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Of late the Dow Jones Industrial Average is higher, while the Standard & Poor's 500 is flat and the Nasdaq Composite Index is down. What's wrong with this picture? Nothing! It's just a sector rotation out of growth and into value.

Growth stocks, like the tech stocks that dominate the Nasdaq, are the stocks that you think will go higher faster. Investors rely on growth stocks for their increasing share prices. Value stocks are those that pay dividends, and chug along year after year. Growth? Google and Meta. Value? Kraft Heinz and Verizon.

But what about other asset classes? Bonds in general are vulnerable to interest rate movements. Treasuries are additionally vulnerable to the debt and deficit situation of the U.S. government. When the U.S. is borrowing heavily (selling Treasuries is how the government borrows) higher yields may be necessary to attract buyers to our debt. The Federal Reserve adjusts the interest rates charged by the Fed to American banks, but does not determine the yields that are established in markets and auctions. Nonetheless, markets listen to the Fed, and interest rate changes do trickle through.

Lately, bonds have been relatively stable in price as the Fed has indicated that the rate cuts it enacted last quarter will not be repeated soon. The Fed's Open Market Committee votes on interest rates at its regular meetings, and lately the Committee has been split among three approaches: higher, lower, or no change. A lot is being made of the idea that the next Fed Chairman will be more dovish (interested in cutting rates) but the Chair only has one vote.

We are also watching an interesting dichotomy between gold and bitcoin. Gold rises in price whenever investors feel uncertain. It is a "safe haven" investment. But bitcoin moves in the opposite direction, indicating that it is a speculative asset that benefits from optimism.

## Markets

Markets began the new year riding an impressive three-year winning streak that was powered by rate cuts, solid economic growth and extreme investor enthusiasm over artificial intelligence. Some of that is changing now.

On monetary policy, the Federal Reserve cut interest rates over the past year and a half, but is now sitting pat while the job market weakens and inflation rises at the same time. A new Fed chair (likely to be appointed soon, and who will take office in May) is expected to push harder for more rate cuts and generally be more dovish than current Fed Chair Powell, however that remains to be seen. We are in a K-shaped economy, with wealthier individuals dominating consumer spending.

Investor enthusiasm for the productivity and profit-boosting potential of artificial intelligence has been the main fuel behind this remarkable three-year bull market, but that is starting to wane. In fact, investors no longer support major U.S. tech companies' spending hundreds of billions on AI infrastructure buildout, and further worry that AI will cost jobs.

Bottom line, equity markets sit just south of important breakpoints and near record highs. We are seeing some sector rotation as big tech slides and HALO stocks (not subject to AI) are more favored. Asset allocation remains as important as ever.

Nothing stays the same. That's why we watch everything and look forward to discussing investments, allocations, and planning with you. Please call us with your questions, comments, and jokes. We love to hear from you!

“I have not failed. I've just found 10,000 ways that won't work.”

- Thomas Edison



### **Please note:**

Your custodian will issue monthly statements for all accounts that have had activity that month. For accounts with no activity, statements will be sent quarterly. Online account values are updated daily. If you have any questions, call us!

# Top 10 companies in the S&P 500 by market capitalization

Every 10 years, 1985–2025

Colored by year the company first appears in the top 10, starting in 1995

|    | 1985              | 1995              | 2005      | 2015               | 2025               |
|----|-------------------|-------------------|-----------|--------------------|--------------------|
| 1  | IBM               | GE                | GE        | Apple              | Apple              |
| 2  | Exxon             | AT&T              | Exxon     | Exxon              | Nvidia             |
| 3  | GE                | Exxon             | Microsoft | Microsoft          | Microsoft          |
| 4  | General Motors    | Coca Cola         | Citigroup | J&J                | Amazon             |
| 5  | AT&T              | Royal Dutch Shell | Walmart   | Berkshire Hathaway | Alphabet           |
| 6  | Shell Oil         | Altria            | Pfizer    | Wells Fargo        | Meta               |
| 7  | Amoco             | Walmart           | BofA      | GE                 | Tesla              |
| 8  | Royal Dutch Shell | Merck             | J&J       | P&G                | Broadcom           |
| 9  | Kodak             | IBM               | AIG       | JPMorgan           | Berkshire Hathaway |
| 10 | DuPont            | P&G               | IBM       | Chevron            | JPMorgan           |

Chart by Axios

"You look ridiculous if you dance. You look ridiculous if you don't dance. So you might as well dance."

