



**The Weekly Market Update – 2/23/26: Tax Refunds Can Boost Consumer Spending**

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	6,909.51	1.07%	0.94%	0.94%	14.39%	6,978.60	1.0%
Dow Jones Industrial Average	49,625.97	0.25%	3.25%	3.25%	11.41%	50,188.14	1.1%
NASDAQ Composite	22,886.07	1.51%	-1.53%	-1.53%	16.60%	23,958.47	4.7%
Russell 2000	2,663.78	0.65%	7.33%	7.33%	16.44%	2,718.77	2.1%
MSCI EAFE (USD)	3,141.50	0.80%	8.60%	8.60%	32.01%	3,145.20	0.1%
MSCI Emerging Markets (USD)	1,567.23	0.78%	11.60%	11.60%	43.34%	1,570.44	0.2%
Bloomberg Commodity Index	119.69	2.00%	9.11%	9.11%	17.01%	237.95	98.8%
Barclays U.S. Aggregate Bond	94.78	-0.12%	0.75%	0.75%	4.50%	112.07	18.2%

Source: FactSet

**An expected increase in personal tax refunds can provide a meaningful boost to consumer spending.** In mid-2025, Congress' budget bill (One Big, Beautiful Bill Act; OBBBA) included a series of tax breaks for many workers. While the cuts were in place since July 2025, Internal Revenue Service (IRS) withholding allowances were not automatically changed, leading to lower taxes owed and higher tax refunds for many taxpayers. Not only will relief apply to many top earners and to overtime pay, but others will see a break from a large increase in the deduction for state and local taxes (SALT). In a typical year, individual tax refunds are sizable, totaling \$329 billion (B) in 2025 (through 12/26/25, according to IRS data). Given U.S. total economic output (gross domestic product, or GDP) of \$30.8 trillion (T) and consumer spending (personal consumption expenditures) of \$21.0T in 2025, individual tax refunds represented 1.6% of consumer spending. This is not to say that consumers spend 100% of tax refunds but spending is often cited as a use of those funds, along with boosting savings and reducing debt. Given the OBBBA tax breaks discussed above, we have seen estimates regarding higher 2026 tax refunds range from +\$100B to +\$200B. The midpoint of that estimate would take the 2026 tax refund total to \$479B, a year-over-year (Y/Y) increase of +45%, and representing 2.3% of consumer spending. The tax return season began just a few weeks ago and IRS data through 2/13/26 (still very early in the season) showed that the average refund check increased +14.2% to \$2,476 (vs. the same period in 2025) and that the total amount refunded was up +8.3%. The IRS expects the Y/Y increase in the weeks ahead to surge even more as refunds tied to the Earned Income Tax Credit and Additional Child Tax Credit were held until at least mid-February. At a time when low-income consumers have struggled to sustain spending levels compared to high income counterparts, we believe that elevated tax refunds can boost consumer spending.

**4Q25 U.S. economic growth (GDP) was +1.4% annualized but underlying consumer spending and business investment trends were better than the headline number.** GDP growth was below the +1.8% FactSet consensus estimate, and the Atlanta Federal Reserve Bank estimate of +3.6%. GDP headwinds were attributed to lower government expenditures, which detracted -0.9% from the GDP total. While 4Q25 federal government actions included large layoffs announced earlier in the year, spending was mostly impacted by the 6-week budget-related shutdown that did not end until mid-November. We expect government spending to largely recover in the first quarter. Consumer spending (69% of GDP) contributed 158 basis points (bp) to 4Q25, in-line with its average of 151 bp over the past four quarters, and business investment (15% of GDP) contributed 51 bp, up from 44 bp in 3Q25. At a Y/Y inflation-adjusted rate (compared to 4Q24), consumer spending and business investment increased +2.2% and +5.9%, respectively. We expect solid U.S. economic growth to continue in early 2026, again led by consumers and business.

