

The Financial Sector Is Under Pressure

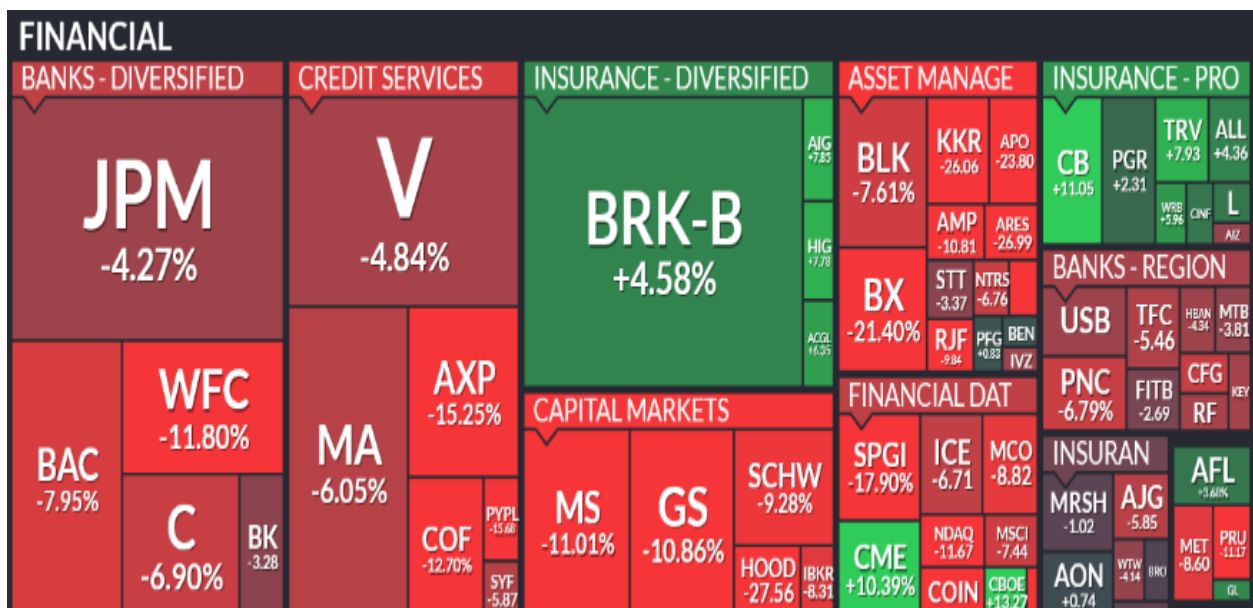
The heatmap below, courtesy of FinViz, shows the one-month performance of the S&P 500 financial sector stocks. As shown, Berkshire Hathaway and the insurance companies are higher over the period, while the large majority of the remaining financial sector stocks struggle. For context, the S&P 500 was down 2.80% over the same period. There appear to be three primary factors driving weakness in financial sector stocks:

Yield Curve: Via deposits and CDs, banks tend to borrow for shorter periods of time than the longer-term loans they make. Accordingly, the shape of the yield curve impacts net interest margins. Recently, the yield curve has flattened by about 25 bps, thereby shrinking net interest margins.

Credit Concerns: [Monday's Commentary](#) noted that the private credit loan market is coming under increased pressure due to loan losses and possible fraud. Banks and brokers (GS/MS) are major players in this asset class. Thus, the concerns roiling the private credit market are spreading to the banks and brokers. Compounding the issue for the financial sector, banks are seeing rising consumer delinquencies.



















Credit Card Competition: Payment giants Visa and Mastercard, which were long considered to have strong moats, are facing competition from cheaper payment alternatives. Real-time payment systems, account-to-account transfers, and fintech platforms are increasingly bypassing traditional card networks and their significant interchange fees. Investors are starting to question whether their long-standing pricing power can persist.

Combined with margin pressure, emerging credit concerns, and evolving payment competition, the financial sector lacks a clear catalyst for sustained outperformance.



