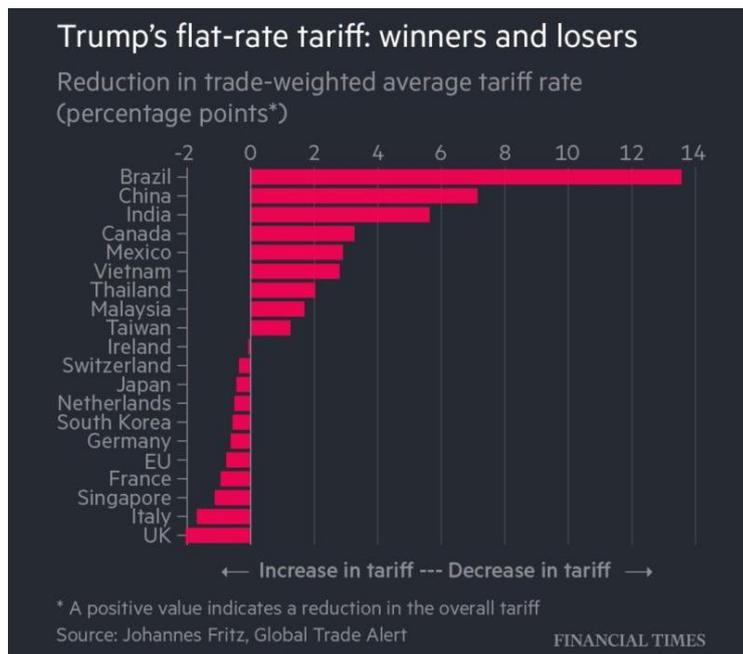


The Chart of the Week



Source: Financial Times

What happened last week?

Global markets

The week was shortened by holidays (US Presidents' Day on Monday, Lunar New Year closures in Asia), leading to thinner liquidity and amplified volatility. The week began under the shadow of softer economic data, hawkish Fed signals, or geopolitical tensions. But as the week ended, stocks rallied on the landmark legal ruling on trade policy. The MSCI ACWI ultimately ended the week with a modest upward bias (+1.1%), though the underlying narrative remained one of cautious recalibration.

US

Wall Street had a positive week, with the S&P 500 up 1.1% and Nasdaq 100 +1.15%. The sentiment at the start of the week was set by the January Consumer Price Index (CPI) print the prior week; the CPI arrived at a stubborn 3.4% YoY, significantly higher than the consensus forecast. This data provided immediate ammunition for the "hawk-trio" within the Fed, with Chair

Warsh hinting in a midweek speech that the central bank remains "unconvinced" that inflation has been fully tamed. Consequently, the 10-year Treasury yield surged to 4.45%, its highest level since the previous autumn, creating a significant headwind for growth-oriented sectors.

The early-week pressure was offset by a significant relief rally on Friday, triggered by a Supreme Court ruling that struck down several of the administration's more controversial tariff proposals. This legal hurdle for the "Great Freeze" trade policy provided immediate oxygen to the multinational industrials and consumer discretionary sectors, which had been pricing in a much bleaker trade environment.

Within the technology space, the atmosphere was one of cautious consolidation ahead of the high-stakes Nvidia earnings report (scheduled for February). The financial sector also showed resilience as the "higher-for-longer" rate environment bolstered net interest margin expectations for the major money-centre banks.

Europe

The European stock market was the week's undisputed champion, with the STOXX 600 surging 2.2% in EUR terms (1.3% in USD) to hit a new record close on Friday. This outperformance was underpinned by a dramatic upside surprise in German manufacturing activity and a suite of well-received earnings from heavyweights like Nestle and BAE Systems. The lifting of immediate tariff threats from the US served as a massive tailwind for the Eurozone's export-oriented giants, allowing the DAX and CAC 40 to break through key resistance levels that had held since the start of the year.

The UK market delivered a standout performance, with the FTSE 100 gaining 2.3% in GBP (1.1% in USD). The London benchmark was supported by a combination of solid retail sales growth and steady performance in the defence and energy sectors: BAE Systems' optimistic earnings outlook and Brent crude's stabilisation above \$65 per barrel (reaching \$71.8 on Friday) reinforced the UK's position as a preferred destination for value-oriented capital in a world of high-duration risk.

Rest of the world

Emerging Markets have lagged Europe and the US, with the MSCI EM Index rising 0.8%. However, the mainland China markets (Shanghai/Shenzhen) remains closed for Lunar New Year (from February 16-24), while Hong Kong had partial/thinner trading.

Geopolitical tensions over Iran (stalled nuclear talks, US military positioning) acted as a mild headwind on risk appetite but were offset by the positive catalyst of the US Supreme Court ruling on Trump's tariffs. This eased near-term trade uncertainty for export-oriented EM economies, contributing to late-week stabilization and modest upside in EM currencies/stocks. Latin American resource exporters and Asian tech proxies showed relative resilience, though overall EM lagged developed markets like Europe in weekly gains.

In the commodities space, gold and silver showed stability and modest gains amid ongoing volatility. Gold traded in the ~\$4,988–\$5,100/oz range, reclaiming and holding above \$5,000 late in the week (up slightly overall), driven primarily by safe-haven demand from escalating US-Iran tensions. Silver saw sharper intraday moves but finished positively in line with its role as a hedge.

Broader commodity trends reflected continued investor interest in "hard assets" amid rotations away from speculative tech/AI amid fatigue concerns, though the week's moves were more geopolitically driven (e.g., oil stabilizing/gaining on Iran risks) than a fresh orderly shift.

Our view on equities

Equity asset class

POSITIVE in current environment

We remain positive on equities. Demand for AI infrastructure remains strong while a broadening of corporate earnings will help offset rich valuation multiples, particularly in the US.

After an uneven year, earnings in 2026 are expected to accelerate and broaden. Technology stocks will continue to benefit from AI-related investments, while the “old economy” is expected to slowly recover thanks to lower interest rates and deregulation in the US.

We continue to advocate diversification while maintaining overweight position in the US / China.

Earnings

Earnings remain a tailwind for equities, supported by a strong third-quarter earnings season and expectations that growth will accelerate and broaden in 2026. Technology stocks should continue to deliver robust performance, while the “old economy” is set to recover.

Valuation

US technology stocks remain expensive, although growth and profitability provide some support while international equities are more reasonably valued. Equity risk premia remain low in both the US and Europe.

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