**Equity markets are weaker to start the final week of February as the Technology sector remains under pressure and tariff certainty is jarred by Friday's Supreme Court ruling.** A 2026 equity market rotation away from Technology and growth leaders has continued in Monday trading. Software stocks lead market declines with fears of potential artificial intelligence (AI) disruption. We are watching earnings reports closely to assess the AI threat and signs of revenue weakness, although investors are pricing in high levels of vulnerability. President Trump has pivoted to a tariff replacement plan now that the Supreme Court has ruled against many of the emergency reciprocal tariffs. Uncertainty has returned as he raised new tariffs to 15% after first using 10%, weighing on equities and creating volatility if this opens a new round of trade negotiations.

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**Market Indices:** The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities. Growth sectors are those that generally drive expected annual sales and earnings growth that exceed market and sector average. Value stocks will typically trade at valuation levels below peer group averages. Cyclical sectors tend to be more economically sensitive, with more volatility in sales and earnings growth when the economy is either decelerating or accelerating. Defensive sectors (which often include Consumer Staples, Health Care and Utilities) tend to outperform during periods of economic uncertainty or slow down, as many of the products and services in these sectors are essential in daily life and less impacted by economic swings. Both the S&P 500 Software sub-industry group and Semiconductors and Semiconductors Capital Equipment subgroup are part of the broader Information Technology sector. The subgroups are provided by S&P Global and MSCI.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric. Calculations on the percentage price change on indices is provided by FactSet.

S&P 500 earnings growth reflects the year-over-year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at [www.bea.gov](http://www.bea.gov). Major components of GDP include personal consumption expenditures, non-residential fixed investment, residential investment, government expenditures and adjustments for inventories and net exports (imports). Non-Residential Fixed Investment includes several subcategories including software and information processing equipment that measure investment in technology. Imports of goods and services are subtracted from GDP data (products are not produced or performed in the U.S) while exports are added to GDP. On 2/20/26 the BEA reported that 4Q25 GDP increased +1.4% annualized from the previous quarter. This was inflation-adjusted, or "real GDP. Major categories as a contribution to GDP included personal consumption expenditures +1.58%, non-residential fixed investment +0.51% and government expenditures minus -0.9%. Within government spending the federal government detracted -1.15%, while state and local spending added +0.25%.

On 2/12/25, The Trump Administration announced a framework for its Reciprocal Tariffs, with a link to the memorandum, "[Fair and Reciprocal Plan](#)." On 3/26/25, the White House announced tariffs on imported automobiles and certain automobile parts. Here is a link to a [Fact Sheet](#) from the President that outlines the action. The President referred to 4/2/25 as "Liberation Day" and released a [Reciprocal Tariff Memorandum](#). Then, on 4/9/25, the White House delayed most reciprocal tariffs, and released a memo, [Modifying Reciprocal Tariff Rates](#). This was considered a policy change (or pivot), and since then has led to negotiated trade deals (U.K., China and Vietnam) while many of the other tariff pauses are scheduled to be implemented on 8/1/25 if additional trade deals are not signed. Many of the Administration's reciprocal tariffs were levied

using the International Emergency Economic Powers Act (IEEPA). On 2/20/26 the U.S. Supreme Court ruled that tariffs could not be used under the IEEPA statute. [The Supreme Court ruling is here.](#)

In 2025, the U.S. Congress (both the Senate of House of Representatives) passed a 2025 Tax Act bill using the budgetary reconciliation process. The [One Big, Beautiful Bill Act](#) was signed by the President into law on 7/4/25. A discussion of the SALT tax deduction can be found from the [Bipartisan Policy Center](#).

Generative Artificial Intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses, much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities. Within the S&P 500 index, Information Technology comprises the largest weighting among the 11 GICS sectors. A subset of the Information Technology sector is the Software subindustry group, which comprises about 25% to 30% of the Technology sector (per FactSet).

The Internal Revenue Service (IRS) publishes weekly data on tax returns, filing, refunds and other tax payer data. It is updated on a weekly basis. The most recent release contained data as of [2/13/26](#). Year end 2025 data was current as of [12/26/25](#). Estimate ranges for 2026 tax refunds have come from Bloomberg, Strategas, and Capital Economics.

The Earned Income Tax Credit is a refundable federal tax credit for working families subject to income limits and foiling requirements. The maximum credit is a little over \$8,000. The Additional Child Tax Credit functions as a tax credit of up to \$1,700 per child to offset childcare expenses.