



THE EQUUS REPORT

—BY BARNABY LEVIN

MARGIN CALL

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In 2011, a small film – with (by Hollywood standards) a miniscule, \$3.5 million production budget – attracted some of Hollywood’s top talent, including Jeremy Irons; Kevin Spacey; Paul Bettany; Zachary Quinto; Stanley Tucci; and Demi Moore. It was about the 2008 Financial Crisis and was titled “**Margin Call.**”

In its first year, it only grossed \$5.35 million domestically and \$19.5 million worldwide – and (while profitable) that (again by *Hollywood* standards) was next to nothing. And yet, over the years, the film has shown impressive staying power, partly because of its visceral (hauntingly accurate) portrayal; in part, because of its almost “Shakespearean” script; and (of course) the riveting performances from all its cast.

In one of its most iconic scenes (for example) – after the firm (which – while its writer/director, J.C. Chandor, denies it – was clearly patterned after Lehman) had sold all their toxic, mortgage-backed securities to their unwitting “counterparties” – Jeremy Irons asks Kevin Spacey (who was feeling quite guilty about it all) to stay on, saying: “So, *you* think we might have put a few people out of business today. That it’s all for naught. But it’s just money, Sam. Its made-up pieces of paper with pictures on it so we don’t have to kill each other, just to get something to eat. And in 24 months, people will have forgotten all about this. It’s not wrong. And it’s certainly no different than it’s ever been. 1637 (Tulip Mania); 1797; 1819; 37; 57; 84; 1901; 07; 29 (“the Great Crash”); 1937; 1974; 1987 (“Black Monday”); 92; 97; 2000 and whatever you want to call **this**. It’s all the same thing, over and over. We can’t **help** ourselves. And you and I can’t control it, or stop it, or even slow it. We just react and – if we get it right – we make a lot of money.” (source: IMDb).

It’s a pretty brutal (but honest, I think) description of how people and markets are wired – to chase bubbles and excesses, no matter what history may have taught us, because “we can’t help ourselves.”

So now might be a good time to remember (or read :) my article (titled “Capitulation”) which I wrote in May 2022.¹ “Capitulation” means “the act of surrendering or ceasing to resist.” As I said then, it’s when people are so afraid they start to sell – ultimately without discrimination – because they’ve reached a point where the “pain” becomes intolerable and they simply give up, abandoning their longest-held, highest-conviction positions in the process.

What (we might ask) was going on back then? It was toward the end of the Covid lockdowns, as the market was struggling to adjust to all the Supply Chain disruptions; the persistently high inflation; and to the end of Central Bank “accommodation.” Cash levels for investors were at their highest level since September 11, 2001; technology stocks were in the midst of their biggest liquidation since 2006; and people’s greatest fear (after years of Zero Interest Rate Policy, or

¹ “Capitulation,” by Barnaby Levin, The EQUUS Report, May 19, 2022



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“ZIRP”) was that the world’s (suddenly) “hawkish” Central Banks were going to put us into a serious Recession.

Then as now, it was and remains important to remind everyone how markets *work*.

Let’s start with all the Hedge Funds and the wide-spread use of ETFs; with terms like “Technicals,” “Trend Following” and “Momentum;” and (most important) “**Leverage**.” To this, we add the enormous role “Retail” (individuals, trading in their Schwab and Robinhood accounts which, until recently, were little more than an afterthought) is (suddenly) playing – with all the same “tools” (like Puts and Calls) the big institutions have had at *their* disposal for decades. Now they’re a force to be reckoned with and are moving markets as much as the “smart money,” buying “long” and selling “short” with the “big boys” – and (again) they, too, are using *leverage* to goose their returns, which works great when things are going up.

Unfortunately, when things go *wrong*, those same funds and individuals suddenly become subject to what’s known as a “**Margin Call**” – when the value of the securities in their accounts falls below a certain threshold and their custodians *require* them to add cash or sell securities, at prices they wish they didn’t have to (or, of course, they would have done so earlier!). It’s *this* that often leads to a cascade – as people are *forced* to liquidate – and, as each “technical” support level is breached, a stampede.

As the character said in the movie, “We can’t help ourselves.” Memory fades and we forget that the shares of great companies can and *do* come back, as their *earnings* rise – and that trying to “time” the Market is (for most of us) a fool’s errand. We forget the advice of Warren Buffet: If it’s not something you want to own for the long term, don’t buy it in the first place. And be careful about getting too “cocky,” thinking you’ve figured it all out and you’ll be smart enough to know when to get back in – even in your IRA, where there isn’t any Tax consequence to consider. It’s hard enough being “right” *once*.

