



**Tom Slefinger**  
Market Strategist

# Weekly Relative Value

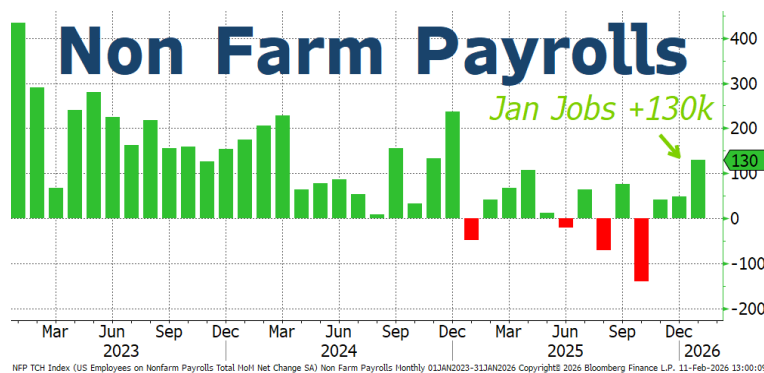
WEEK OF FEBRUARY 17, 2026

## Fake Jobs

### **CRUSHING ECONOMISTS' EXPECTATIONS! — The White House, February 11, 2026**

Based on earlier labor market reports from ADP, Challenger & Gray and the Job Openings and Labor Turnover Survey (JOLTS), the markets were expecting an ugly payroll print, but the Bureau of Labor Statistics (BLS) shocked everyone and reported that in January the U.S. added 130,000 jobs, double the 65,000 median estimate. This was also the highest monthly job increase since December 2024.

Once again, it was all about the BLS's birth-death model (a "GUESS" at how many net jobs were created via new business creation) added +157,000 jobs to the +130,000 January headline. This means that, without them, payrolls would have shrunk by -27,000.



*"This is one of the most unusual non-recession years for employment in history. An economy growing by more than 2% should create more jobs." — Editorial, Wall Street Journal*

Even with doubtful headlines, the year-over-year trend in non-farm payrolls is running at a microscopic trend of just +0.2%. You can't look at monthly data on their own when you know with 100% certainty they are going to be revised; you must focus on the trend.

## THIS WEEK

- THE GRINCH STOLE CHRISTMAS
- DON'T BLAME THE WEATHER
- CONSUMER STRESS BUILDS
- BOND-FRIENDLY INFLATION DATA
- THE WEEK AHEAD
- MARKET OUTLOOK AND PORTFOLIO STRATEGY

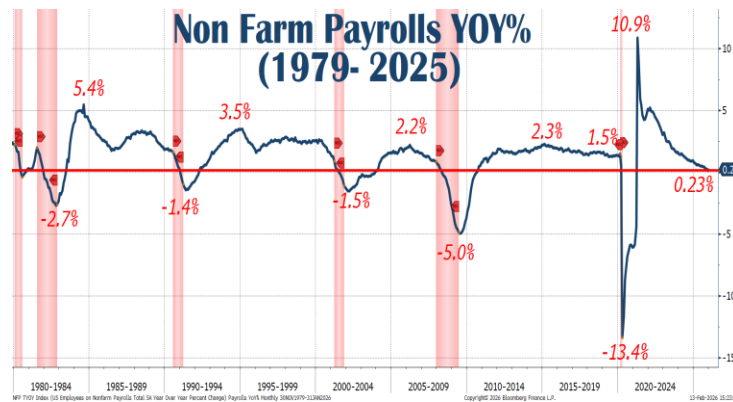
## SUBORDINATED DEBT: (SIMPLIFIED)

Partnership has its perks.  
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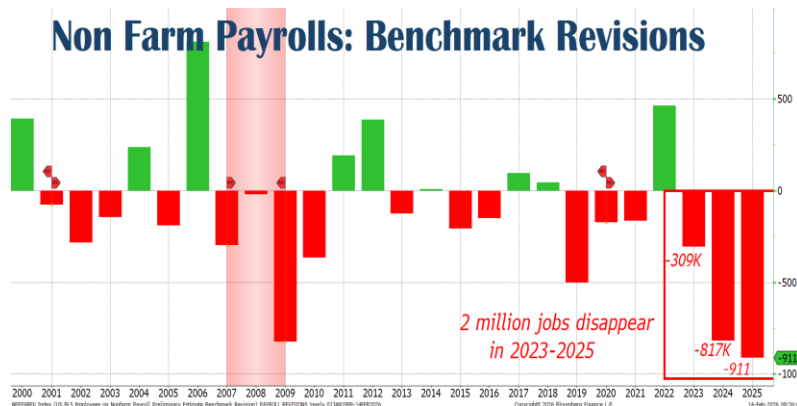


In terms of sectors, ALL the jobs, and then some, were created in one sector: health-education services, which surged by +137,000. This is a run-up not seen since August 2020. The other 80% of the economy, yet again, lost jobs (-7,000).

Also worth highlighting is the birth-death adjustment for education and health services was the largest in the history of the series at +60,000 (that makes up almost half of the +137,000 gain in the health and education sector).

