are the most oversold, while Industrials, Energy, Materials, and Real Estate are the most overbought.*



While Financials are the most oversold, I wanted to look at Discretionary given the recent selloff in those stocks. The most oversold in the sector are AMZN and BKNG, with TSLA not far behind. Given the weighting of TSLA and AMZN in the S&P 500, any rotation into these companies will lift the entire index.



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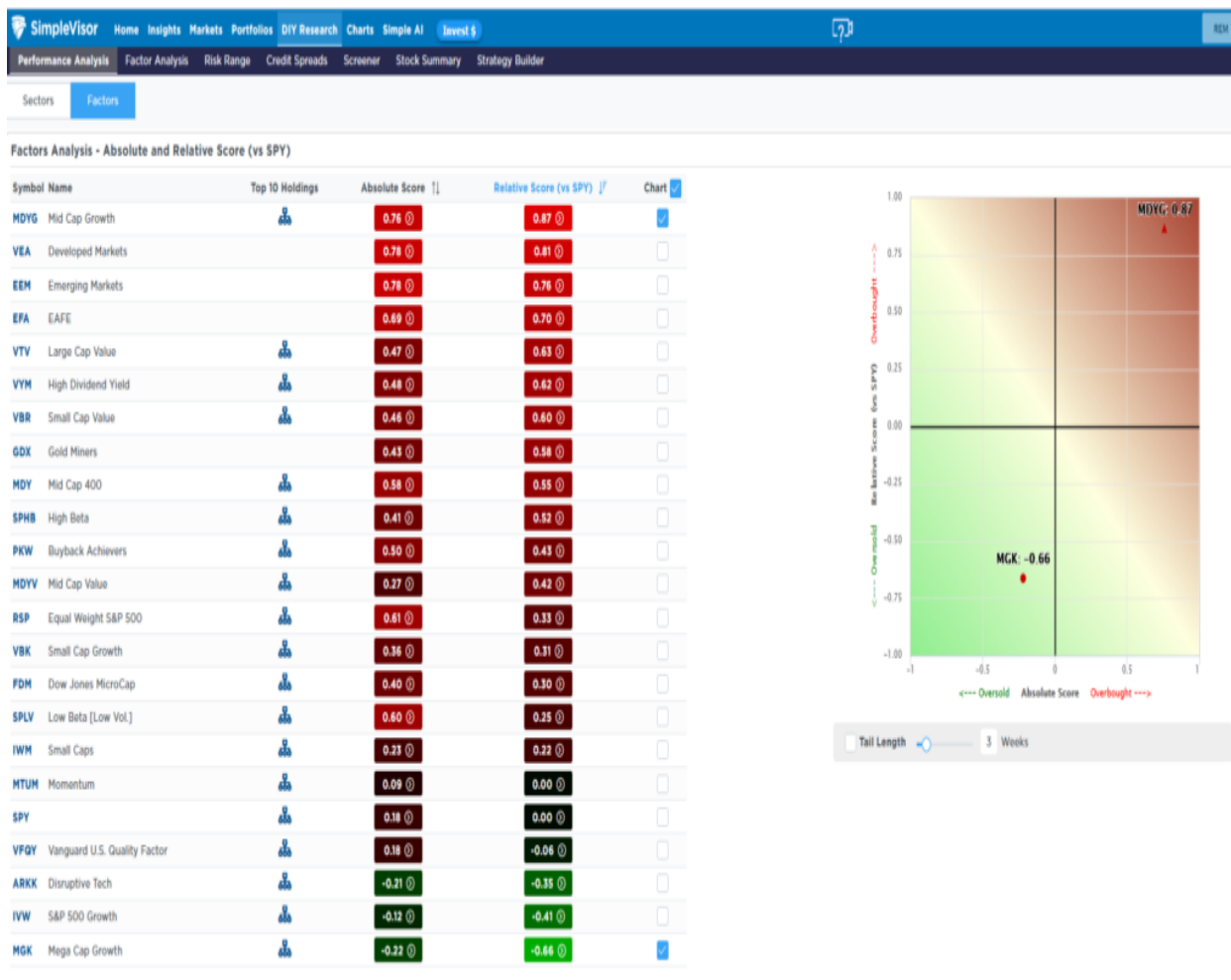
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## Midcaps Lead The Way

Midcap growth stocks led the markets last week, rallying by over 2%. Breadth was better, with large-cap growth stocks up 1.75%. Value stocks underperformed slightly last week. While breadth

was improved as judged by returns, the [SimpleVisor](#) relative and absolute analysis shows a stark divergence between midcap growth and megacap growth. With a relative score of 0.87, midcap growth stocks are extremely overbought on a relative basis. It is highly likely they start to underperform the market. That said, midcap and small-cap stocks were more impacted by the Supreme Court's tariff ruling than larger stocks. Thus, the positive tariff impact may boost those stock factors for a while longer.

