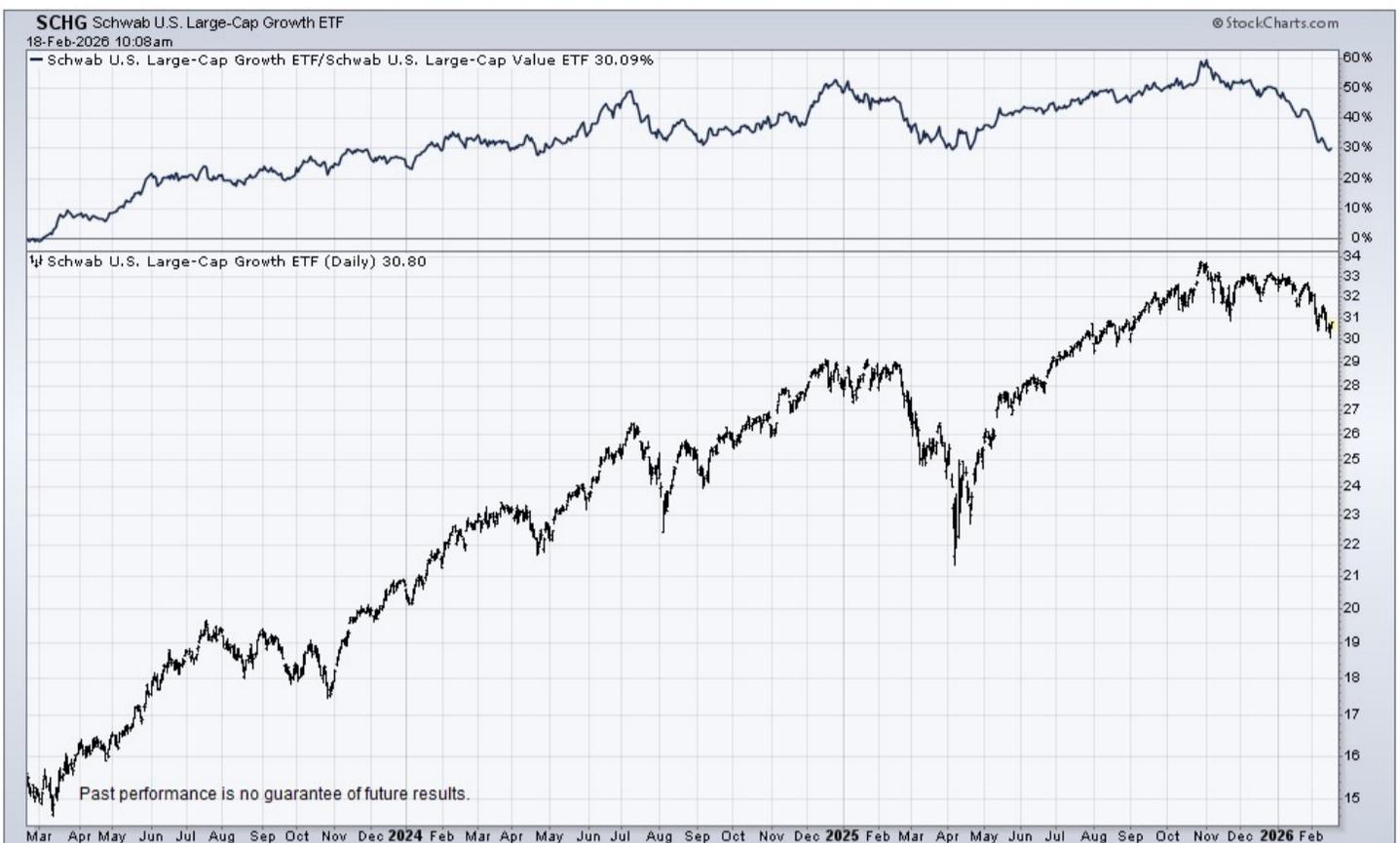


CHART OF THE MONTH

FEBRUARY 2026



There is an old saying on Wall Street that “it’s not a stock market but a market of stocks.” This adage is used to distinguish between a *stock market* behaving as a single entity (typically measured by the S&P 500 and Dow Jones Industrial Average) and a *market of stocks* driven by individual and groups of securities performing significantly different from the major market averages.

While the S&P 500 and DJIA have been mostly trading water in 2026 [as evidenced by the Schwab U.S. Large-Cap ETF (SCHX) up just 0.07% year-to-date through yesterday’s close], the Schwab Large-Cap Value ETF (SCHV) has *increased* 8.3% while the Schwab Large-Cap Growth ETF (SCHG) has *decreased* 6.4%. The divergence marks a sharp reversal from recent years when growth, powered by the technology sector, outperformed value by a wide margin (see above).