The much uglier part of the jobs report was the dramatic negative benchmark revisions. The establishment survey data was re-benchmarked to reflect comprehensive and accurate counts of payroll jobs for March 2025. These counts are derived from the Quarterly Census of Employment and Wages (QCEW), which counts jobs covered by the Unemployment Insurance (UI) tax system.

As shown below, jobs in 2025 were OVERSTATED by over 900,000. Over the past three years, jobs were overstated by OVER TWO MILLION!

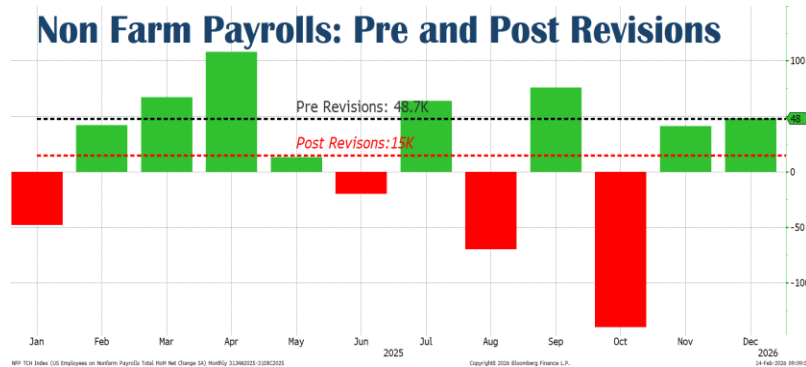


Here's why you cannot trust the non-farm payroll numbers. Last January, the BLS told us that the U.S. economy had created +143,000 jobs! But now we know they were FAKE jobs. After multiple revisions, the actual number was -48,000!

Here's another example. Last April, the BLS told us that the economy was booming with jobs rising by +177,000. The bulls went wild and Treasury yields soared. But we now know that the actual payroll number for that month was +108,000, or ~40% fewer jobs.

Then for all of 2025, we were told that the economy generated 50,000 jobs per month. **Not true!** The benchmark revision over the 12 months through March 2025 showed non-farm employment being revised down from +584,000 to

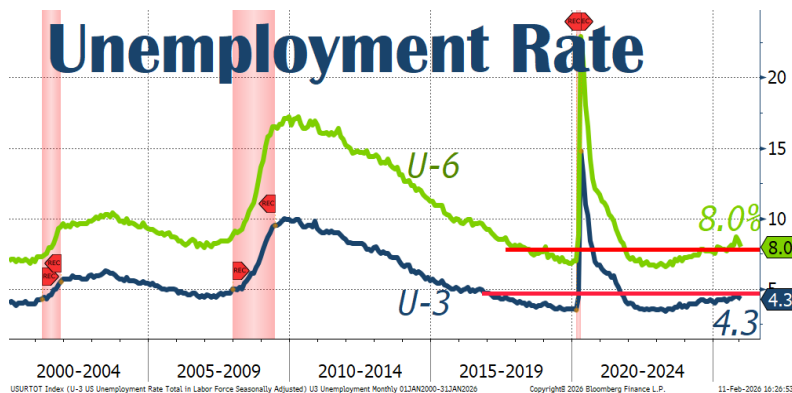
+181,000. In other words, net of the revisions, what was previously an average increase of 48,700 jobs in 2025 has now been revised to just 15,100!



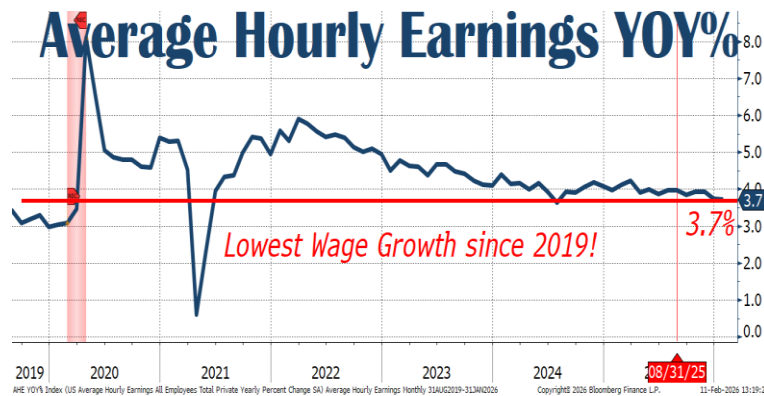
And yet again, strip out health and education, which are non-cyclical sectors, and employment contracted -517,000 last year. Apart from the pandemic lockdown, this was the weakest performance since the Great Recession back in 2010.

Last, but not least, more revisions are coming. While the January jobs report usually incorporates new population estimates into the household survey, those figures were delayed by one month due to last year's record-long government shutdown. Officials from the Trump administration in recent days have tried to reset expectations for upcoming jobs numbers due to deportations and slower population growth. As a result, I expect even more negative revisions next month.

Yet we are supposed to believe the White House and the cheerleaders on CNBC that the economy added 130,000 jobs in January of 2026. Not me. Further, the dramatic revisions belie an unemployment rate of 4.3%.



There were more positive surprises. In January, hourly earnings rose 0.4% month over month, up from a downward revised (of course) 0.1% in January and above the 0.3% estimate. On a year-over-year basis, this translated to a 3.7% increase in average hourly earnings, in line with estimates and unchanged from the previous month. In what world is this inflationary?



