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MARKET UPDATE | Valuations Recalibrate as Growth Moderates

February unfolded as a continuation of the complex and often contradictory macroeconomic backdrop we have seen take shape over recent quarters, one in which slowing growth, mixed inflation and labor market data have shaped the financial markets' narrative. Equity markets in February were marked by heightened volatility punctuated by a pronounced sell-off in the first half of the month that left the NASDAQ and S&P 500 in negative territory for the month, returning -3.4% and -0.8%, respectively. Meanwhile, the Dow Jones held relatively flat, gaining just 0.3%, underscoring the uneven risk appetite across sectors. International equity markets continued their outperformance of U.S. stocks in February with the MSCI EAFE gaining 4.6% and the MSCI Emerging Markets soaring 5.5%.

compressed meaningfully as investors reassessed forward earnings durability and competitive positioning. These stress points were compounded by risk-off reactions to tariff policy uncertainty and trade headlines that unsettled multinational earnings expectations. In contrast, value-oriented and cyclical segments such as energy, materials and industrials showed relative resilience, helping to anchor the S&P 500's broader performance despite technology and communication service's heavy weighting within the index of over 40%.



Investors questioned the sustainability of traditional SaaS models amid rapid advances in AI tools and automation capabilities

Market Return Indexes	Feb 2026	YTD 2026	2025
Dow Jones Industrial Average	0.3%	2.1%	14.9%
S&P 500	-0.8%	0.7%	17.9%
NASDAQ (price change)	-3.4%	-2.5%	20.4%
MSCI Eur. Australasia Far East (EAFE)	4.6%	10.1%	31.2%
MSCI Emerging Markets	5.5%	14.8%	33.6%
Bloomberg High Yield	0.2%	0.7%	8.6%
Bloomberg U.S. Aggregate Bond	1.6%	1.8%	7.3%
Yield Data (Month End)	Feb 2026	Jan 2026	Dec 2025
U.S. 10-Year Treasury Yield	3.97%	4.26%	4.17%

Early in the month, the tech-heavy NASDAQ bore the brunt of a market selloff, with the composite sliding sharply amid rising concerns about stretched valuations in technology and software stocks and the potential for AI-related disruption to existing business models. Software and services shares were hit particularly hard, as investors questioned the sustainability of traditional SaaS models amid rapid advances in AI tools and automation capabilities. Valuation multiples in segments of the software space

February's advanced estimate GDP release by the Bureau of Economic Analysis revealed that the U.S. economy expanded at an annualized pace of 1.4% in the fourth quarter of 2025, a significant deceleration from earlier quarters and a meaningful miss relative to consensus forecasts ranging between 2.5%-3.0%. On a full-year basis, the economy grew 2.2% in 2025 based on an advance estimate, slower than the 2.8% increase in 2024, signaling that economic momentum has softened as monetary policy remains restrictive and consumers grapple with elevated costs and higher borrowing rates. The fourth quarter's slower pace of growth reflects a combination of reduced consumer spending growth, decreased government outlays partially due to the government shut down and a drag from net exports, even as business investment remained resilient in parts of the capital goods sector.

The inflation story in February was equally ambiguous, reinforcing the challenge facing both investors and policymakers in interpreting price trends. Headline inflation as measured by the Consumer Price Index (CPI) showed signs of moderation in January, with prices rising at a 2.4%

year-over-year rate, down from prior months and below many economists' expectations, while core CPI (excluding food and energy) came in at 2.5% annually, suggesting that underlying price pressures outside volatile categories had eased modestly. However, the Fed's preferred gauge, the Personal Consumption Expenditures (PCE) price index, painted a contrasting picture. December's PCE, released in February following delays related to last year's government shutdown, showed PCE inflation at 2.9% year-over-year, with core PCE at 3.0%, still well above the Federal Reserve's 2% target, indicating that a significant portion of price pressures remain persistent. This divergence between CPI and PCE figures complicates the inflation narrative and underscores that while some headline measures appear to be easing, broader consumption-based measures suggest inflation has not fully receded. Both markets and the Federal Reserve will continue to be attentive to the breadth and composition of price pressures rather than any single report.



