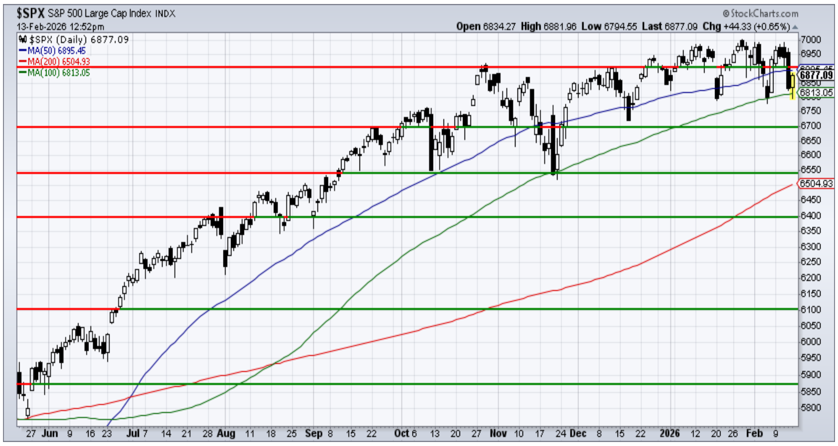
BILLS ASSET MANAGEMENT — BO BILLS (615) 371-5928

BAM MARKET NOTE

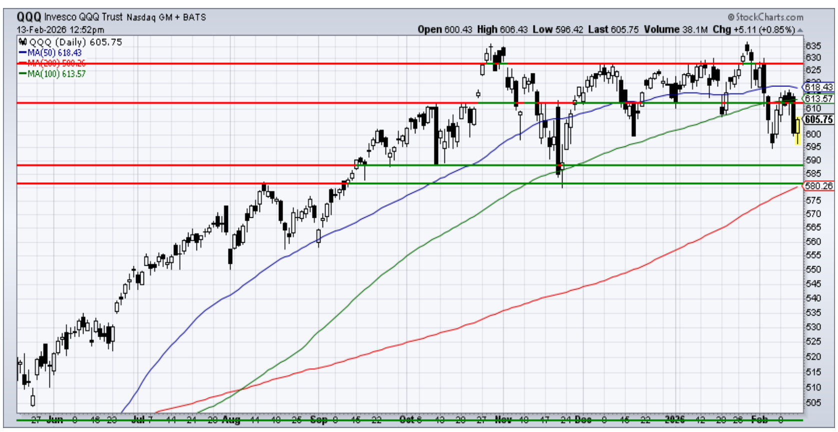
CARTER BILLS (615) 585-6867

FEBRUARY 13, 2026

PREPARED BY: BO BILLS



It has been another weak few days in the market. The S&P looks to be down another 1% this week. As bad as it feels, the large cap index remains a good week from new highs (1.5% from that level). The S&P has been in a wide trading range since November and sits this morning on important support (100-day moving average). It that fails today or next week, we will get a test of support at the 6700 level. It has been an uneasy start to 2026 with increased volatility and a shift in market leadership. Tech, particularly software companies, have been hit hard while value and small caps have been strong performers. We shall see if it persists.



Illustrative of the weakness in tech, the Nasdaq 100 chart is decidedly weaker. Haven broken through support at the 50 and 100-day moving averages, the index appears to be on its way to support at the 590 levels. The tech heavy index did touch the lows from last week this morning before bouncing. If the index can gather some strength, the low may be in (I am not convinced). The index is oversold so a bounce of some import should be coming. Recapturing the 100-day and the lost support line at the same level would do much to repair the damage done.

Our Point

While the market has been a bit unsettling, the major market indices remain in relatively good shape. The correction, thus far, has been orderly and mostly a result of rotation out of software and AI related stocks into other more staid names. Since the tech stocks are more heavily weighted in the cap weighted indices, the weakness in those names have had an outsized effect on the performance of the indices. This is further illustrated when you look at the performance of the equal weight S&P 500 (RSP). While the cap weighted S&P is flat to slightly up for the year, the equal weight RSP is up over 5%. Over the last few weeks, we have shifted some of our holdings out of tech and into some of these other names, but we haven't given up on tech yet. In fact, we believe another good buying opportunity is developing in the beaten down tech, software and AI stocks. With the likes of Amazon and Meta 20% off of their 2025 highs, very little has changed regarding their prospects, earnings and the impact of their AI investments over the coming years. Additionally, the economic news was excellent this week with the January jobs report showing strong job growth and the CPI showing inflation continuing to trend down slightly. We do not believe that this is the start of anything more significant than a normal correction and believe that risk will continue to be rewarded over the coming months. With that said, there will likely continue to be fits and starts and volatility as the impressive performance of the tech stocks over the last couple of years is digested. Nvidia earnings the week after next looms large and will move the market. A disappointing quarter and/or soft guidance, will lead to further selling while another blow-out earnings report could forestall the damage. We'll know on Wednesday February 25th. Earnings season is beginning to wind down a bit, but we will get Walmart earnings next week, which will be a gauge of the mood of the consumer. We made a small change to our holdings this week shifting some additional capital into emerging market debt (a strong performer). If the weakness persists in the tech arena, we may make additional changes but feel comfortable with our holdings at this point. After all of the cold and ice, this week's warmth has been a welcome change. We'll get more of the same next week. Enjoy your Valentines Day weekend and be sure and tell the ones you care for how special they are!