- Gertrude Stein, from "Three Lives"

## Bitcoin, Crypto, Listening Through the Noise

Every few months I get a familiar question from clients: “What’s going on with Bitcoin and crypto?” Usually that question shows up right after a big rally or a sharp pullback, and the truth is the answer has less to do with price and more to do with how the market itself is evolving.

The biggest shift I see right now is that Bitcoin is no longer trading like an isolated experiment. It’s behaving more like a macro asset, meaning liquidity, interest rates, and institutional flows are driving movement far more than hype cycles or social media narratives. That’s a meaningful change from just a few years ago, and it’s one of the reasons the market feels different today.

Institutional involvement has quietly reshaped the landscape. ETFs, improved custody solutions, and broader regulatory clarity have made it easier for advisors and asset managers to talk about crypto without feeling like they’re stepping outside traditional portfolio construction. That doesn’t mean everyone needs exposure, but it does mean the asset class is being evaluated through a more serious investment lens than in past cycles.

What’s interesting to me right now is sentiment. Crypto headlines still lean dramatic, either euphoric or catastrophic, yet underneath that noise, adoption continues to grind forward. Price volatility hasn’t disappeared, and frankly it probably never will, but the structure of the market is maturing. Bitcoin today reacts more like a high-beta technology asset than the “digital gold” narrative that dominated earlier conversations. When liquidity tightens or risk assets sell off, crypto tends to move in sympathy with broader markets. That correlation tells us a lot about where we are in the lifecycle.

Another change worth noting is the fading influence of the old four-year cycle mentality. Historically, investors tried to time crypto around halving events, assuming predictable boom-and-bust patterns. Now that institutional capital is a larger part of daily trading volume, flows matter more than folklore. We’re seeing longer consolidation periods, fewer vertical moves, and a market that, while still volatile, is starting to look more like a traditional asset class finding its place within the financial system.

From a portfolio standpoint, my view remains measured. Crypto is not a core allocation for most investors, and it should never be treated as a substitute for disciplined diversification. Where it can play a role is as a satellite exposure, something that introduces a different risk profile and potential return driver, but only in a size that clients can comfortably hold through inevitable swings.

What I’m watching most closely right now isn’t whether Bitcoin hits a specific price level. I’m watching flows, institutional adoption, and how regulatory frameworks continue to evolve. If those pillars keep strengthening, crypto’s long-term relevance doesn’t depend on constant rallies, it depends on continued integration into the broader financial ecosystem.

As always, my approach is the same: stay curious, stay disciplined, and avoid making decisions based on headlines alone. Crypto has moved beyond the fringe, but it hasn’t moved beyond risk. The opportunity lies in understanding where it fits, not in chasing where it’s already been.