Diverging CPI and PCE figures show that inflation has not fully receded.

In the labor market, the January employment report showed a stronger-than-expected 130,000 new jobs added and an unemployment rate of 4.3%, exceeding consensus forecasts. However, this headline is tempered by the substantial downward revisions to 2025 payroll data, which dramatically cut last year's job gains from an initially reported 584,000 to just 181,000, implying an average of roughly 15,000 net jobs per month and marking the weakest annual job growth outside of recessionary periods in decades. This juxtaposition of a strong January print against a much weaker underlying trend suggests that while employment conditions are not deteriorating rapidly, the labor market is more subdued than headline numbers alone would imply. Rather than signaling a robust rebound, January's job gains may reflect volatility layered on a soft baseline, reinforcing a narrative of "low-hire, low-fire" dynamics that keep unemployment low but reveal limited momentum in broad-based hiring.

This data comes on the heels of the Federal Reserve's January meeting, where policymakers maintained the federal funds rate at current levels, citing persistent inflation and a stabilizing, rather than weakening, labor market. Market pricing of interest rate expectations shifted modestly during the month but continues to suggest that the first rate reduction of 2026 may be delayed relative to earlier projections, given the inflation resilience reflected in PCE data and the unexpected firmness in employment figures.

February's economic and market activity reaffirmed that the U.S. economy and financial markets are navigating a phase defined by moderation rather than crisis: growth is slowing but not contracting, inflation is easing on some measures but persistent on others, and the labor market, while cooling, remains somewhat stable. For investors, this environment calls for balanced positioning that acknowledges both the uncertainties and opportunities inherent in a transition from an inflation-driven cycle toward a more normalized economic regime. As the year progresses, fresh data releases on inflation, employment and spending will continue to influence expectations around monetary policy and market risk, making it imperative to evaluate trends through a multi-indicator lens rather than relying on any single data point.

On February 25, 2026, the Department of Labor (DOL) issued a Proposed Regulation implementing Section 338 of the SECURE 2.0 Act (SECURE 2.0). Under Section 338, SECURE 2.0 requires that employers furnish retirement plan benefit statements in paper form periodically, and Congress directed the DOL to revise its electronic disclosure regulations to comply with the paper pension benefit statement requirement. Although the regulation is not final, it is expected that the new rule will be effective for plan years beginning after December 31, 2025.

To understand the DOL's newly proposed amendments to the electronic disclosure rules, it is helpful to revisit how ERISA's pension benefit statement requirements have evolved over time. Since ERISA's enactment, plan administrators have been obligated to furnish detailed written information to participants and beneficiaries, beginning with paper based disclosures and later expanding to electronic delivery as technology and workplace practices changed. Over the last two decades, the DOL has developed a series of rules governing when and how employers may satisfy these obligations electronically—rules that now form the backdrop for SECURE 2.0's new directive to reintroduce mandatory paper pension benefit statements.

✓ ERISA Pension Benefit Statements

Title I of ERISA requires employers to furnish numerous written notices and disclosures to participants and beneficiaries of retirement plans. Some notice obligations arise by law, including annual notices and those due to a triggering event. Employers also must furnish certain disclosures upon request by a participant or beneficiary.

Section 105 of ERISA requires employers that sponsor pension plans that are not one-participant plans to provide periodic pension benefit statements.

- Defined contribution plans (e.g., profit-sharing or 401(k) plans) that permit participants to direct their own investments must furnish pension benefit statements each quarter.
- Defined contribution plans that do not permit participants to direct their own investments must furnish pension benefit statements annually.
- Defined benefit plans (e.g., pension plans or cash balance plans) must provide a pension benefit statement to participants with a vested accrued benefit at least once every three years.

Historically, employers or providers furnished paper pension benefit statements in person and through the mail.