What To Watch Today

Earnings

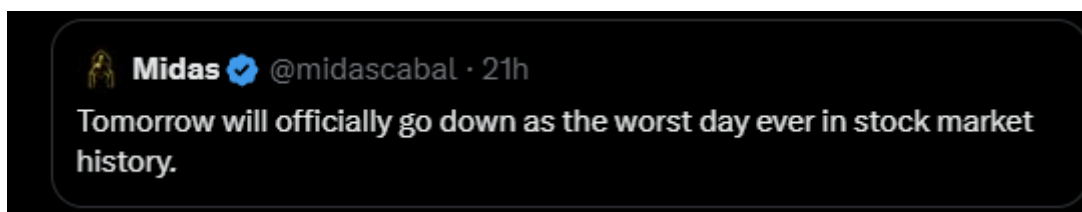
Tuesday Mar 3	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
 CrowdStrike Holdings <small>CRWD</small>	1.08	1.03		1.29B	1.06B		\$127.4B	Q4	PM 
 AutoZone <small>AZOUS</small>	27.49	28.29		4.31B	4B		\$58.68B	Q2	AM 
 Ross Stores <small>ROSTUS</small>	1.81	1.79		6.24B	5.91B		\$58.38B	Q4	PM 
 Target <small>TGTUS</small>	2.14	2.41		30.52B	30.9B		\$47.02B	Q4	AM 
 EchoStar <small>SATSUS</small>	-0.72	-0.44		3.74B	3.97B		\$31.18B	Q4	AM 
 Best Buy <small>BBYUS</small>	2.49	2.58		13.98B	13.95B		\$13.95B	Q4	AM 
 Macy's <small>MUS</small>	1.57	1.80		7.32B	7.77B		\$6.16B	Q4	AM 
 Thor Industries <small>THOUS</small>	0.03	-0.01		1.96B	2.02B		\$5.32B	Q2	AM 
 BOX <small>BOXUS</small>	0.34	0.42		304.28M	279.5M		\$4.34B	Q4	PM 

Economy

- No notable economic reports

Market Trading Update

Yesterday, we touched on the market's technical backdrop with the index working to hold onto support at the 100-day moving average. I wanted to shift focus today to the situation in Iraq and the numerous claims on the internet about its initial impact. Here was my favorite:



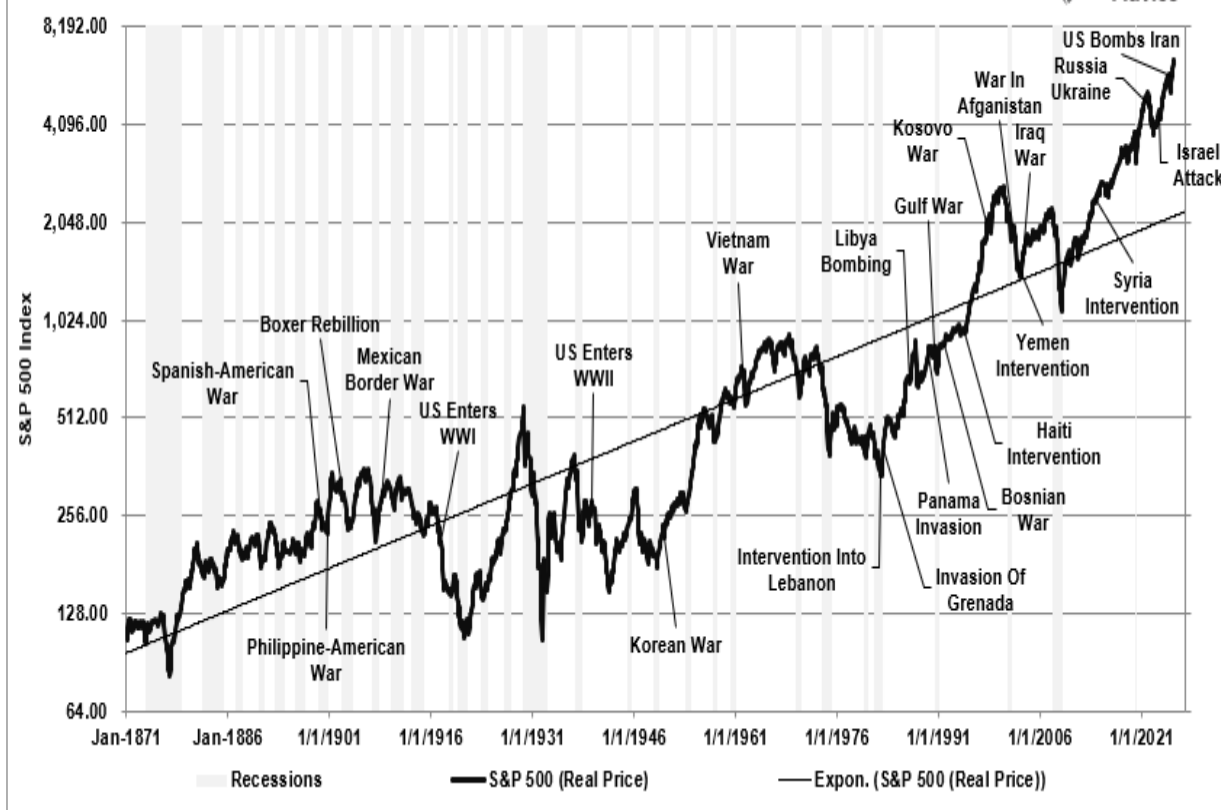
That obviously did not happen, and these types of individuals who post exaggerated nonsense do not provide any helpful context for investors. In reality, the market opened down just 1% yesterday morning before immediately finding buyers. Such has always been the case. This was the subject we touched on two weeks ago in the [#BullBearReport](#):