As Dan Ives (Sr Equity Analyst at Wedbush) said on X on February 18th – while the sell-off in “AI” may last a little longer – “over the last 25 years, I’ve seen so many, disconnected tech trades. Microsoft getting into cyber security in the mid-2000s was going to wipe out the cyber industry; a decade ago, the chip industry was going to be dominated by Intel, with smaller players (like Nvidia) an afterthought; cloud computing was going to be a major threat to the business models of Microsoft and Google as Amazon’s AWS was too far ahead of the competition. Which brings us to where we are today, with the AI-is-a-threat-to-every-industry narrative, with software front and center as enemy #1.”

Six months ago, everything was “coming up roses” – because of the promise, that AI would change the world. Today, those same people seem to have woken up, panicking and afraid that



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- AI models from Google, Anthropic and OpenAI will **eliminate** the role of SAAS (Software as a Service) and enterprise software companies (from Salesforce to Workday and Docusign) and **all** those companies will go “out of business;”
- It’s **only a matter of time** before “Quantum computing” breaks the formerly “unbreakable” algorithms of Bitcoin and **everything** will come crashing down;
- **Every** “white collar” job is going to be displaced by intelligent “bots” and robots

when people are already feeling “**affordability**” – according to most “polls” (which you know from my article, “Believe It or Not,” I hold in low regard)² – is at its low.

As usual, people aren’t following their own “logic” through to its **logical** conclusion – and they’re making “statements” like they’re “facts” when they aren’t. At least, not yet or by a long shot.

For example, while Quantum computers **may** (one day) be capable of breaking Bitcoin’s code, they’re clearly assuming the industry will just sit there (like deer in the headlights) and won’t use that same technology to protect the underlying cryptographic algorithms (or its “Miner’s”) beforehand. Former Mt. Gox CEO Mark Karpeles warns “a complete quantum upgrade for Bitcoin is virtually impossible,”³ while Coinbase CEO Brian Armstrong says it’s simply not true. “It’s a very solvable issue,”⁴ he says. They use terms like “Shor’s” and “Grover’s” algorithms; Pay-to-Merkle-Roots;” and “brute-force” searches (about which I haven’t a clue) so we’ll see. But it seems to me there are a lot of very bright people who have a lot at stake – who **are** deeply familiar with the technology and are working feverishly on it already. And when you put all those bright minds together with the AI being developed by companies like xAI and Anthropic – each coming at the issue from different angles, with different LLMs – it’s hard to believe (as Armstrong says) this isn’t “solvable.”

At the same time, while those (like Karpeles) are casting aspersions at people like Elon (who, he says, “isn’t so smart”) they seem to ignore – if a computer can break something as “immutable” as *Bitcoin* – how is it the world’s **entire** financial **system** isn’t at far greater risk, far sooner? Maybe it is and I wonder what everyone’s going to do about **that**? But it seems we may be missing the forest for the trees, if people **really** want something to worry about...

And what about all those companies who are or were **doomed** to go out of business? Like Palo Alto Networks (now the global **leader** in cybersecurity, with more than \$11 Billion in annual sales)

² “Believe It or Not” by Barnaby Levin, The EQUUS Report, March 31, 2025

³ “Complete Quantum Upgrade Virtually Impossible, former Mt. Gox CEO Warns,” by Alex Dovbnnya, U.Today, 22 Feb 2026

⁴ “Coinbase CEO Says Quantum Computing ‘Solvable Issue’ for Crypto,” by Vismaya V, **decrypt**, Feb 19, 2026. Last month, Coinbase convened an independent advisory board that includes University of Texas professor Scott Aaronson, Stanford cryptographer Dan Boneh, Ethereum Foundation researcher Justin Drake and Coinbase Head of Cryptography Yehuda Lindell, making this a top-tier strategic priority for the industry.



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was “destined” to do in 2005, when they were just getting started? Or Nvidia, a decade ago. Today, Nvidia’s the **engine** – and their Founder, Jensen Huang (Dan Ives says) “the **Godfather**” – of Artificial Intelligence, with revenues surpassing **\$200 Billion**.

