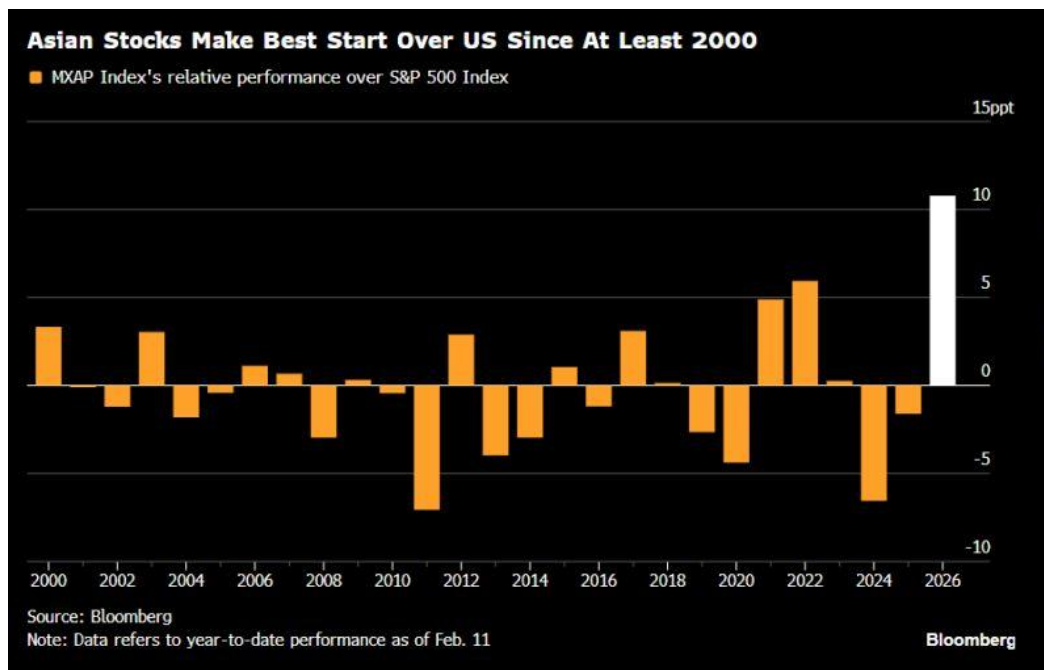


The Chart of the Week



Source: Bloomberg

What happened last week?

Global markets

Global markets faced renewed pressure in the week from February 6 to February 13. The MSCI ACWI declined 0.2%, reversing the previous 0.5% gain. Weakness was led by the U.S., where tech sell-offs intensified. The S&P 500 fell 1.3% and the Nasdaq dropped 2.1%. In contrast, European and other developed international markets outperformed. The MSCI Europe rose 0.4%, and the MSCI EAFE gained 1.9% on the week.

In Asia, Japan rallied strongly, with its main index up nearly 6%. Korea's Kospi climbed 8% and Taiwan's TAIEX rose nearly 5%. The divergence confirmed a shift away from U.S. leadership toward developed ex-U.S. equities. Implied volatility increased, with the VIX up 15.7% to 20.6. Gold surged another 1.5% to above \$5,040/oz, amplifying the prior week's hedging bid, while Brent crude stabilized near \$68/bbl.

US

US indices finished the week lower as investors balanced moderating inflation and resilient labour market data against rising valuation concerns in mega-cap technology.

The S&P 500 declined 1.4%, marking its fourth negative week in five, the first weekly drop exceeding 1% over that five-week stretch. The Nasdaq Composite fell 2.1%, its weakest weekly performance since late November.

Despite the headline weakness, market breadth improved, with a majority of S&P 500 constituents advancing, signalling a gradual broadening of performance beyond the largest technology names.

Utilities rallied more than 7.1% as falling yields revived demand for defensive income-generating assets, while real estate and materials gained 3–4%. Financials declined nearly 5%, and communication services and information technology lagged. The “Magnificent 7” fell more than 3.2% collectively, extending their underperformance as investors reassessed the durability of AI-driven capex trends. Small caps proved comparatively resilient, with the Russell 2000 declining just under 1%.

Macro data released during the week were constructive. Unemployment rate edged down to 4.3% from 4.4%. Inflation data reinforced the disinflation trend, with CPI rising 2.4% year-over-year, below the 2.5% forecast, marking the lowest reading since May 2025.

Europe

In Europe, performance was constructive. The MSCI EAFE rose 1.9% over the week, the pan-European STOXX Europe 600 closed modestly higher by 0.09%. This marked the third consecutive weekly gain for the index, with a cumulative 1.54% rise over those three weeks. Across the main European indexes, Germany's DAX advanced 0.78%, Italy's FTSE MIB slipped 0.97%, France's CAC 40 posted a 0.46% gain, and the UK's FTSE 100 climbed 0.74% over the period.

The week began on a softer note, as disappointing corporate results, notably from Stellantis, weighed on sentiment and pushed the automotive sector down 2.4%. Technology stocks also came under pressure amid renewed concerns about AI-driven disruption and valuation risks. Later gains came from aerospace strength, such as Safran's 7% surge after raising 2026 targets.

Rest of the world

Asian and emerging markets outperformed last week, driven by a rotation into regional equities and away from U.S. tech amid AI-related valuation concerns.

Japan supported the regional rally, with the Nikkei 225 surging nearly 6% to a record high after the ruling party of Prime Minister Sanae Takaichi secured a supermajority in the Lower House. The election outcome raised expectations for higher fiscal spending, tax relief, and a more assertive economic policy.

Korea's Kospi climbed 8% and Taiwan's TAIEX rose nearly 5%, reflecting strong cyclical and tech performance. In China, the Shanghai Composite fell 1.26%, as investors trimmed positions ahead

of the Lunar New Year holiday. Overall, broad index gains across Asia and emerging markets highlighted a regional rotation into value and cyclical sectors amid U.S. tech weakness.

Hedge funds boosted exposure across Korea, Taiwan, Japan, and China, with investors favoring cyclicals, industrials, consumer discretionary, and real estate. Asian equity funds recorded ~\$6.28 billion in inflows and emerging market funds ~\$8.52 billion, while U.S. equity funds saw outflows of ~\$1.42 billion.

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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