

First to Market

February 17, 2026

## STATE CAPITALISM WITH AMERICAN CHARACTERISTICS KEEPS FAILING – NO MATTER THE PARTY

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**Hardika Singh and Kent Fung**

*“Underlying most arguments against the free market is a lack of belief in freedom itself.” — Milton Friedman*

### Chart of the Day

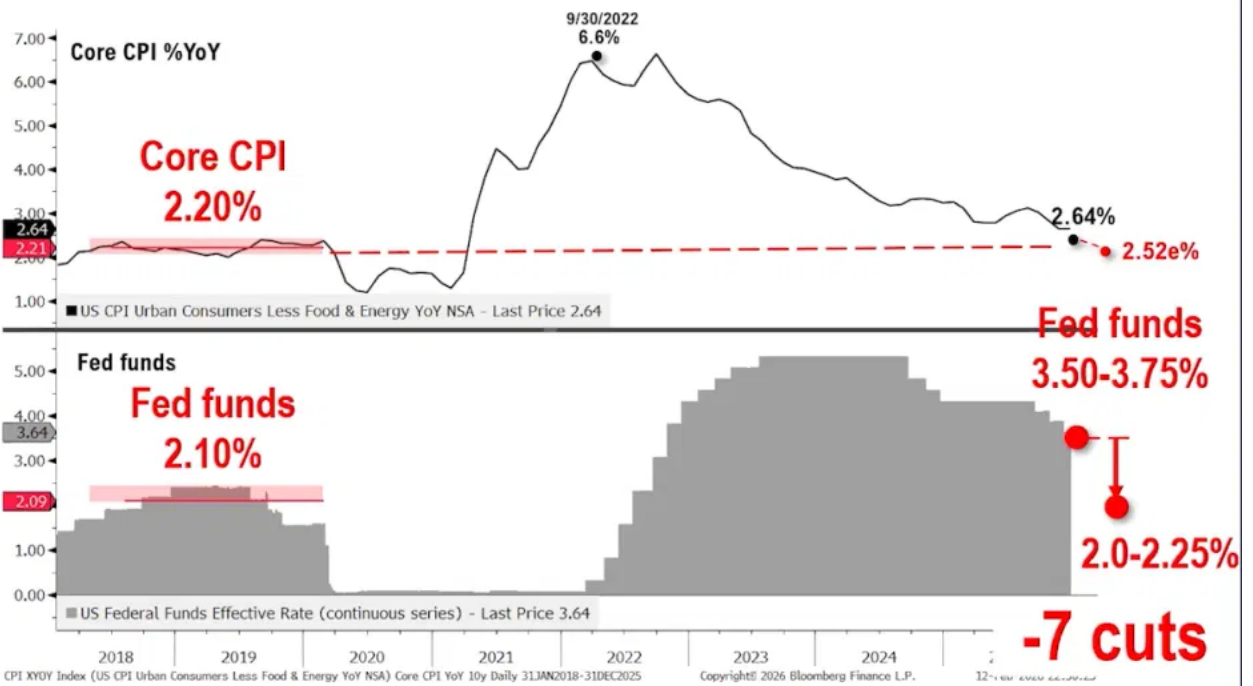
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Macro Research

### INFLATION VS FED: Inflation back to initial Powell tenure

Core CPI %YoY and %MoM Since 2019



Source: Fundstrat, Bloomberg, BLS

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### Good morning!

The experimental "state capitalism with American characteristics" engaged in by both President Trump and former President Biden seems to be failing, especially when the company isn't a star. To us, that's yet another sign that free markets work best when left alone.

Intel shares have fallen 14% since their fourth-quarter earnings report on Jan. 22, driven down by weak guidance and continued supply-chain constraints – as well as some margin pressure.

That was shocking. As the Trump administration bought a significant stake in it on Aug. 22, 2025, the expectation was that the beleaguered chip maker's flop era was over. It had been left behind in the chip race as mobile devices supplanted PCs and

laptops as consumers' primary route to the internet, with shares down around 69% from all-time highs (set in August 2000) before the stake acquisition was announced.

China has demonstrated before that government attempts to prop up a struggling private company are not a guaranteed panacea. Beijing's intervention in the struggling and overextended real-estate developer Evergrande failed to halt its decline or prevent a real-estate sector meltdown. Its intervention in Anbang Insurance (currently still the owner of New York City's iconic Waldorf Astoria, though plans to put it up for sale are reportedly imminent) fared little better: it cost both the company and the government billions.