?The crucial takeaway for investors is that uncertainty creates short-term market volatility. However, a fundamental distinction exists between events that produce short-term market fluctuations and those that modify economic expansion patterns or corporate earnings. Most geopolitical events in most historical situations fall into the first category. The market responds with immediate price movements, but the effects disappear quickly unless the event damages consumer demand, capital expenditures, or earnings potential.

The current situation between the US and Iran likely falls into the first category. That isn't just speculation. It's data. The market's behavior during military conflicts since World War II, including the Cuban Missile Crisis, the first Gulf War, and the Russian invasion of Ukraine, demonstrates a recurring pattern of sharp equity market declines followed by quick recoveries, sometimes within weeks. The market responds to news events by overreacting until investors gain clarity, leading to a market correction.?

Real S&P 500 Index Vs Conflicts

(Robert Shiller Real Price Data)



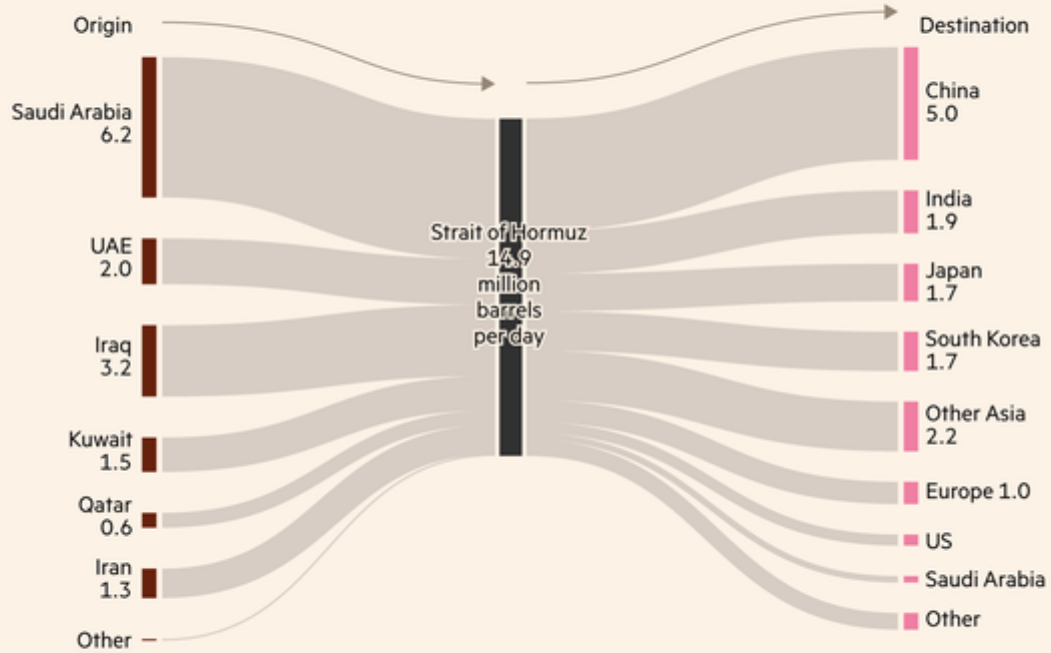
The one area with an immediate impact is oil prices, which initially surged nearly 8% at the open yesterday. However, the claims that oil will go to \$150/barrel or more are also as misguided as the market 20% in a single day. While there were many comparisons to the 1970s oil embargo, today's situation is vastly different. The US is now an oil exporter and, by all measures, the largest producer of petroleum on the planet. Secondly, the amount of oil that comes to the US through the Strait of Hormuz is very small.