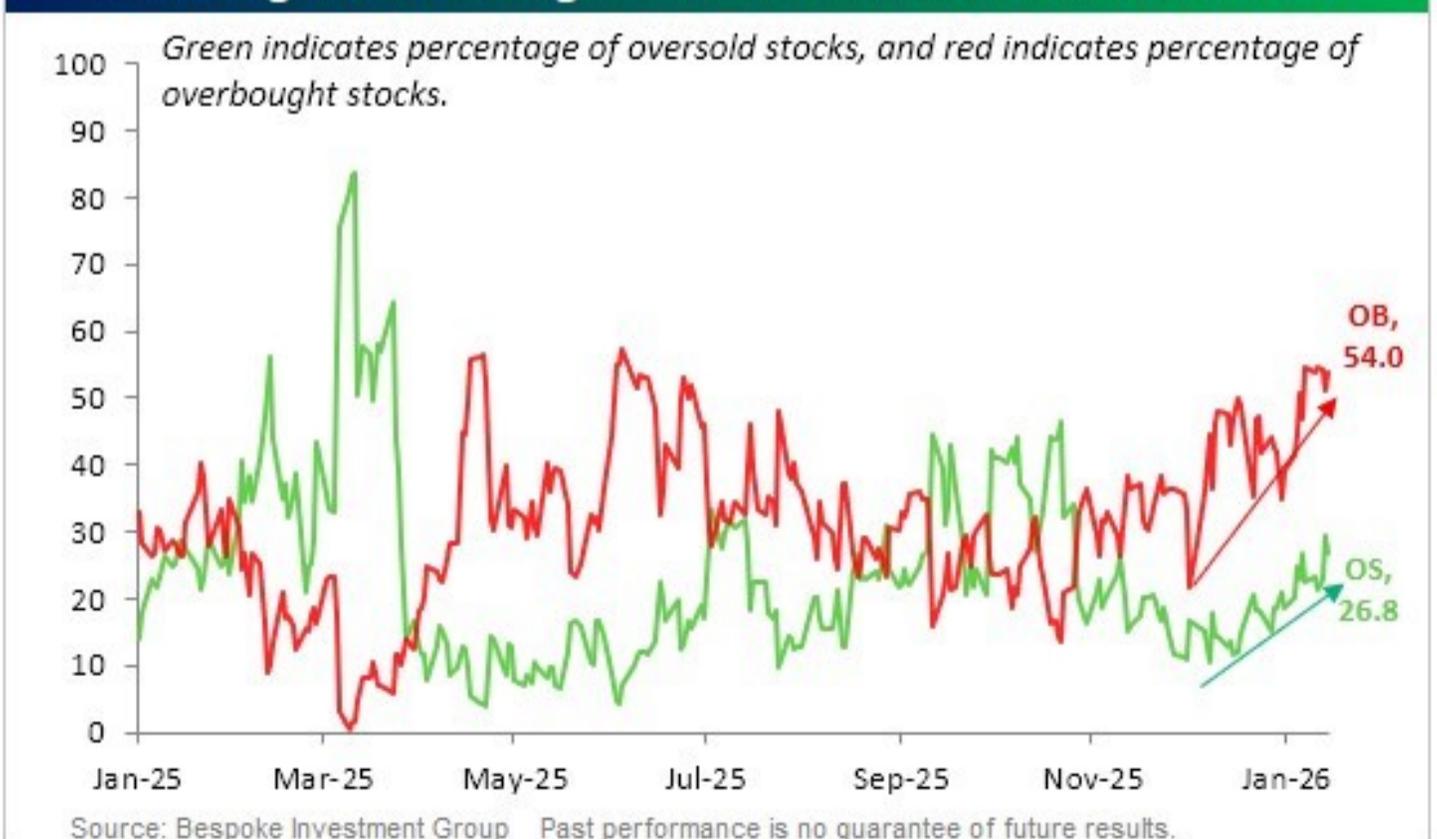
As shown in the graph, Large-Cap Growth peaked in absolute terms (bottom portion) and relative (top portion) to Large-Cap Value at the end of October. It has *fallen* more than 10% since. Meanwhile, value has *risen* 11% during the same period, producing a differential of 21% in the past 3-1/2 months, a time in which the S&P 500 has been flat.

Although it remains to be seen if and how long this change in leadership will persist, it is notable that investors are rotating among sectors within the stock market rather than moving from equities to cash.

In a “stock market,” prices tend to go up and down together. Accordingly, the overall market would either be “overbought” or “oversold.” However, stocks have not been trading in unison of late. Instead, as shown in the graph below, overbought (red line) and oversold (green) stocks have both been climbing in a rare occurrence since the start of the year. The former has jumped 20 percentage points to 54% and the latter over 10 percentage points to 27% of the S&P 500, meaning 81% are overbought or oversold.

We do not recommend trying to chase the latest winners as they can become overbought and vulnerable to negative news or revamped perceptions (such as in the case of the so-called Magnificent-7 and/or AI companies). Rather than shifting with the winds, we strongly advise clients to stay focused on their long-term goals and objectives while understanding that there will be ebbs and flows along the way in terms of what is in and out of favor.

Percentage of Overbought and Oversold Stocks in the S&P 500



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