On the sector side, industrials remain grossly overbought. Here, too, however, the removal of tariffs may benefit some industrial stocks that import many of their parts or goods. Like midcap stocks, industrials are due for a relative correction.



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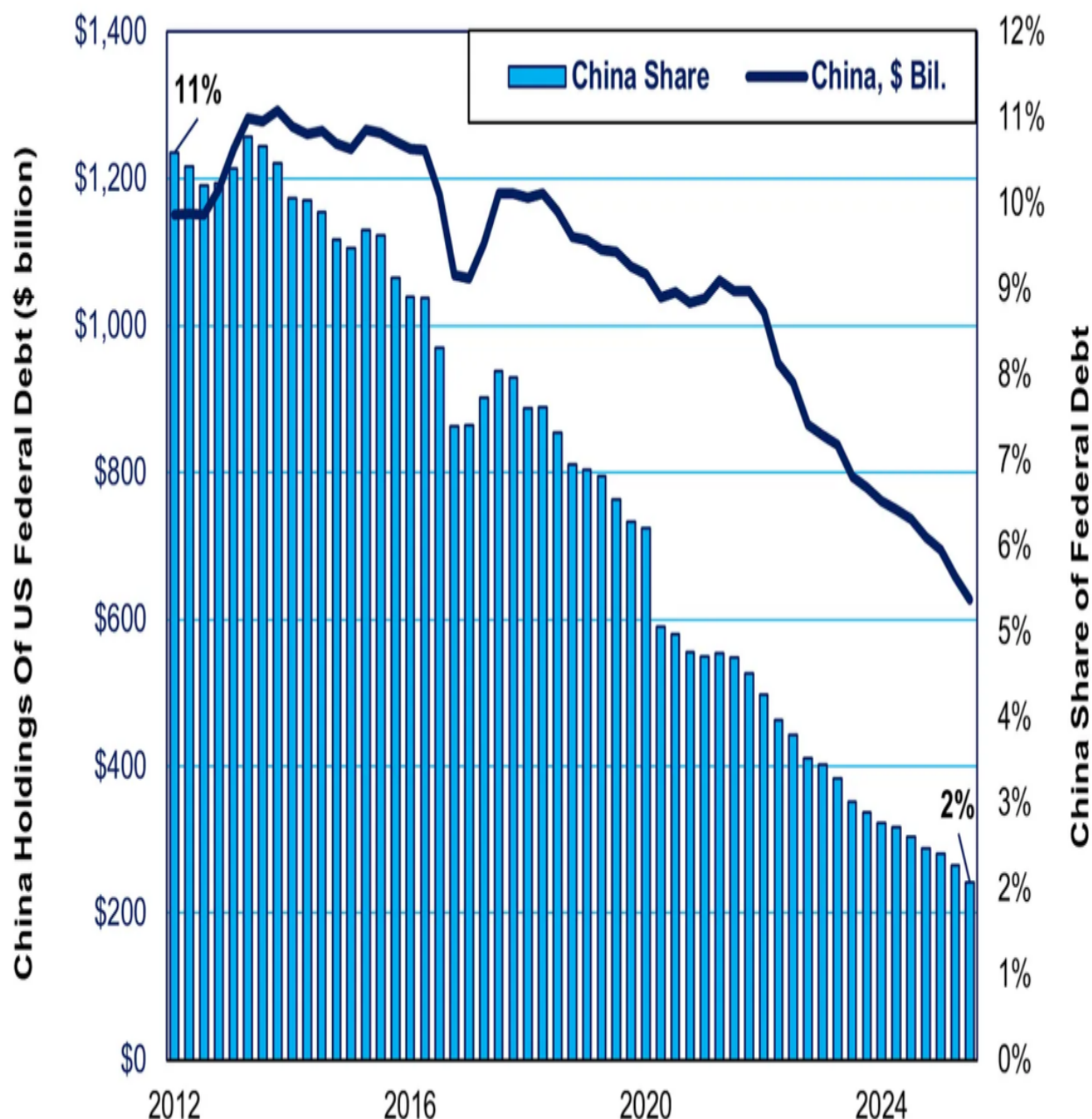
Sectors Analysis - Absolute and Relative Score (vs SPY)

| Symbol Name                | Top 10 Holdings | Absolute Score ↑↓ | Relative Score (vs SPY) ↓↑ |
|----------------------------|-----------------|-------------------|----------------------------|
| XLI Industrials            |                 | 0.83              | 0.80                       |
| XLE Energy                 |                 | 0.73              | 0.72                       |
| XLB Materials              |                 | 0.55              | 0.69                       |
| XLU Utilities              |                 | 0.73              | 0.49                       |
| XTN Transportation         |                 | 0.46              | 0.47                       |
| XLRE Real Estate           |                 | 0.50              | 0.46                       |
| XLP Consumer Staples       |                 | 0.46              | 0.19                       |
| XLV Health Care            |                 | 0.27              | 0.11                       |
| SPY                        |                 | 0.18              | 0.00                       |
| XLK Technology             |                 | -0.09             | -0.03                      |
| XLC Communication Services |                 | -0.06             | -0.21                      |
| XLV Consumer Discretionary |                 | -0.30             | -0.42                      |
| XLF Financial              |                 | -0.22             | -0.47                      |