The importance of Hormuz for global oil flows

Posted on
The Daily Shot
02-Mar-2026

@SoberLook

Crude oil transported through the Strait of Hormuz, 2023 (mn barrels per day)

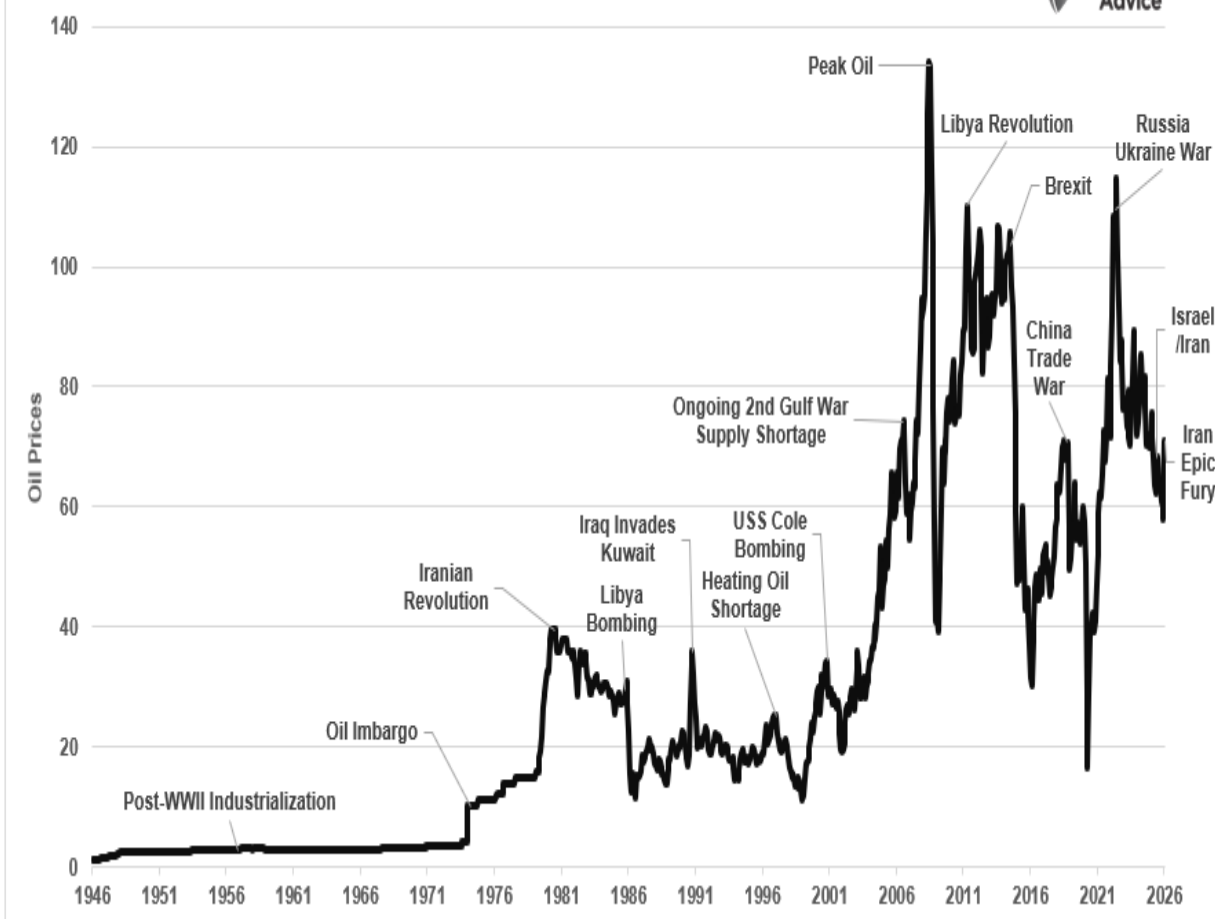


FINANCIAL TIMES