**Bottom line:** I have said repeatedly that the non-farm payroll report is the least accurate government report published. The reality is that even if you believe that the economy generated +130,000 jobs in January, there is a 100% chance that this number is going to get revised.

The job market remains fragile and highly vulnerable. Given the big downward revisions to history, there has been no job growth since last April (Liberation Day). Moreover, nearly all the job growth in January and over the past year has been in healthcare. Indeed, over the past year, without the job gains in healthcare, the economy would have lost a bunch of jobs. And this is before artificial intelligence (AI) has meaningfully impacted productivity growth and thus jobs, which feels dead ahead. Indeed, Microsoft AI chief executive officer Mustafa Suleyman said that artificial intelligence can replace most white-collar work in the 12 to 18 months.

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*"I think we're going to have a human-level performance on most, if not all, professional tasks. So, white-collar work, where you're sitting down at a computer — either being, you know, a lawyer, or an accountant, or a project manager, or a marketing person — most of those tasks will be fully automated by an AI within the next 12 to 18 months."* — Mustafa Suleyman, Chief Executive Officer, Microsoft AI

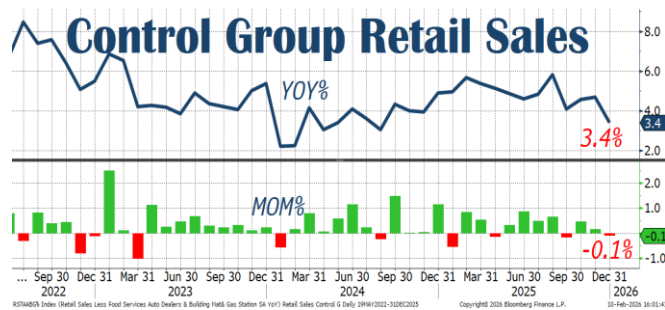
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So, soak in the January job gains. I suspect there won't be many more months with job gains like this in 2026.

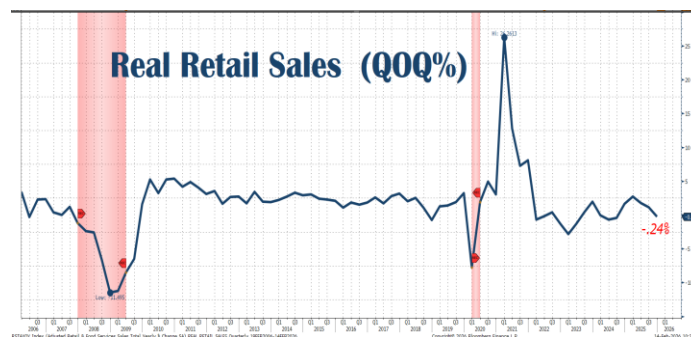
**The Fed will have no choice but to slash rates aggressively to prevent the already precarious labor market from rolling over into contraction.**

## THE GRINCH STOLE CHRISTMAS

Retail sales shocked to the downside in December. The consensus expectation was +0.4% increases right across the board. Instead, we got ZEROS for the headline and retail sales excluding automobiles. Most importantly, the critical "core control" segment, which feeds directly into the gross domestic product (GDP) calculation, fell -0.1% and the year-over-year trend has plummeted from nearly 6% to 3.4%.



We can also now see that even with the high-rollers spending their equity market gains, the low- and now the middle-class household has pulled back enough that real (inflation adjusted) retail sales sagged -0.3% in December, and it now looks like they declined modestly (around -0.2% annual rate) in Q4. There has been ZERO growth in real retail sales since June. That ain't no boom. Don't expect this to be repeated by the White House. So much for the red-hot consumer narrative. Especially since we already know with the evidence at hand that January was worse than December.

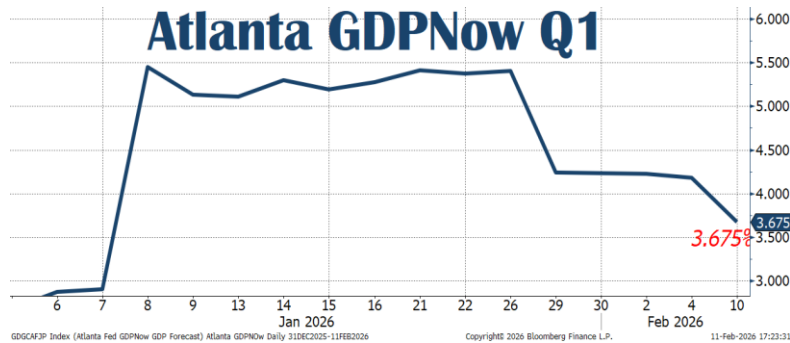


The weakness in retail sales was widespread with eight out of 13 categories posting declines, including clothing stores, furniture outlets, and auto dealers. This suggests a significant weakness in consumer spending momentum at the end of the holiday shopping season.