None of this is to imply that Intel has fallen to a state of crisis similar to those of Evergrande or Anbang, and recently named chief executive Lip-Bu Tan is admittedly well-respected by chip-industry insiders and rivals. By Jan. 21, five months later the acquisition was announced, \$INTC was up 130.9%. All this even though it was never clear what had changed to make Intel a winning investment beyond the backing of Trump and the U.S. government.

The issues that weighed on Intel? They're still there. Yes, Intel has the Trump imprimatur. Yes, Nvidia vouched for Intel with an investment (though these days, that's hardly a rare endorsement). And yes, production using Intel's much-hyped 18A (bleeding-edge node) process has begun.

But many of the same problems are still plaguing the former home of Gordon Moore. Intel is struggling with significantly below-viability manufacturing yields, fierce competition, and like many of its cohorts, soaring memory component costs. After Intel issued weak guidance for the next quarter, many feared that by the time the company fixes its problems, it will have missed the bulk of the AI spending cycle.

The administration's stake in it adds a new layer of complexity because now Intel's failures partly become losses for American taxpayers. Supporters will point out that the government taking a stake in Intel wasn't just about stock-price gains boosting the value of the government's initial \$11.1 billion stake. (Although the post-earnings slide is worrisome, the government is still in the black with this one.) It was also about meaningfully diversifying the U.S. semiconductor supply chain and thus enhancing

national security. But that hasn't been achieved either of those objectives – at least not at the moment.

To be clear, federal intervention in the private sector isn't a trend started by President Trump. One could argue that former President Biden started all this with his CHIPS Act, which provided incentives and support for Intel in the form of direct grants, low-interest federal loans, and investment tax credits. But the current administration has taken it way further by buying an actual ownership stake – just as it has in everything from MP Materials to U.S. Steel to Lithium Americas.

It now seems like that injection of cash last summer was not enough for Intel, so the worry is that Americans' money is now tied to failures and successes of companies – big and famous ones like Intel and U.S. Steel, and smaller, less known ones like MP Materials and Lithium Americas.

It should be acknowledged that the U.S. only took its stake in Intel six months ago, so there is still time for it to turn things around.

When former President Barack Obama decided to bail out automakers like General Motors and Chrysler during the financial crisis, it took quite a few years for those companies to fully recover and repay the government. Even so, the government ultimately took a loss on its GM and Chrysler bailouts, and this, along with Intel's current quagmire, serve as a good reminder that no matter the criticisms of the free market, the governments should be wary of getting too involved in corporate America.

## Share your thoughts

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Do you think governments should take a stake in failing companies? [Click here to send us your response.](#)

### **Here's what a reader commented**

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**Q:** Should the Fed cut rates in March?

A: Absolutely. I need my real estate portfolio to rise. 🤖🤖

## Catch up with Fundstrat

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We realize it feels like a bear market out there because the story of 'software eating the world' (1980-2025) has now become one of AI eating software. This, coupled with rotations from Armies (Mag7) to Bulletmakers (semis, etc.), feels turbulent. To us, this is all an argument that AI is creating productivity and is disinflationary.

## Technical

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While I am wary about the possibility of a downturn starting in the near future, I am holding out hope that a push up to 7100-7200 could be possible for SPX. However, this likely does depend on software and many parts of "Mag 7" starting to strengthen and rally back in a way that hasn't yet happened.

## Crypto

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I remain constructive near term, but hesitant to call the definitive low. Last week's drawdown exhibited characteristics consistent with capitulation, and the magnitude and speed of the decline support a tactical continuation move.

## News We're Following

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### *Breaking News*

- Jesse Jackson, Civil Rights Leader Who Ran for President Twice, Dies at 84 [BBG](#)

### *Markets and economy*

- Global stocks steady as US-Iran talks, AI keep market on edge [REU](#)
- Silver miners fall in premarket trading as silver drops 2% [CNBC](#)

### *Business*

- Warner Bros rejects Paramount's revised offer, but gives studio a week to negotiate better deal REU
- Goldman Sachs plans to scrap DEI criteria for its board WSJ
- Hyatt Hotels chairman steps down over Jeffrey Epstein ties BBC
- Micron is spending \$200 billion to break the AI memory bottleneck WSJ