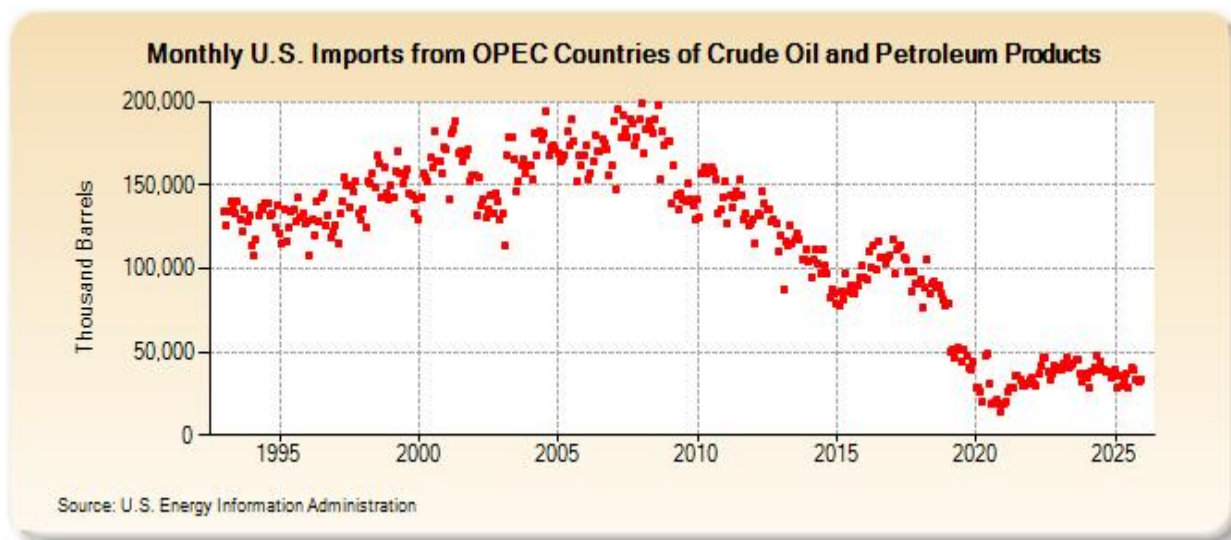
Source: US EIA

Secondly, military operations tend to be very short. As such, the price shock of such events on oil, likewise, tends to be shorter-term in nature. The chart below shows oil prices with relevant events.