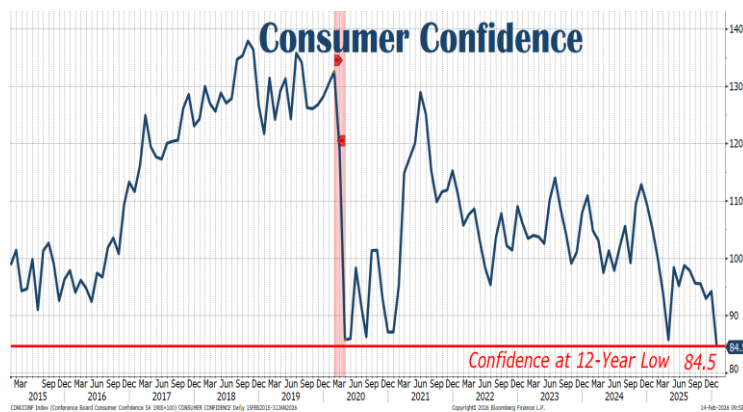
The weakness was a huge shock because December's sales were supposed to be solid since the consumer went crazy on credit card usage, which soared at nearly a +13.4% annual rate for only the second time in the past 25 years. Where exactly was the money diverted to? Sports betting? Who knows, it didn't show up in the retail sector, that's for sure.

**I also must remind everyone that consumer spending in aggregate is driven by only the top 20%. If not for them, the U.S. economy would have been in a deep recession for years.**

Due to the much weaker than expected retail sales report, the Atlanta Fed lowered its Q1 "nowcast" (not a forecast) to 3.7%. While still high, it's a long way from the 5.5% reading in January.



**Bottom line:** The consumer looks tired, and consumption represents 70% of the economy. Yet the perception is that the economy is in some sort of boom because of what the Dow is doing. This is a narrow index of 30 stocks that is price-weighted, which nobody was paying attention to until about a month ago. Ask yourself who benchmarks their portfolio against Dow Jones? Answer: Nobody. Then ask yourself why it is consumer confidence sitting at a 12-year (the bottom 3% readings of all time) and President Trump's approval rating on the economy is the lowest it has been.

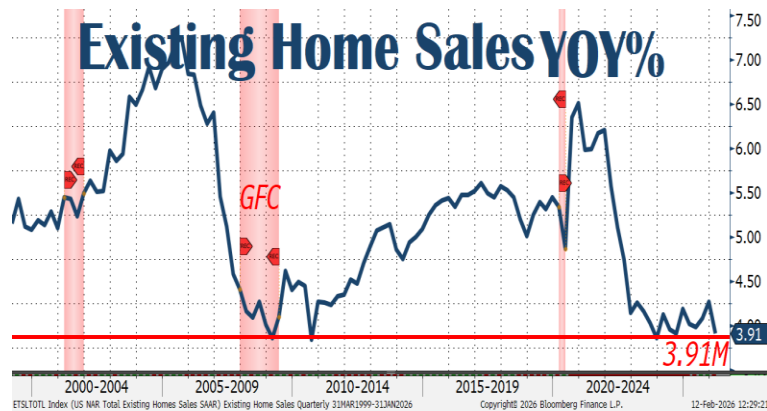


## DON'T BLAME THE WEATHER

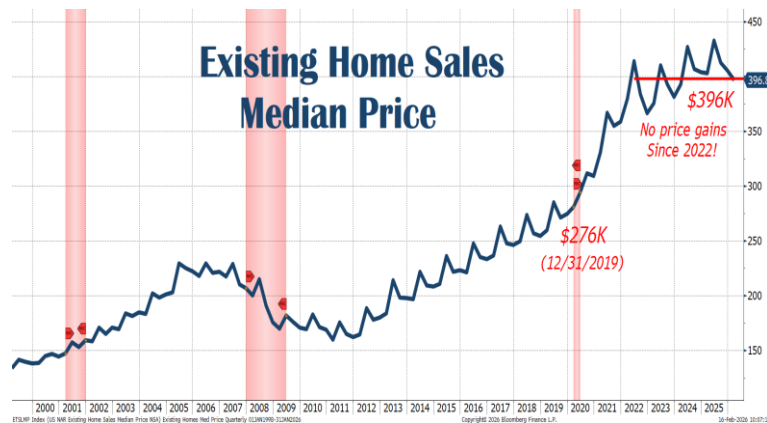
*"The decrease in sales is disappointing. The below-normal temperatures and above-normal precipitation this January make it harder than usual to assess the underlying driver of the decrease and determine if this month's numbers are an aberration." Dr. Lawrence Yun, Chief Economist, The National Association of Realtors (NAR)*

The pain in housing continues. Existing home sales plunged by -8.4% month over month to a 16-month low of 3.91 million units at an annual rate — tied for the lowest level in 15 years! This was 42% below the pandemic peak. The market was looking for a weak headline, but not this bad. The consensus estimate was -4.6% to 4.15 million units. It really says something, don't you think, that the level of home sales is the same as it was back in late 2008 and early 2009, when we were in the throes of the worst recession since the 1930s.

