

MARKET COMMENTARY

February 2026

SNAPSHOT

- US equities hit record highs before retreating on geopolitical and policy volatility.
- European markets swung sharply on tariff threats and Greenland negotiations.
- Gold and silver reached record levels amid instability and dollar weakness.

All percentages below are monthly returns for January 2026

EQUITIES



BOND MARKETS

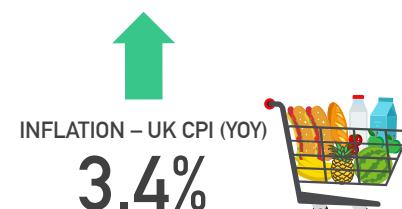
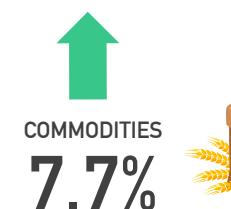
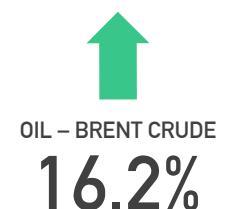
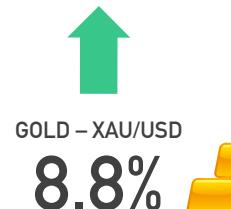
BONDS

Volatility continued

| | | |
|--|-------------------------|-------|
|  | UK GILTS | -0.1% |
|  | US TREASURIES | -0.1% |
|  | GLOBAL CORPORATE BONDS | -0.9% |
|  | GLOBAL HIGH YIELD BONDS | -0.7% |

*Values represent bond index returns

KEY INDICATORS



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GLOBAL MARKETS

Global markets experienced a turbulent start to 2026, marked by record equity highs, heightened geopolitical tensions surrounding Greenland, and shifting central bank expectations amid resilient growth and persistent inflation pressures.



US MARKETS

Despite volatility, markets reached record highs

US equity indices reached fresh record highs in January, supported by optimism around artificial intelligence and strong semiconductor performance. Volatility increased following tariff threats from President Trump and a criminal probe involving Fed Chair Jerome Powell. The Federal Reserve held rates at 3.5% to 3.75%, citing economic resilience despite elevated prices. Sentiment improved late in the month after European tariffs were suspended and Kevin Warsh was nominated as the next Fed Chair. Strong industrial production and upward revisions to Q3 GDP reinforced confidence in the growth outlook.

1.4%

US 500



UK MARKETS

Strong performance from key sectors

The FTSE 100 surpassed the historic 10,000 level, driven by strength in defence, energy and mining stocks. UK inflation rose to 3.4%, while unemployment remained stable at 5.1%. Gilt yields initially fell to one-year lows before rebounding, as markets reassessed rate cut expectations following stronger GDP growth of 0.3%. Financial stocks faced headwinds from proposed US credit card rate caps, while insurers benefited from M&A interest in the sector. Business surveys pointed to the fastest private sector expansion since early 2024.

3.0%

UK All Share



EUROPEAN MARKETS

Hit record highs despite threat of tariffs

European equity markets reached record levels before retreating sharply on US tariff threats linked to Greenland negotiations. Markets stabilised after a framework agreement was announced at Davos, with European equities ending the month firmly in positive territory. The euro area economy grew by 1.5% in 2025, with Q4 growth of 1.3%. Inflation eased to 1.9%, keeping ECB policy on hold. Utilities and defence stocks outperformed.

3.0%

Euro 600 Index ex UK



JAPAN MARKETS

Reached record highs

Japanese equities climbed to record highs, led by semiconductor stocks and optimism surrounding a large fiscal stimulus package. The Bank of Japan held short term rates at 0.75% and upgraded its 2026 growth outlook. Political uncertainty rose after Prime Minister Takaichi announced plans for a snap February election. The yen was volatile, weakening to one-year lows before strengthening on intervention concerns. Bond yields surged to 27-year highs amid fiscal and political uncertainty.