### Politics

- DHS shutdown has no clear off-ramp: 5 takeaways HILL
- Trump leans on Utah Republicans to scrap AI safety bill FT
- Noncitizen voting is rare. So why is Washington so focused on it? POL

### Overseas

- Russia killed opposition leader Alexei Navalny using dart frog toxin, UK says BBC
- French prosecutors are investigating companies like Nestle and Danone over contaminated baby formula CNBC
- Why Sweden is changing its tune on adopting the euro BBG

### Of Interest

- 'One of the greatest actors we ever had': Hollywood mourns Robert Duvall BBC

### Overnight

S&P Futures	-20 ▼ point(s) (-0.29% ▼)
overnight range:	-40 ▼ to +35 ▲ point(s)

### APAC

Nikkei	-0.42% ▼
Topix	-0.68% ▼
China SHCOMP	-1.26% ▼
Hang Seng	+0.52% ▲
Korea	-0.28% ▼
Singapore	0.00%
Australia	+0.21% ▲

Australia	+0.27% ▲
India	+0.17% ▲
Taiwan	+1.61% ▲

## Europe

Stoxx 50	+0.08% ▲
Stoxx 600	+0.11% ▲
FTSE 100	+0.22% ▲
DAX	+0.14% ▲
CAC 40	+0.02% ▲
Italy	+0.58% ▲
IBEX	+0.60% ▲
Canada	+1.87% ▲
Mexico	-0.18% ▼
Brazil	-0.69% ▼

## FX

Dollar Index (DXY)	+0.20% ▲ to 97.109
EUR/USD	-0.07% ▼ to 1.1843
GBP/USD	-0.26% ▼ to 1.3593
USD/JPY	+0.26% ▲ to 153.07
USD/CNY	-0.05% ▼ to 6.9049
USD/CNH	-0.02% ▼ to 6.8855
USD/CHF	+0.03% ▲ to 0.7694
USD/CAD	-0.08% ▼ to 1.3647
AUD/USD	-0.07% ▼ to 0.7067

## UST Term Structure

2Y-3M Spread narrowed	-1.7bps ▼ to -29.1bps ▼
10Y-2Y Spread narrowed	-0.9bps ▼ to 63.0bps
30Y-10Y Spread narrowed	-0.2bps ▼ to 64.2bps

## USD HY OaS

All Sectors	+5.8bps ▲ to 328bps
All Sectors ex-Energy	+7.2bps ▲ 330bps
Cons Disc	+7.3bps ▲ to 504bps
Indu	+4.7bps ▲ to 261bps
Tech	+7.7bps ▲ to 276bps
Comm Svcs	+6.9bps ▲ to 313bps
Materials	+3.1bps ▲ to 287bps
Energy	+3.7bps ▲ to 363bps
Fin Snr	+7.2bps ▲ to 226bps
Fin Sub	+6.5bps ▲ to 329bps
Cons Staples	+17.2bps ▲ to 525bps
Healthcare	+7.2bps ▲ to 347bps
Utes	+6.0bps ▲ to 233bps *

DATE

TIME DESCRIPTION ESTIMATE LAST

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
2/17	10:00 AM	Feb Oct Homebuilder Sentiment	38	37
2/18	8:30 AM	Dec P Sep P Durable Gds Orders	-2	5.3
2/18	2:00 PM	Jan 28 Sep 17 FOMC Minutes	n/a	0
2/18	4:00 PM	Dec Aug Net TIC Flows	n/a	212.036
2/19	8:30 AM	Dec Aug Trade Balance	-55.5	-56.825
2/20	8:30 AM	Dec Sep PCE m/m	0.3	0.2
2/20	8:30 AM	Dec Sep Core PCE m/m	0.3	0.16
2/20	8:30 AM	Dec Sep PCE y/y	2.8	2.8
2/20	8:30 AM	Dec Sep Core PCE y/y	2.9	2.79118
2/20	8:30 AM	4Q A 3Q A GDP QoQ	3	4.4
2/20	9:45 AM	Feb P Sep F S&P Srvcs PMI	53	52.7
2/20	9:45 AM	Feb P Oct S&P Manu PMI	52.4	52.4
2/20	10:00 AM	Feb F Oct P UMich 1yr Inf Exp	n/a	3.5
2/20	10:00 AM	Feb F Oct P UMich Sentiment	57.3	57.3
2/20	10:00 AM	Dec Sep New Home Sales	731.5	737
2/20	10:00 AM	Dec Sep New Home Sales m/m	n/a	-0.1

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