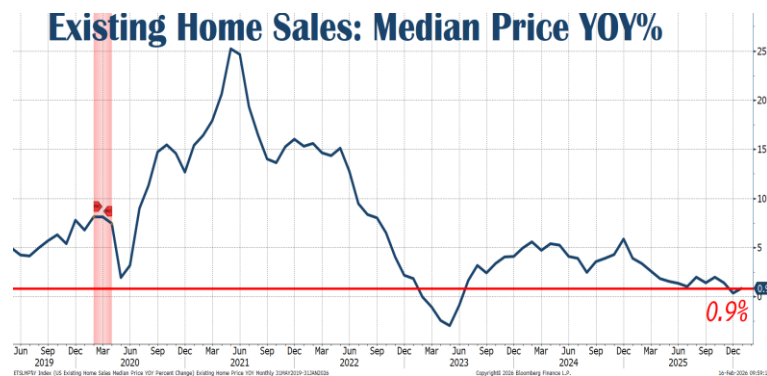
All regions got hit — West (-10.3%), South (-9.1%), Midwest (-7.1%) and the Northeast (-5.9%).



In terms of pricing, the median price is now no higher today than it was in the spring of 2023.



The year-over-year trend has approached 0%, a long way from the hysteria created during the pandemic. The Fed and many other economists and bond bears are missing out on a very critical deflation story that is obvious to anyone who subscribes to the NAR database.



**Bottom line:** The housing demand crash just got worse. Homebuyer demand is now 27% below pre-pandemic norms and showing no signs of recovering. A record lack of affordability is to blame, with inflation-adjusted prices still near a record. So long as prices remain high, these historically low-demand figures will persist.



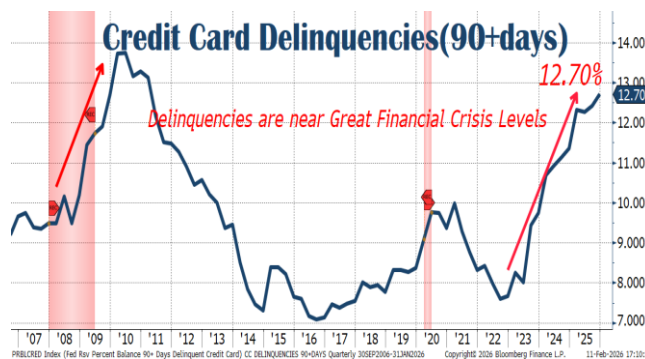
The housing market is already as bad as in 2008, but in many ways it's worse because we have an affordability crisis, aging demographics, a declining birth rate, slowing immigration, oversupply, rising delinquency rates and soaring insurance and tax levels.

## CONSUMER STRESS BUILDS

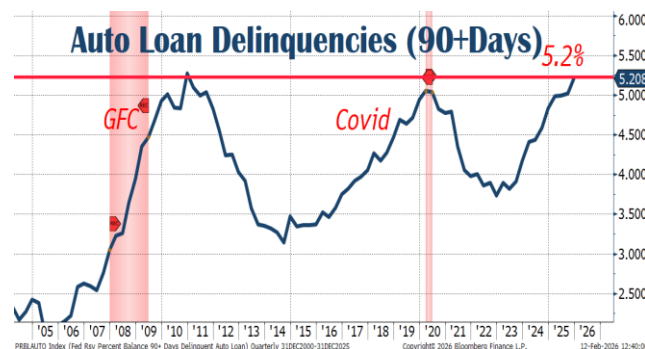
The New York Fed's quarterly report on household debt counters the consensus view that consumers' balance sheets are squeaky clean and in terrific shape. That may be true for the high-end income cohort, but it surely not true for the masses, as late-payment rates remain on an upward trajectory.

For the overall household sector, the 90-day delinquency rate climbed to 3.12% from 2.98% to stand at the highest level since the pandemic in 2020. Consumer delinquencies jumped to 4.8% of all outstanding U.S. household debt in Q4, the highest level since 2017.

But the real culprits remain who they have been for some time now: The delinquency rate on credit cards has jumped to 12.70% from 12.41% in Q3 and 11.35% a year ago. This is the highest delinquency rate since 2011! Not surprisingly, the most harmful increases centered in the lowest-income zip codes.

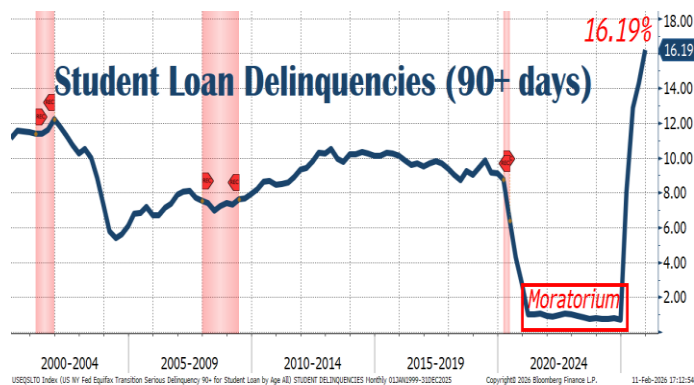


Ditto for auto loans; those in serious delinquency climbed to 5.21%, just shy of the 2010 record.

