

Hamilton-Bates Market Update

**Lots of Volatility in
February**

February 11, 2026

P.O. BOX 98 Mertztown, PA 19539 877.768.4247 www.hbir.com

Its only a month into the new year and we have already seen crazy amounts of volatility, with multi-sigma moves in metals over the past month, along with steep declines and rebounds in the major averages. All to end up with a modest gain on the year so far. We are seeing strength in formerly ignored areas like dividend payers and value plays, while the formerly hot AI sector has come under increased scrutiny.

The Economy, Earnings, Interest Rates, and Precious Metals

Investors are bracing for a heavy week of US economic data that could reshape expectations for interest rates. After climbing to within striking distance of record highs, S&P 500 futures steadied, with markets shifting focus to retail sales, followed by payrolls and inflation figures. The economy still seems to be moving along, but the labor market has cooled. Companies aren't hiring as much, but they aren't firing either. On balance we have a "no hire / no fire" labor market. What way the labor market ultimately tilts is likely to be the ultimate trend for the market. But its too early to tell.

The bond market has remained neutral, but we will be watching to see if the 10-year yield falls below 4%, a potential sign the economy is slowing. Precious metals remain bid with gold held above \$5,000 as investors stay defensively oriented. We think there is a secular argument for holding precious metals in a portfolio. Silver went white hot with a parabolic rise, but is now coming back down to earth. There will be a great opportunity in the metals and miners coming up in the weeks and months ahead.

The economic data will test whether resilient consumer spending can offset signs of a softer labor backdrop, and whether inflation trends give the Fed room to cut rates later in 2026 under a new Fed Chair.

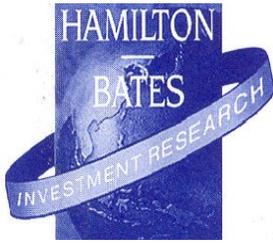
The AI Sector

AI is proving to be a sword that cuts both ways, after being just a tailwind for some time. AI spending is now under scrutiny, and there is now concern in some sectors like software that AI could completely disrupt the sector. The period of AI disruption has begun. Companies and sectors that benefit from AI will benefit, those that could see heavy disruption and pain. AI is here to stay, but we may be in a gear switching mode to where the benefit becomes more sector and company specific than a broad tailwind.

We see some risk too that the AI buildout may stumble if the POWER needed for those datacenters is not available in time. A new datacenter requires almost as much power as a large-town or small city. Consumers have endured a doubling of electricity rates, I don't think there will be any willingness to endure even higher prices. If spending and buildout must slow to wait for the grid to catch up it could create quite a growth hiccup in AI. From an investment standpoint, we continue to love electrical grid infrastructure plays, and even most utility names. But unlike the past AI now brings the uncertainty of disruption to sectors that may not be prepared.

Stock Market and Investment Outlook

The market is shifting gears a bit with the formerly hot AI sector morphing into a more selective environment. AI is here to stay but instead of 'all winners' things are becoming more disruptive. As a result, low volatility dividend stocks have attracted a lot of interest and dollars, and this sector (which is our largest thematic holding), has started off 2026 strong. We expect this trend to continue.



