

Five for Friday

February 13, 2026

Five for Friday is a medley of market and economic analysis (plus the occasional fun fact), condensed into a digestible, one-page note.

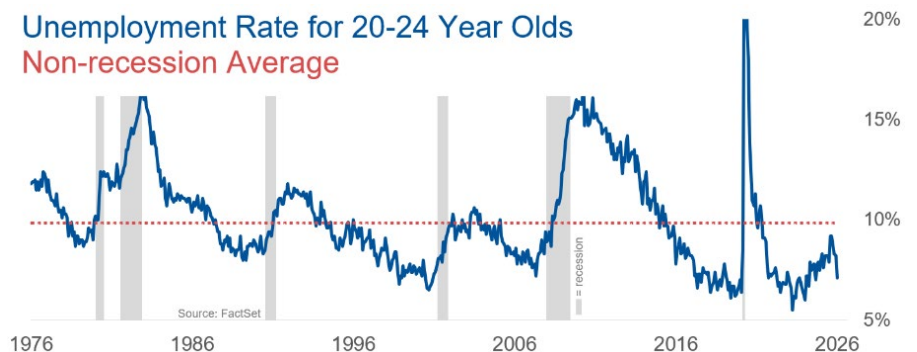
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SOFTWARE SELLOFF • ROTATION • GLOBAL • JOBS • FRIDAY THE 13TH

- Selloff.** Software, the second-biggest industry in the S&P 500 to start the year, is in a bear market on fears that AI tools will erode the sector's business model. As with most selloffs of this speed and magnitude, it's "sell first, figure it out later" crowd psychology. Now, don't get me wrong: the potential for AI disruption is immense and some AI-enabled tools are incredible (which, ironically, helps justify the massive capital spending from firms like Alphabet and Amazon [that has also spooked investors](#)). But here's my take: enterprise software as a "thing" is not just going away overnight. For major companies, switching costs are high, economies of scale are obvious, and cybersecurity concerns are paramount. A lot of babies are being thrown out with the bathwater. Those considering "buying the dip" should remember that 1) it's too soon to tell which companies have staying power—some stocks will end up looking like steals and others will be disrupted out of existence; and 2) Buying "low" doesn't mean quick profit as it could be years before the market rewards your thriftiness. Adding to positions in higher quality, diversified software names makes sense to me with the sector now as cheap relative to the S&P 500 as it's been in 25 years—but only if you have a longer time horizon and higher risk tolerance.
- Rotation.** Another factor in the "sell software" trade is the array of viable alternatives. While Tech has lagged, most other sectors have worked—from cyclical industries like Energy Equipment & Services (+33% ytd), Leisure Products (+29%), and Machinery (+23%) to higher-yielding laggards like Food & Staples Retailing (+15%) and Tobacco (+15%). Tech's weakness has muted the S&P 500's return in 2026 so far (+1%), but some 350 stocks in the index are positive on the year and the S&P 500 Equal Weight index is at all-time highs. Perhaps it's partly a "What can't AI disrupt right now?" trade, but breadth is a positive for markets regardless.
- Global.** Speaking of breadth, international stocks have started the year much as they ended 2025—outperforming U.S. stocks. Over the 12 months ending in January, the MSCI All Country World ex-US index outperformed the S&P 500 by over 19%, the most since 2009. Catalysts include a weaker U.S. dollar, strong revisions to global earnings estimates, and—importantly for the potential duration of the move—structural changes to foreign economies ([Japan's corporate reform](#), EU's [fiscal spending](#), etc.). I wouldn't bet against the U.S.'s record of innovation or business-friendly environment, but I imagine there are many investors who've thrown in the towel on global stocks and could benefit from legging back in.

- Jobs.** After months and months of fairly dour labor market data, January's nonfarm payrolls report was a nice reprieve with the most jobs added since 2024, decreasing unemployment rate, etc. The most interesting takeaway to me was the unemployment rate for workers aged 20-24 dropping to a 20-month low of 7.1%, well below the long-term, non-recession average. Amid fears that AI will erase the entry-level job, I'll take this as a mildly promising sign.

Unemployment Rate for 20-24 Year Olds Non-recession Average



- Happy Friday the 13th.** Fear of this day ("paraskevidekatriaphobia") has been estimated to lead to lower spending and [short-lived economic damage](#), but stocks have seen the opposite. Over the last 75 years, the S&P 500 has averaged a 0.16% gain on Fridays that land on the 13th, over 4x higher than the +0.04% all-days average. Not so spooky after all!

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