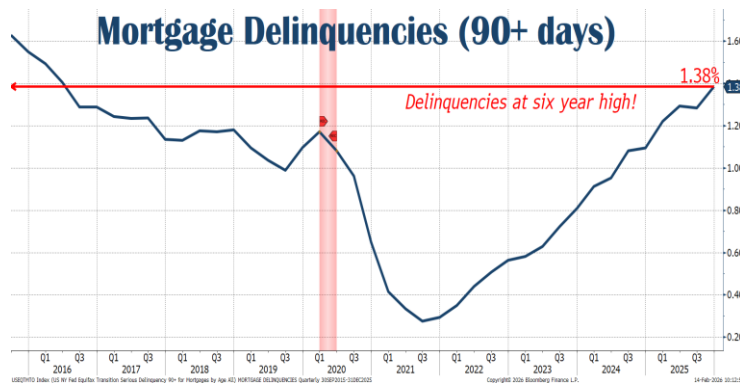


Student loan delinquencies spiked 16.3%, the biggest increase on record going back to 2004.





Even residential mortgage delinquency rates, while comparatively low, have doubled from the cycle trough and are also at a six-year high. The following graph suggests that the trend will continue higher.

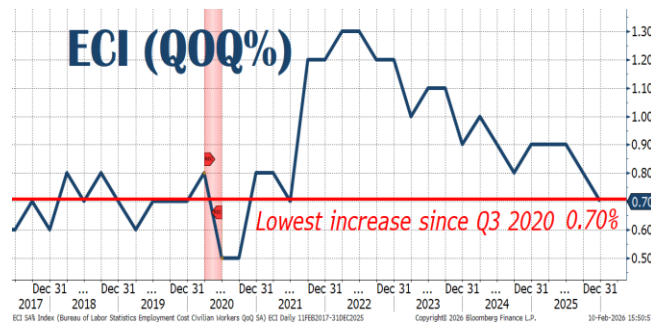


**Bottom line:** This is not the greatest economy ever. Heck, it's not even a great economy when so many struggle to pay bills. People are not imagining their stress. They are falling behind on car payments and maxing out credit cards while the top of the economy pulls further away. This is what it looks like when the averages hide more than they reveal.

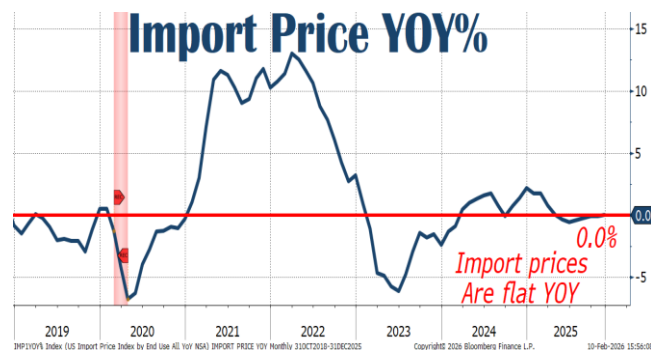
## BOND-FRIENDLY INFLATION DATA

The bond market obviously liked the tepid retail sales report, but the Q4 Employment Cost Index was equally bullish. Moreover, both are important for the Fed, especially the latter from an inflation standpoint.

The Employment Cost Index (ECI) rang in at +0.7% quarter over quarter and tied for the lowest increase since the third quarter of 2020. The year-over-year trend, which was running at +3.8% a year ago, was lowered to a four-year low of +3.4%. So, we have productivity growth of +2.0%, employment costs at +3.4%, and we are allegedly supposed to be fretting over an inflation outbreak. Please give me a giant break.

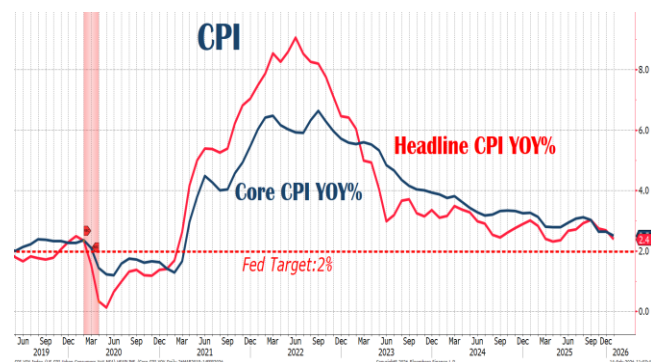


In another sign that tariffs have been quite slow to materialize from an inflation viewpoint, import costs were held to a +0.1% month-over-month inch-up in December, and the year-over-year trend is running at the oh-so-scary level of 0.0%. The key was that import prices, for both those excluding auto consumer goods and capital goods, showed no pulse at all.

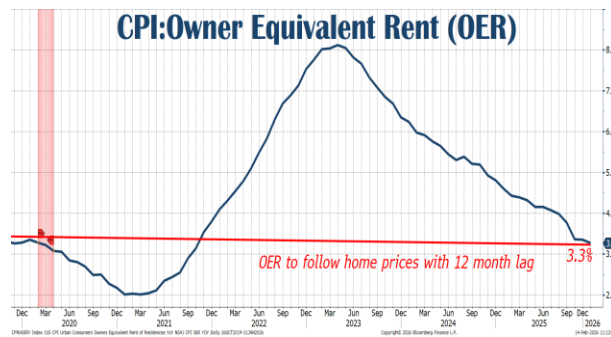


Meanwhile, short-term inflation expectations eased to 3.1% (down 0.3), according to the New York Fed survey. Historically, inflation expectations have been well correlated with real inflation and can be taken as an early gauge of changing inflation trends, suggesting some short-term cooling.

