

# INVESTMENT VIEWS

FEBRUARY 28, 2026

## ON A KNIFE'S EDGE

After describing what we believe will be a “tense” year ahead, markets and investors have indeed been on a knife’s edge since the beginning of this month. There is no shortage of issues and situations to worry about. From relatively bland worries such as the selection of the new Federal Reserve Chairman, to ongoing trade tensions, geopolitical issues in both Ukraine and Iran, and the anxiety for Artificial Intelligence disruption in society. There will undoubtedly be other issues that weigh on the markets that could become more prominent over the course of the year, and we will continue to monitor them.



The shape of the markets in 2026 will be determined as the events unfold and work towards resolving themselves. Volatility will remain high and should be anticipated by investors going forward as we have warned on several occasions. Ultimately, it is our base case that markets will move higher as they climb this steep wall of worry. This issue will cover some of the greatest worries on investors’ minds.

## TRADE, TARIFFS AND UNCERTAINTY

Every article we read regarding trade policy and tariffs has the same feel and conclusion...confusion and uncertainty. The recent Supreme Court ruling only adds to this situation. We believe the Administration is after a “win” and does not want to “look bad” and will navigate a course that will ultimately achieve a better balance of trade and bring back certain critical industries.

## GEOPOLITICS - HOT AND COOL

While it seems that the tragic, ongoing war in Ukraine may be winding down, the situation in Iran is heating up. The build up of US forces in the Middle East is no joke, and it is not a bluff. Again, the Administration seeks a “good” legacy and will avoid major hostilities if it can. Some form of a negotiated deal is likely, though it will not resemble previous deals struck by prior governments.



## KEVIN WARSH - HAWKISH OR NOT?



Kevin Warsh is the nominee for the top position at the Fed and markets greeted the decision with certain skepticism. While he has made some perceived tough or hawkish comments in the past, we note that Warsh was chosen for a specific reason. He has made his position clear on many occasions – he wants to see “main street” prosper. While that may be bad news for certain areas of the market, it is good news for others.

## POLICY RESPONSES

It is a reality, whether one believes it good or bad, that governments have become very active in supporting financial markets and the economy. If one or more of these issues we discussed does not resolve favorably we expect the typical political response, which is to never let a good crisis go to waste. Supportive measures from the US Treasury and Federal Reserve will ensure any dislocations are contained to keep the economy going and financial system stable. This is a time of both risk and great opportunity for investors.

## PORTFOLIO PIVOTS

A certain portion of our portfolios are holdings that we consider “pivot holdings.” They represent a smaller portion of the portfolio and acquire this label for their relatively high uncertainty and special conditions around holding them. Unlike regular positions, a pivot position holding has somewhat tight parameters for losses. They are expected to remain profitable and if they violate previously set loss parameters they are simply sold. A few of our pivot positions were sold recently after they violated their loss parameters. It may be the case that these holdings can make their way back after a closer review of their circumstances is completed.

## NEW HIGHS...WHY WORRY?

With the markets making new highs nearly every few weeks, most people are wondering what there is to worry about. Indeed there are a lot of positives in the markets today. The largest companies have not been pulling this market up and it has been a rotation to names that have lagged, namely small cap stocks. On the contrarian side, individual investors are more bearish than bullish. To top it off, earnings season has been quite good.

The key areas for concern though are the sectors showing the best strength are those that are defensive or value oriented, i.e. a move to safety. Consumer staples are vastly outperforming their discretionary peers and this is generally a bad sign for a sustained bull market. Financials have also started to rollover and are close to hitting nine month lows. You really can not have a bull market if banks are not going to participate. The great rotation we have been seeing needs to change course for the market to continue its bull trend.

## THE OWL IN THE COAL MINE?



An industry catching some strays from the AI fallout is the private credit sector in the US, now approaching \$2 trillion in assets. In general, retail facing private equity firms who operate funds that focus on tech and software lending have faced notable liquidity strains due to the recent stresses in those markets. Blue Owl in particular has had to sell loans to cover surges in redemption requests and even halted redemptions on one fund. While stress in one market can lead to contagion in another, stabilization should quell concerns and at present these liquidity issues are more selective than systemic.

## AI DOOMSDAY

Fears over artificial intelligence recently ignited over a fictional contemplation about the potential for AI to create an economic crisis. The thought experiment depicted AI agents automating white-collar jobs, spiking unemployment above 10%, and crashing markets in a "Ghost GDP" scenario.

Though hypothetical, it amplified existing anxieties and the initial brunt was felt by software stocks. The "SaaS-pocalypse" (as it has been dubbed) has seen the sector shed over 25% from 2025 peaks. The fear has evolved to cover more industries like computer coding, legal work and even banking.

However, this is the doomsday narrative and the truth is likely somewhere in the middle at worst. The scenario portends that the incumbents will not have a role to play, which is extremely unlikely. In its current form, agentic AI relies on existing platforms while using its tool set to make it more efficient and user friendly. Expertise will still be needed to deploy and scale AI and this will transform "doomsday" into a more drawn out scenario.

Our exposure to software is extremely light, but this sell-off has certainly got our attention in looking at potential investments. To top it off, short exposure to software is hitting decade highs and these are the kind of things a contrarian investor wants to see. For sure there will be winners and losers and it will take time to sort them out.

## ENERGY IN IMMEDIATE NEED

The building out of AI data centers and infrastructure is creating an alarming rise in energy demand. We have previously written about the role that next generation nuclear power will play in this. However, the most optimistic scenarios will not deliver any new nuclear generation for at least 4 to 5 years, if not longer. The gap between now, as these data centers come online and the huge potential for nuclear energy years down the line must be filled. The most common sense and pragmatic solution is natural gas, a relatively clean, cheap and abundant fuel that we have plenty of here in the US. Expand Energy (EXE) is a portfolio holding and one of the largest domestic gas producers and is well positioned to benefit from this coming demand surge. Conoco (COP), another portfolio holding, also has high exposure to natural gas. While many investors are still looking to NVDA or other tech companies for AI exposure, we feel very comfortable investing on the energy side of AI.

**Recommendation List:** A list of all previous specific investment discussions published over the past 12 months will be provided upon request. Please email [lara@mhandassociates.com](mailto:lara@mhandassociates.com) or call our office for this list.



MH & Associates Securities Management Corporation  
2888 Loker Avenue East, Suite 318 • Carlsbad, CA 92010  
23901 Calabasas Road, Suite 2005 • Calabasas, CA 91302  
(626) 440-9694 • [www.mhinvestments.net](http://www.mhinvestments.net)