## Is China Really Dumping US Treasuries?

?China is dumping US Treasuries to get out of the dollar.? This claim has been circulating the mainstream feeds lately, with the narrative that the *?end of the dollar is near,?* or *?the US will lose its funding base?* and the *?bond yields will surge.?* But are those claims valid? Such is what we will explore in more detail.

Let?s start with the chart that has everyone concerned. As shown, China?s holdings of US Treasury bonds have fallen from nearly \$1.2 trillion to \$600 billion, or a 50% decline. On the surface, you can certainly understand the reasons for concern, as the decline in holdings over the last decade supports a clean storyline.



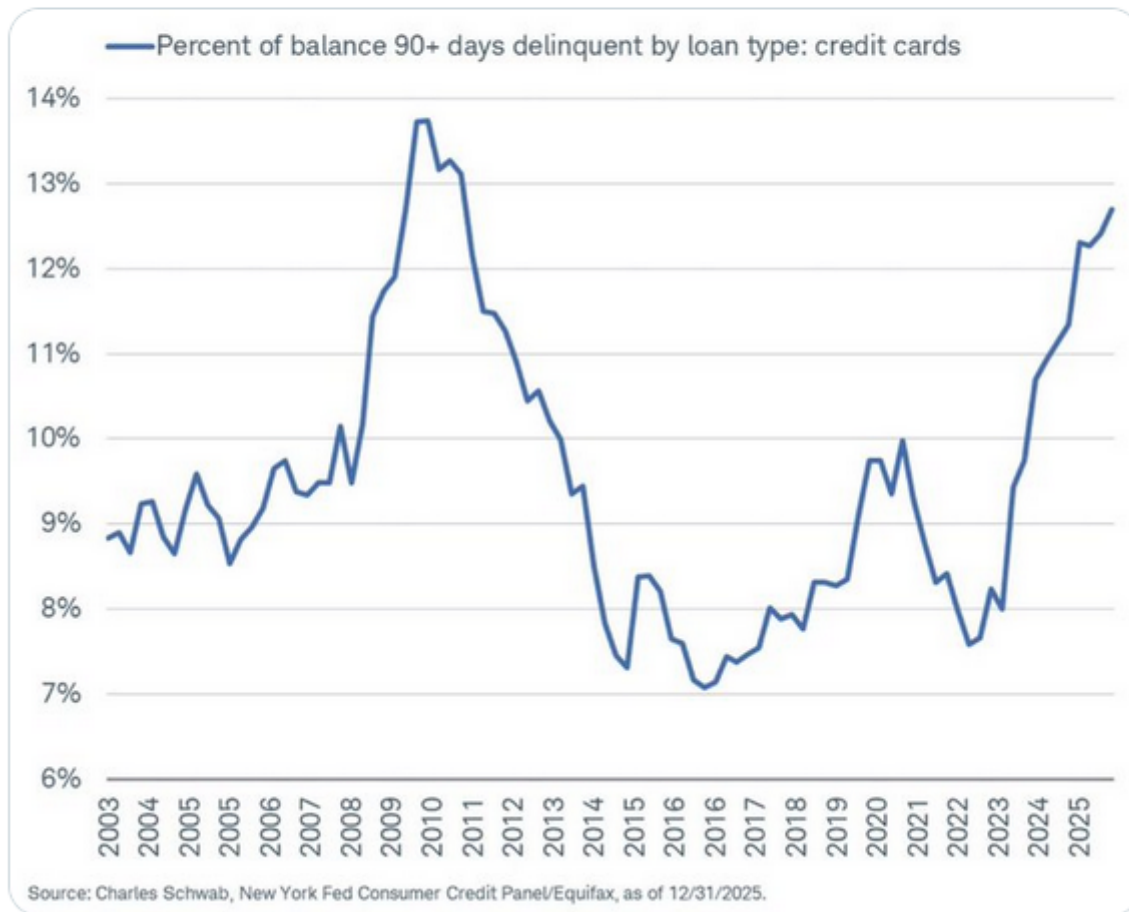
**However, the problem is the step between observation and conclusion.** A lower line item for *China, Mainland* does not equal a forced sale, it does not prove intent, nor does it prove a structural exit. What it does show is a lack of understanding about the dynamics of reserve currency management, and, in the case of China, the need to protect those reserves.

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