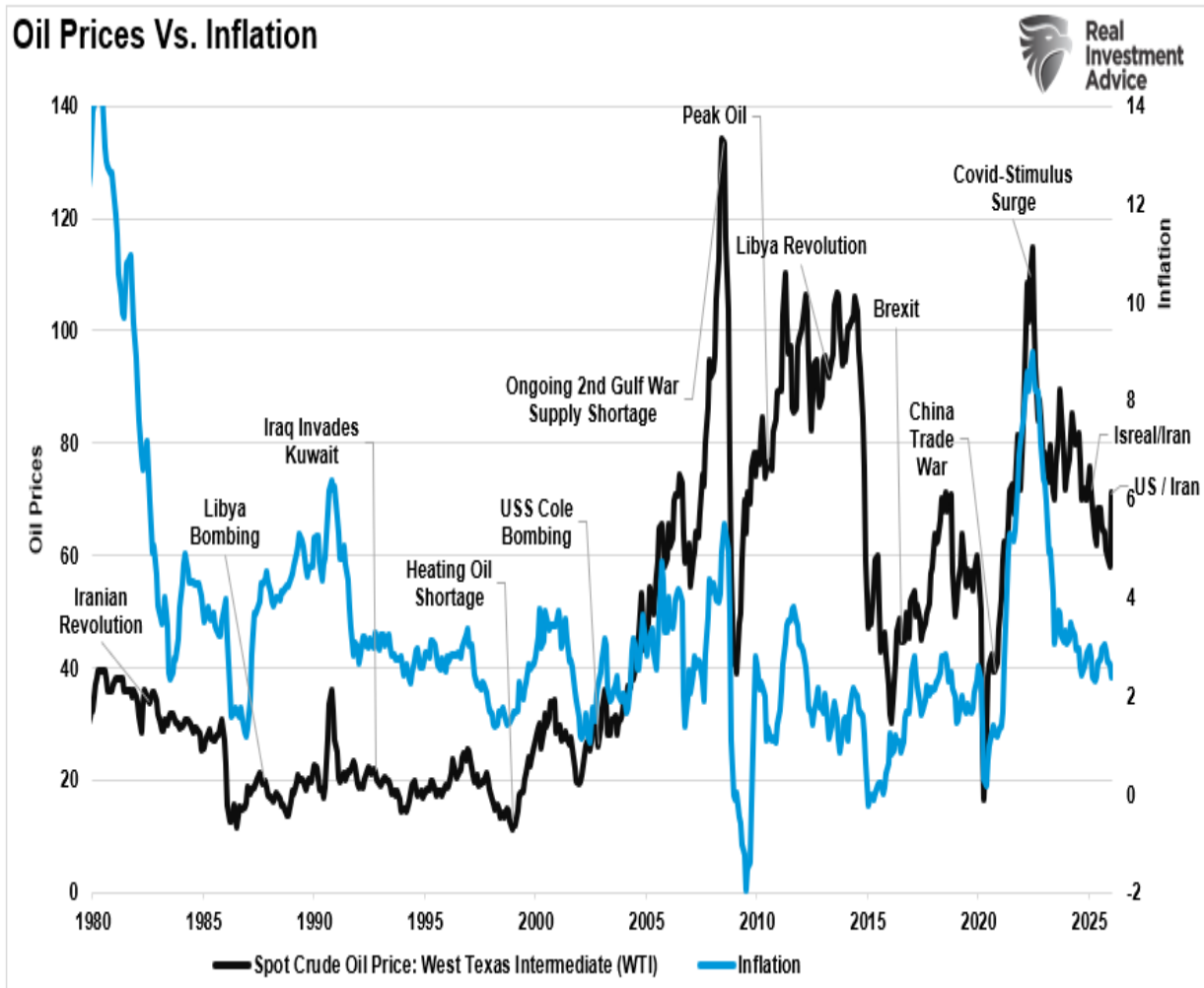
Oil Prices & Events



You will notice that since Russia invaded Ukraine, oil prices have been lower and less volatile. This is because the US is much less dependent on foreign oil imports for its economy. That reduced dependence lowers the *conflict risk* that would have previously been factored into oil prices.




Nonetheless, there is a risk of higher oil prices for the US stock and bond markets. If oil prices do shift higher on a sustained basis, it will translate into higher near-term inflation rates. However, even substantially higher oil prices, as seen after the financial crisis, did not translate into surging inflation but into modestly higher inflation rates. That should likely be expected, which could temporarily weigh on stock and bond prices.



The bottom line is that the military operation against Iran certainly induces volatility risk in the markets. As such, investors should consider reducing portfolio risk, taking profits, and raising cash levels slightly to get a better grasp of potential outcomes.

Most importantly, I would avoid the *?doom?* crowd and dismiss the more outrageous headlines, as those outcomes never materialize because the market is looking forward, not backward.

Remain patient and prudent, and let the market dictate our next moves.



Don't invest alone.
Tap into the power of SimpleVisor.

> Sign up now

Financials Are Fading

Adding to the opening section, the financial sector was the worst-performing over the last five days, as shown courtesy of [SimpleVisor](#) below. The first graphic shows it has underperformed the S&P 500 by 3.00% over the last five days and an additional 2.84% over the 20 days prior. The second graphic shows that XLF has been churning in the lower-left quadrant, meaning its absolute technical score and relative (vs. the S&P 500) have remained in oversold territory. As we led, there are three primary factors weighing on the financial sector, and no immediate fundamental catalyst on the horizon to improve the situation.