Samson S. Staff  
Financial Advisor



# U.S. government debt as share of GDP

Debt held by the public; Annually, 1962-2025, projected 2026-2036

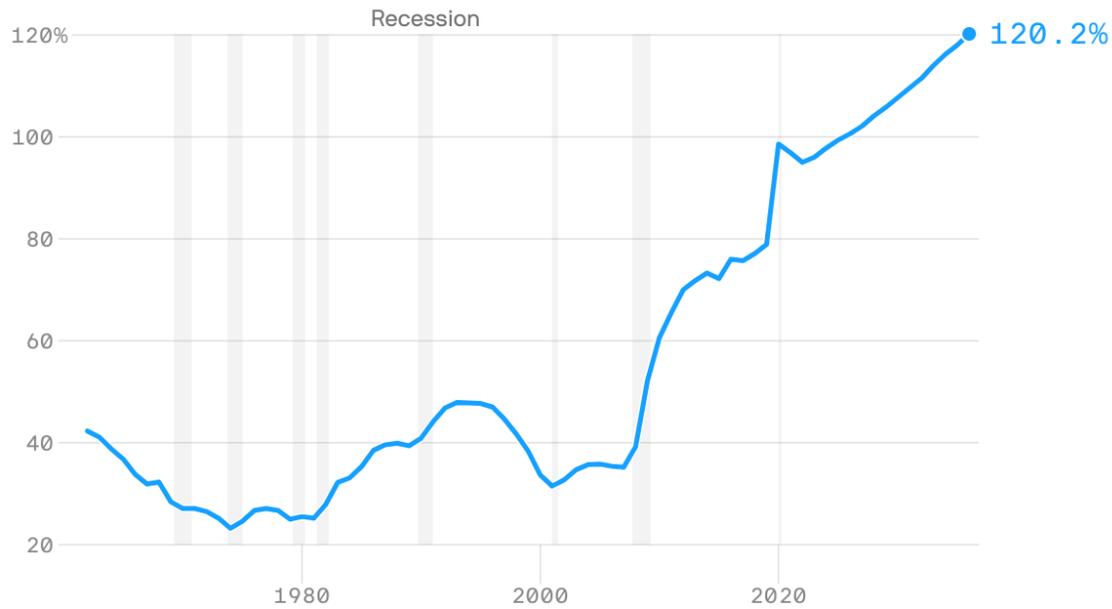


Chart by Reuters

• Tanker positions as of Feb. 10 or last known position



Shadow Tankers, from The Wall Street Journal

## Tax Law Changes for 2026

Tax planning in 2026 looks different from what taxpayers may have expected even a year ago. Rather than allowing the 2017 Tax Cuts and Jobs Act to sunset, the One Big Beautiful Bill locked in many of its provisions and introduced several new changes. There are new deductions, updated income thresholds, and revised rules that could impact your household. Being proactive in your planning can help reduce your tax burden this year.

The standard deduction has increased to **\$16,100 for single filers** and **\$32,200 for joint filers**. These higher deduction amounts mean that many households may continue to benefit from taking the standard deduction. Income tax brackets have also increased with inflation, which may reduce your tax burden depending on your income level.

In 2026, the cap on state and local income tax deductions has changed. As a result, many taxpayers in states with income taxes who previously took the standard deduction may find it advantageous to itemize. Common itemized deductions include state and local income taxes, mortgage interest, and charitable contributions. Taxpayers should be aware that diligently tracking potential itemized deductions throughout the year could help lower their overall tax liability.

Several additional changes may also affect your tax picture. A new charitable deduction is available for non-itemizers (up to **\$1,000 for single filers** and **\$2,000 for married couples**). There is also a permanent deduction for taxpayers age 65 and older. In some cases, catch-up contributions to employer-sponsored retirement plans may now be required to be made as Roth contributions.

Taken together, these changes create opportunities for more strategic tax planning for both retirees and pre-retirees. For example, individuals may want to increase their itemized deductions in high-income years by pooling multiple years' worth of charitable giving into a single year to maximize tax savings. Conversely, clients with lower income in a given year may want to accelerate income to take advantage of lower tax brackets.

Ultimately, staying aware of these tax changes can help you save money in 2026. We encourage all clients to review their current tax situation with their tax professionals, and please feel free to give us a call if you have any questions.

*Joseph T DePatie CFA, CFP®  
Financial Advisor*



# Share of U.S. consumer spending, by age group

Quarterly; Q4 1989-Q3 2025



Chart from Axios

## Did You Hear.. ?

- According to Bloomberg, at least seven of the top private schools in New York City are now charging at least \$70,000 per year for tuition. Reminder: these are day schools, which now cost more than elite colleges.
- Births to unmarried American women in their 40s have doubled since 2007.
- President Trump's tariffs, which have been on and off for about 11 months, were judged unconstitutional and illegal by the Supreme Court. The president has responded with additional new tariffs of 10% to 15%.
- Snowmageddon is real in the Northeast. Damn that groundhog!
- If you're stuck at home, bored and anxious, remember that the term "stir crazy" comes from the 19th century prison nickname for jail: "stir". At least you're not locked up!

## Form ADV

Diastole is registered as an investment adviser with the Securities & Exchange Commission (the SEC) under the Investment Adviser Act of 1940. As a result, we are required to annually update our Form ADV with the SEC. We are also required to update our Form ADV promptly whenever certain information becomes materially inaccurate. The ADV Parts 2A, 2B and Form CRS provide information about our firm, our services and our personnel. If you would like a copy of our most recent Form ADV Part 2 and Form CRS, you can access it on Diastole's website at <http://dwinvest.com> or give us a call at (203) 458-5220. Additional information about Diastole is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). We can also provide the ADV Part 2 for any money manager that you may have or are considering. Form ADV Part 1s for all money managers registered with the Securities & Exchange Commission are also available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



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January had wild weather, and February is even wilder, but there's no telling what tomorrow will bring. Cherish today!

Having as many dogs as I have (not too many, just right!) I am deeply aware of the weather. Having as many cats as I do (again, just right!) I am keenly aware of anything that can be knocked off a counter. And chickens? Now I know that eggs can be laid in colors. Wow!

And what have I learned from almost 30 years at Diastole (our anniversary is November 1st)? My clients are my friends, and I am committed to helping them the best ways I know how.

If you need anything from me, just call. Or text or email. But calling me is the best way to connect. 203.458.5220 (office) or 860.304.0879 (mobile).

Elizabeth D. Eden  
Senior Financial Advisor  
and CEO



Beth with Maggie

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