Clearly, there will (ultimately) be “winners” and “losers.” As Andy Grove famously said in 1996, “Only the Paranoid Survive” – and it’s too bad his own company, Intel (the one, you recall, that was going to put **Nvidia** out of business), lost sight of that somewhere along the way. The companies in today’s “Mag 7” – like the “Nifty Fifty,” which included Xerox and Polaroid in the 60s and 70s – might not **all** be in that austere group, five or ten years from **now**. But **some** of them will – and Intel **is** still here (while, under Lip-Bu Tan’s leadership, it looks like they just might live to fight another day). Because great companies (like Tesla, Amazon, Apple and Netflix) **never** stop innovating. Sometimes, they stumble – or make some move (like Netflix’s proposed purchase of Warner) “the market” doesn’t understand or doesn’t like. But under great leaders (who, like the wartime “Consiglieres” they are) they’ve proven they know how to learn from their mistakes. These kinds of companies simply hunker down (when it happens) and make whatever changes are necessary – to reset; refocus; and relaunch – like Google (under Sergey’s leadership) did (after being written off, two years ago) with “Gemini,” which recently took “the lead” from ChatGPT. For now. Because the “race” is just **beginning**.

But that said, the fact is...**sometimes**, these kinds of paradigm shifts **will** mean **some** people (who haven’t kept their skills current or planned ahead) **will** be laid off – and AI **might** make some jobs less relevant (especially for any kind of work you can do on a computer). I have no idea what the ramifications of things like **OpenClaw**⁵ will be (but, I must admit, visions of the “Terminator: Rise of the Machines” movie comes to mind). But that same AI can **also** be the means of creating **new** jobs or helping everyone *else* become more **productive** – and to help those “displaced” to learn new skills, perhaps in an adjacent or entirely new industry.

The point is, it’s a **two**-edged sword (like I say in my Podcast, “There are always two sides to every issue, **both** of which have merit”). The seeds of either outcome (both positive and negative) are there, unfolding before us and only time will tell which force proves stronger.

Finally, regarding the affordability “crisis,” they even have a name for it now. It’s called the “**boomcession**,” where growth is accelerating, but consumers (so they keep telling us) are feeling increasingly “dour.”⁶

⁵ “OpenClaw AI is going viral. Don’t install it,” by Ben Patterson, TechHive, 20 Feb 2026. OpenClaw – when installed using its default configuration – has “host” access to your system, meaning it has the same system-level permissions you do. It can read and edit files – and **delete** them at will. “Unleashing OpenClaw,” in fact, “without knowing what you’re doing is akin to handing a bazooka to a toddler.” It can not only recommend but act on its conclusions, as if it’s you, so beware.

⁶ The term was coined by Matt Stoller in a January 31, 2026 article titled “The Boomcession: Why Americans Hate What Looks Like an Economic Boom” on Substack (thebignewsletter.com)



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The problem (as Mark Zuckerberg discovered, during his recent testimony before Congress)⁷ is **this** is how “the Media” is **telling** them they “feel.” **Statistically**, according to the Bureau of Labor Statistics, wages have risen between 3.7- 4.3% over the past year, while Inflation has been falling, now at 2.4%, down meaningfully from when Biden ended his term. It may not seem like much, but it’s anywhere from \$13 to \$50 dollars more per **week** – and when people start getting **refunds** from the IRS (because of the provisions regarding tax on tips; Social Security; and overtime in the “One Big Beautiful Bill”), they might soon feel a **little** better, in **spite** of themselves. And (in the meantime) our country’s GDP grew 4.3% (on an annualized basis) in Q3 2025, far stronger than most economists expected (**despite** Trump’s tariffs).

But **that** (again) is not how most polls (**all** of which, I’ve said, are **biased**, one way or another) are **framing** things. Instead, they’re doing a “great” job **telling** people – **however** they might feel **now** – that’s it’s only a matter of time (especially under **this** Administration) before they’ll soon be out of work and, in the face of that, who **wouldn’t** be feeling at least a **little** depressed?

My advice (and I’m not being trite) is to limit how much time and attention you give to the “headlines.” Stop listening to all those “Talking Heads,” telling you what to think and how “people” are feeling and take an honest look at your **own**, particular circumstance. At **your reality**. If you see risk in whatever you do for a living, see what you can do about preparing yourself for your role in the new future. Start with a blank sheet of paper and write it down, without any preconceived notions of “should” and “shouldn’t,” **beginning** (as Stephen Covey said in his book, “The 7 Habits of Highly Effective People”) with the **end** in mind. That is, where you want to **be** in five or ten years? Physically, Professionally and Socially. Visualize what that will look like and (then) figure out what it’s going to take to get there.

And (of course) **my** biggest problem – get out more, to spend time with your friends and family and leave the worrying to me (who, unfortunately, has no choice but to do my best, every day, to sift through it all to get at the truth). It’s a good thing I **love** what I do.

Barnaby Levin

Partner | Managing Director | [HighTower Advisors](#)

LK Wealth & Asset Management

⁷ His testimony, under oath on Feb 18, 2026, was part of a high-profile lawsuit, accusing Meta and YouTube of deliberately designing their platforms to be addictive, harming children’s and teens’ mental health.



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