Factors

Sectors

Custom

SPY Excess Returns Over Time

SPY Excess Return Correlations

Lookback Days: 5,20,20,50,50

Update

Price data of 2026-02-24 1

5 days

20 days

Symbol Name	Top 10 Holdings	2026-02-17 to 2026-02-24 ↓↑	2026-01-16 to 2026-02-17 ↑↓
XLE Energy		1.85%	13.98%
XLU Utilities		1.11%	8.16%
XLP Consumer Staples		1.09%	8.69%
XLC Communication Services		0.88%	0.61%
XLB Materials		0.59%	9.53%
XLI Industrials		0.43%	6.17%
XLY Consumer Discretionary		-0.06%	-3.84%
XLK Technology		-0.06%	-2.94%
XLV Health Care		-0.34%	2.32%
XLRE Real Estate		-1.14%	5.37%
XTN Transportation		-2.49%	6.17%
XLF Financial		-3.00%	-2.84%



SaaS: Is There Opportunity In The Destruction?

A specter is haunting Wall Street? the specter of the *SaaS Apocalypse*? Since the iShares Expanded Tech-Software Sector ETF (IGV) peaked on September 19, 2025, it has fallen roughly 30%. For context, the broad technology indexes like XLK and QQQ are essentially flat over the same period, and the semiconductor ETF (SMH) is up 30%. Between mid-January and mid-February 2026 alone, approximately one trillion dollars was wiped from the collective value of software stocks, with the S&P North American Software Index posting its worst monthly decline since the 2008 financial crisis.



The catalyst was a series of AI product launches, most notably Anthropic's Claude Copilot tool and OpenAI's enterprise agent, Frontier, demonstrating that AI agents can now handle complex knowledge work autonomously. The market's interpretation was simple. **If AI agents can replicate what enterprise software does, then enterprise software is finished.** That is the narrative that has taken hold in recent weeks. The consequence has been brutal. Workday is down 35% year-to-date. Adobe has shed 26%. Salesforce, 25%. Atlassian plunged 35% in a single week. Even Microsoft, the ultimate blue chip, fell by more than 10%.

The thesis is straightforward enough. Generative AI can now write code, automate workflows, and rapidly and cheaply create customized applications. Therefore, if enterprises can build their own *disposable software*, micro-apps tailored to specific workflows, instead of paying bloated subscription fees, then the traditional per-seat SaaS pricing model is dead. Potentially worse is that AI lowers barriers to entry, enabling more competitors to quickly replicate existing software. Such would compress margins and weaken the moats that once protected large software firms.

It is a compelling narrative. The question investors must answer is whether it is true. [READ MORE?](#)

Tweet of the Day

Barbarian Capital reposted



Barbarian Capital @BarbarianCap · 23h

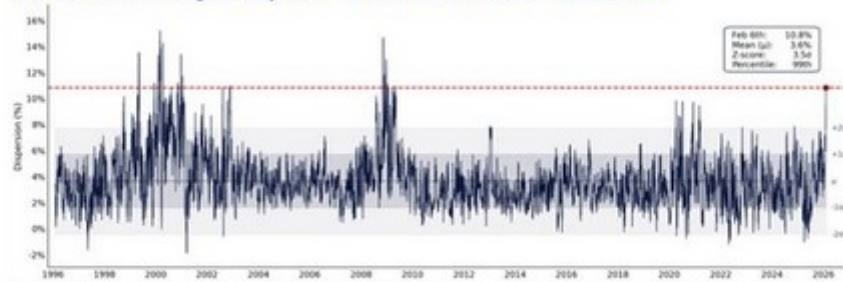


97th-99th percentile levels in single-stock dispersion 1/2

The speed of the recent factor rotation has translated directly into elevated dispersion. Single-stock dispersion is at extreme levels. **Over the past 30 days, the S&P 500 is down 1.4%, while the average stock in the index has moved 10% in absolute terms, placing the 8.6% dispersion spread in the 97th percentile over the past three decades.** Earlier this month, this spread surged to 10.8% – a 99th percentile event and a 3.5σ outlier over the past thirty years.

S&P 500 Dispersion – Stock Picker’s Market

SPX Constituent Average 30-Day Move – SPX Absolute Move, 30-Year Lookback



Source: Bloomberg as compiled by Citadel Securities, GMI, as of February 6th, 2026. Figures are for illustrative purposes only. Past performance figures do not guarantee future results.

?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)?

Please [subscribe to the daily commentary](#) to receive these updates every morning before the opening bell.

If you found this blog useful, please send it to someone else, share it on social media, or contact us to set up a meeting.