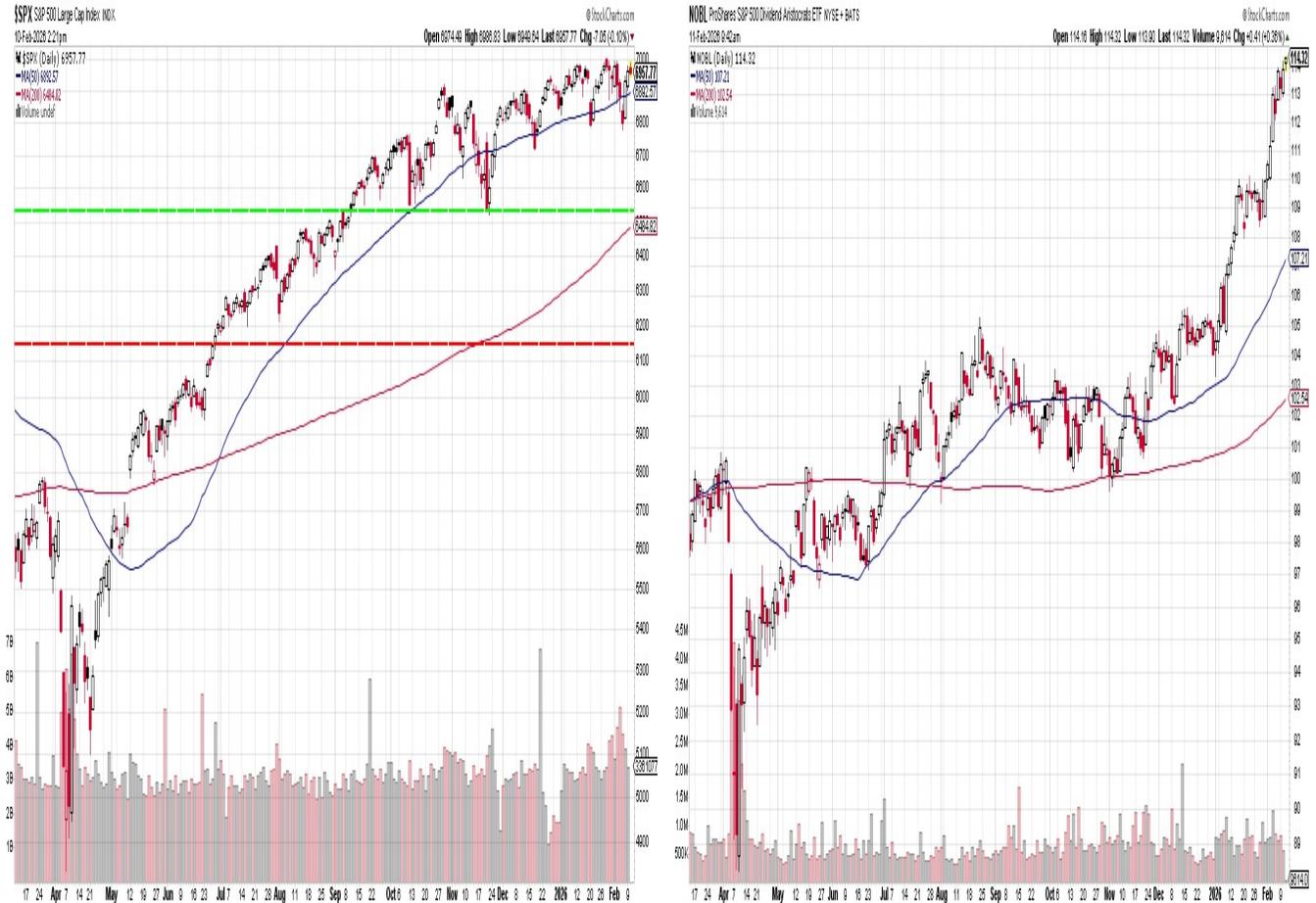
Hamilton-Bates Market Update

**Lots of Volatility in
February**

February 11, 2026

P.O. BOX 98 Mertztown, PA 19539 877.768.4247 www.hbir.com

S&P 500 Market Chart



S&P 500 Chart Top Left

The S&P is slightly higher on the year, but has generally moved sideways since mid-January. 6800 is a key level for the short-term, and after a recent test that level has held. The trend remains bullish and constructive for stocks, even as the large-cap technology stocks lose a little steam. Good old dividend payors have taken up the slack, as investors have now come to value lower volatility and more stable earnings. A move above 7000 on the S&P puts 7400-7500 as the next target level.

Dividend Aristocrats ETF Top Right

With investors seeking diversity and safety as market volatility has increased, they have sought stable dividend payors. After being largely ignored this market segment has finally come to life. These trends tend to last longer than just a few weeks and we expect this strength to continue.