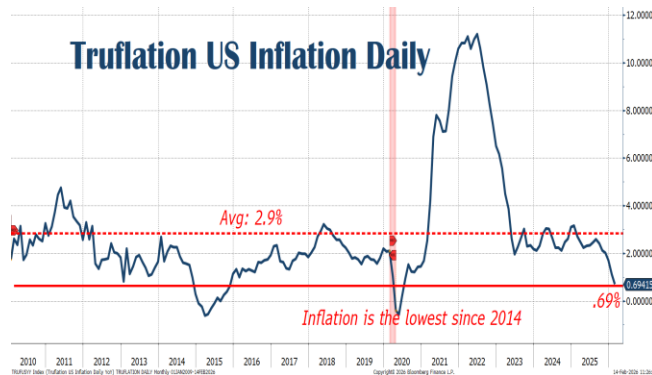
To end the week, the January Consumer Price Index (CPI) came in at 2.4% annually, down from 2.7% in December and below expectations. Core CPI hit 2.5%, the lowest since April 2021.



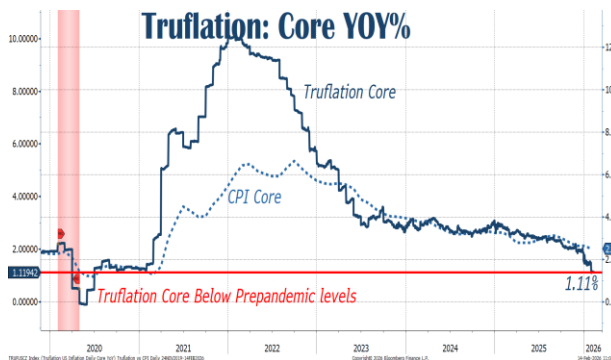
Shelter costs, which make up around a third of the index, rose just 0.2% for the month, bringing the annual increase down to 3%. I also need to stress that the CPI inflation rate excluding shelter is now down to the Fed's target of +2% year over year. We're there, Jay, and we all know that in real time, residential rents and virtually all measures of home prices are deflating.



Meanwhile, I continue to keep my eyes on the independent and more timely price data published by Truflation. As of last Friday, Truflation showed consumer prices running at just 0.69% year over year. Truflation numbers are derived daily by aggregating millions of real-time price points from tens of data providers and merchants.



Because Truflation leads the BLS CPI calculation by 30-45 days, if history repeats, the BLS inflation numbers will continue to decline.



**Bottom line:** I have long argued that the worst of inflation is behind us and that the trend towards lower inflation remains on track. This inflation backdrop combined with the weakening labor market suggests the Fed has plenty of room to lower rates to neutral.

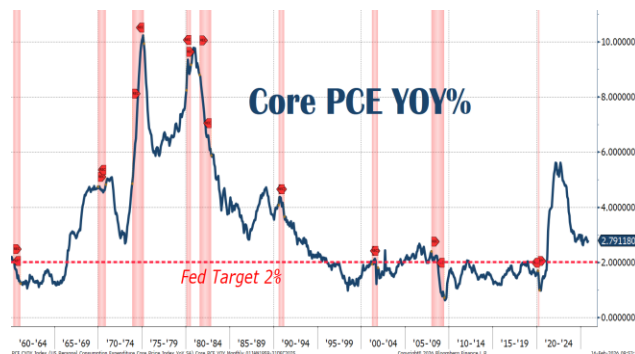
## THE WEEK AHEAD

This coming week will be chock full of economic data. **Friday's Personal Income & Spending, Monthly Personal Consumption Expenditures (PCE), and Q4 GDP data will be the highlight, along with the mid-week release of the Fed minutes.**

Here's what I'll be watching:

- The most important data releases for output will be **Preliminary Durable Goods Orders** (Wednesday), **Industrial Production** (Wednesday), **Personal Income & Spending** (Friday) and **Q4 GDP** (Friday).
- The bond market will be closely watching the Federal Open Market Committee **Minutes** (Wednesday) and **Monthly PCE** (Friday).
- Housing market releases include the **National Association of Home Builders Housing Market Index** (Tuesday), **Housing Starts & Building Permits** (Wednesday), **Pending Home Sales** (Thursday) and **New Home Sales** (Friday).
- Other key economic data will include the **Conference Board's Leading Economic Indicator** (Wednesday) and the **Advance Goods Trade Balance** (Thursday).
- Key surveys will be **Empire State Manufacturing** (Tuesday), **New York Fed Services** (Wednesday), **Philly Fed Manufacturing** (Thursday), and **Final University of Michigan** (Friday).
- Several Fed speakers are scheduled throughout the week, including Governors Barr and Daly (Tuesday), Bowman (Wednesday and Thursday), Kashkari (Thursday) and Bostic and Logan (Friday).

The bond market will key in on the core PCE index (the Fed's preferred inflation gauge). The consensus forecast is for a month-over-month increase of 0.3% from 0.2% last month. Year over year, the index is expected to rise to 2.9% versus 2.8% last month. If the inflation surprises to the downside, we could see a significant downward movement in Treasury yields.