✓ Electronic Disclosure Safe Harbor Rules

Over the past two decades, the DOL has expanded employers' ability to deliver ERISA-required disclosures electronically and has issued two Regulations, in 2002 and 2020, that permit an employer to furnish required documents (such as pension benefit statements) through electronic media. The DOL estimates that over 96 percent of participants and beneficiaries now receive at least some of the required ERISA disclosure electronically.

The 2002 Regulation created two "safe harbor" categories of participants and beneficiaries in which electronic disclosure is permissible.

- "Wired-at-work" individuals – i.e., participants whose employment duties enable them effectively to access electronically furnished disclosures as an integral part of their jobs.
- Affirmatively consenting individuals – i.e., participants who have given affirmative consent to the receipt of electronically furnished disclosures and who have not exercised their right to opt out of electronic delivery.

The 2020 Regulation created a second "safe harbor" for electronic disclosure for participants who have provided a valid electronic address (e.g., an e-mail address or smartphone number) to the plan administrator for two specific methods of modern electronic disclosure.

- "Notice-and-access" method – e.g., an e-mail notifying the recipient of information available on a continuous access website with a hyperlink to the site.
- An email itself containing the required disclosure.

This 2020 "safe harbor" also includes individuals who are employed by the employer sponsoring the plan and who have been given an employer-assigned address. The plan administrator must send participants a written notice informing them:

- Participants will be receiving future electronic disclosures; and
- Participants have the right to opt out of electronic disclosure without cost.

✓ SECURE 2.0 Paper Benefit Statement Rule

Concerned from a consumer protection perspective, Congress enacted section 338 of SECURE 2.0, which directed the DOL to require that certain ERISA pension benefit statements be furnished on paper in written form.

- For a defined contribution plan, participants must receive at least one paper-pension benefit statement annually.
- For a defined benefit plan, participants must receive at least one paper-pension benefit statement once every three years.

SECURE 2.0 also directed the DOL to provide for certain participant protections including a one-time, initial paper notice, prior to the first pension benefit statement, informing the participant of the right to receive all required disclosures on paper.

✓ Proposed Regulations: Amendments to Electronic Disclosure Safe Harbors

To implement Section 338 of SECURE 2.0, the DOL has proposed making certain changes to both the 2002 "safe harbor" and the 2020 "safe harbor" for electronic disclosure.

- Under the 2002 "safe harbor":
 - Employers would be required to furnish a one-time initial paper notice to individuals who become participants on or after January 1, 2026 of their right to opt out of electronic delivery and to receive all ERISA disclosures via paper.
 - Plans already sending an advance notice of the right to withdraw consent to electronic disclosure (and of how to do so) would be able to use this notice to satisfy this one-time initial notice requirement.
 - "Wired-at-work" individuals who become participants on or after January 1, 2026 would have the right to opt out of electronic disclosure and to receive ERISA notices in paper.
- Under the 2020 "safe harbor":
 - Participants in defined contribution plans must receive at least one paper-pension benefit statement annually.
 - Participants in defined benefit plans must receive at least one paper-pension benefit statement once every three years.

- Until the DOL issues Final Regulations, the DOL will not take enforcement action against employers who comply in good faith with a reasonable interpretation of the Proposed Regulations.
- Comments on the Proposed Regulations must be submitted to the DOL by April 27, 2026.

Employer Next Steps

As employers prepare for compliance with the new paper benefit statement rules, this is an appropriate time to begin assessing operational readiness. Employers should review their current electronic disclosure practices, coordinate with recordkeepers and third party administrators, and plan for the delivery of paper notices to participants who must receive them. Strengthening address management processes and confirming printing and mailing capabilities may also be necessary.

USICG's consultants are available to assist employers in evaluating current practices, preparing for the operational changes and implementing a compliant and efficient disclosure approach.

Retirement Resources for You

USI Consulting Group's team of experts is happy to assist employers with all retirement plan compliance matters and changes in the market, including those discussed here, to help you mitigate risk and financial impact to your organization.

To learn more, please contact your local USICG representative, visit our [Contact Us page](#) or reach out to us at information@usicg.com.

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An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this time-frame, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment.

The higher the yield, the better the economic outlook.

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