Stay tuned.

## MARKET OUTLOOK AND PORTFOLIO STRATEGY

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*“But I think we are going to do something that’s really spectacular. **We should be at 15 percent.** If our new head of the Fed, and I think he’s going to be great, he’s a really high-quality person, but if he does the job he’s capable, we can grow at 15 percent. I think more than that.” — President Donald Trump*

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Any bets on that?

You must seriously wonder if the president has lost it. To bring up +15% real GDP growth when the economy has virtually no population growth is a bit ludicrous. Not to mention a growth rate of over 10% has never happened for any year in the post-World War II era, not even in the 1980s when the BOOMERS were BOOMING. *"Greatest economy ever in history"* ... really? Outside of the talking heads in bubble vision, will anyone else really buy into that? The stock market is NOT the economy as the public opinion polls and consumer confidence surveys vividly illustrate.

Also, I should point out that the economy is being driven by a wealth-effect, declining import volumes and an AI data center spending boom. Nothing here will trickle down to most of Main Street.

At the same time, auto sales cratered -8.9% month over month, and the Johnson Redbook estimate for chain store sales at only +0.2%. Nevertheless, there remains a lot of excitement over the prospect of real GDP growth. The Atlanta Fed is over +4% for Q1. But this is the beauty and deception of what GDP can do when imports plunge in a given quarter. I feel like Michael talking to poor Carlo in Godfather One... *"you think that would fool a Corleone?"*

And the Treasury market may be onto this charade. Treasury yields declined sharply last week with the long-end continuing to outperform. **The 10-year Treasury yield sliced -18 basis points to 4.04% and the long bond down -16 basis points to 4.69%. The shorts are being squeezed. The rally was fueled by the CPI data, alongside rising odds of a renewed Fed easing cycle by summer.**



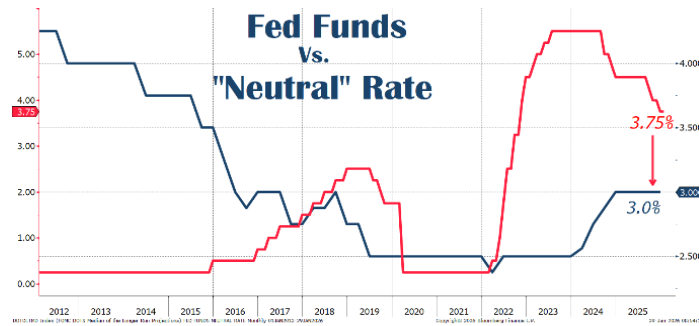
On a valuation basis, the real yield on the 10-year Treasury yield is 1.77%, or twice the long-term average of ~93 basis points. Further, if Truflation inflation data is prescient for where the BLS inflation data is heading, the 10-year Treasury yield remains quite attractive at current levels.



At the front end of the curve, the benchmark 2-year Treasury yield plunged 10 basis points to 3.4%.



The 2-year Treasury yield leads the Fed. Because of the weak labor data and improving inflation data, there is more room for the Fed to lower rates to “neutral.”



In terms of portfolio strategy, credit unions should continue to maintain a risk-appreciated ladder strategy while capitalizing on bouts of volatility and market selloffs. In terms of relative value, the intermediate part of the curve offers the most favorable risk/return tradeoff.

## WHY SUBSCRIBE TO THE WRV?

There is a lot of noise in the financial world and social media about the markets and the economy. I do what I always do, block out the noise, rhetoric and bullish biases (that point to the rewards without discussing the risks) that dominate Wall Street research and, most of all, try to keep investors out of trouble. This constant analysis goes through the noise, debunks misleading headlines and makes deep dives into the financial markets and economic reality. Call me a “permabear” if you will, but I see myself more as the car mechanic who fixes your brake lights and makes sure your side-view mirrors are okay. Risks should never be ignored, and I focus on identifying them. It’s what makes the *Weekly Relative Value (WRV)* unique in the marketplace. By subscribing, you will always be up to date with the most relevant economic and market trends, and most importantly, you will be aware of the key risks. To receive future issues of *WRV* in your inbox, subscribe [here](#).

## MORE INFORMATION

For more information about credit union investment strategy, portfolio allocation and security selection, please contact the author at [tom.slefinger@alloyacorp.org](mailto:tom.slefinger@alloyacorp.org) or (630) 276-2753.

As Alloya’s Market Strategist, **Tom Slefinger** leverages nearly 40 years of investment strategy expertise to deliver insightful commentary on the economy and market events to optimize balance sheet performance at the credit union

level. With thousands of subscribers, Tom's daily and weekly publications are widely read amongst credit union executives.

Prior to becoming the corporate's Market Strategist, Tom served as the Senior Vice President of Institutional Fixed Income Sales at Alloya Investment Services, a division of Alloya Solutions, LLC. In this role, Tom developed and managed operations associated with institutional fixed income sales in addition to developing investment portfolio strategies, identifying appropriate sectors and securities, and optimizing portfolio performance at the credit union level.

Tom holds a B.S. in business administration from the University of Maine. In addition, he holds a Series 7 and 63 through ISI.

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