4.6%

Japan Index



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THE WORLD AT A GLANCE



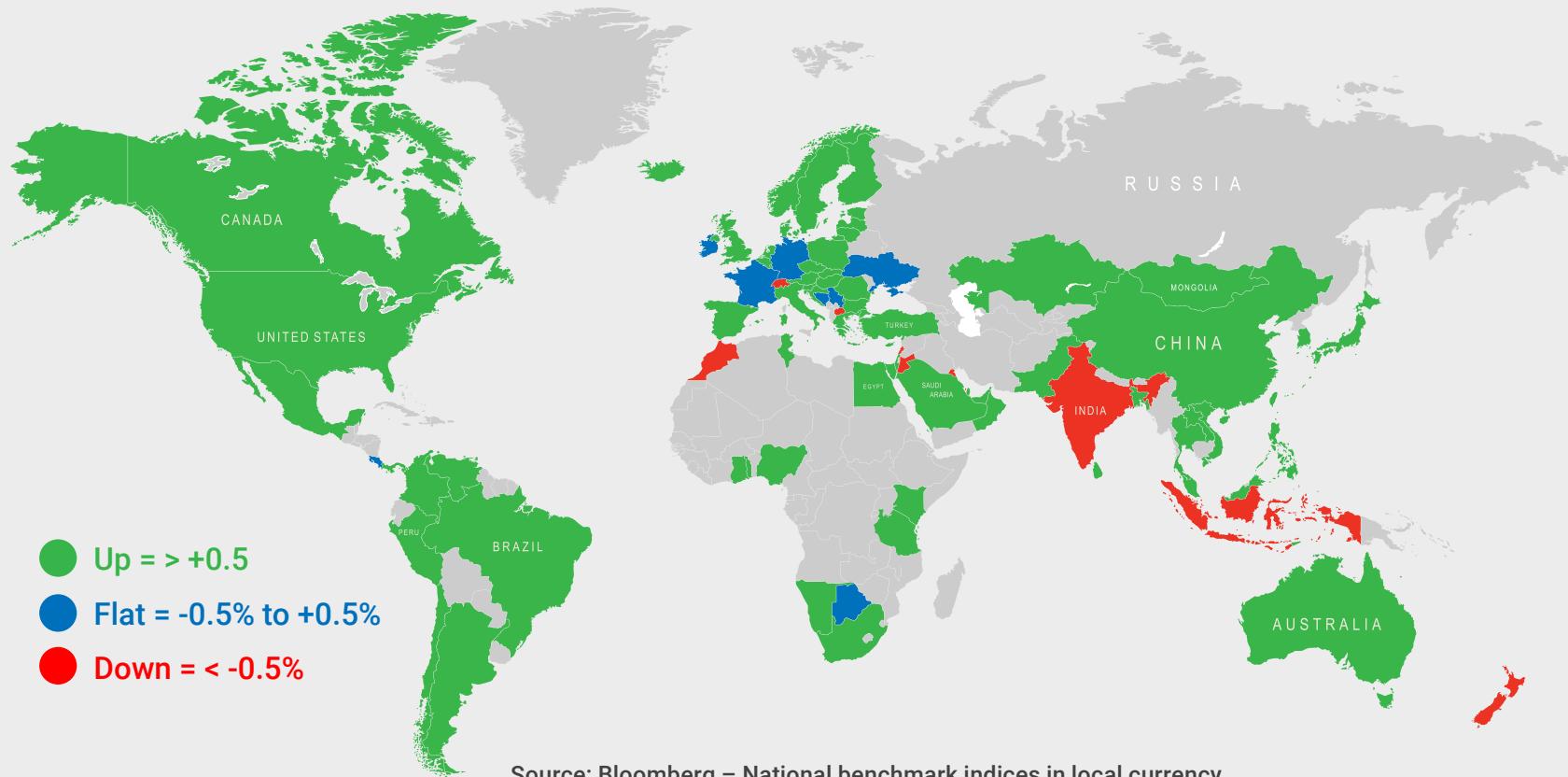
| | 2021 | 2022 | 2023 | 2024 | 2025 | Jan 2026 | Year To Date |
|-------------------------|------|-------|------|------|------|----------|--------------|
| UK CASH | 0.0 | 1.4 | 4.7 | 5.2 | 4.3 | 0.3 | 0.3 |
| US DOLLAR INDEX | 6.4 | 8.2 | -2.1 | 7.1 | -9.4 | -1.4 | -1.4 |
| UK GILTS | -5.2 | -23.8 | 3.7 | -3.3 | 5.0 | -0.1 | -0.1 |
| US TREASURIES | -2.3 | -12.5 | 4.1 | 0.6 | 6.3 | -0.1 | -0.1 |
| GLOBAL CORPORATE BONDS | -1.9 | -6.8 | 4.0 | 2.8 | 2.6 | -0.9 | -0.9 |
| GLOBAL HIGH YIELD BONDS | 2.0 | -2.3 | 8.2 | 11.0 | 4.3 | -0.7 | -0.7 |
| US 500 | 26.9 | -19.4 | 24.2 | 23.3 | 16.4 | 1.4 | 1.4 |
| UK ALL SHARE INDEX | 14.5 | -3.2 | 3.8 | 5.6 | 19.8 | 3.0 | 3.0 |
| EURO 600 INDEX EX UK | 22.5 | -15.0 | 14.9 | 4.5 | 17.4 | 3.0 | 3.0 |
| JAPAN INDEX | 10.4 | -5.1 | 25.1 | 17.7 | 22.4 | 4.6 | 4.6 |
| ASIA EX JAPAN | -3.1 | -15.4 | 6.4 | 16.2 | 31.6 | 8.6 | 8.6 |
| EMERGING MARKETS | -4.6 | -22.4 | 7.0 | 5.1 | 30.6 | 8.8 | 8.8 |
| COMMODITIES | 41.6 | 41.9 | -9.7 | 11.2 | -0.3 | 7.7 | 7.7 |
| GOLD | -4.3 | -0.7 | 12.8 | 26.6 | 62.5 | 8.8 | 8.8 |
| HEDGE FUNDS | 3.7 | -4.4 | 3.1 | 5.3 | 7.1 | 2.2 | 2.2 |

Source: Bloomberg

Total Return – Local Currency

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WORLD EQUITY MARKETS



Source: Bloomberg – National benchmark indices in local currency

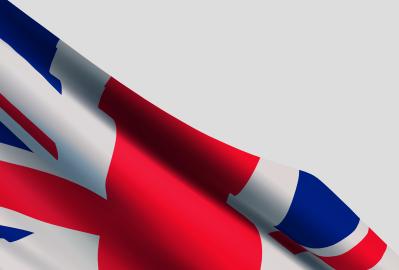
Key Points

- Global equities remained resilient despite sharp intra month swings, as investors increasingly looked through geopolitical headlines and focused on earnings growth and economic fundamentals.
- US market leadership showed signs of broadening beyond mega-cap technology stocks, supported by improving profit growth across multiple sectors.

- Japanese equities moved ahead despite fiscal sustainability concerns, which contributed to volatility in the bond and currency markets.
- Hong Kong equities reached four-year highs, underpinned by record 2025 trade surpluses and pledges from the People's Bank of China (PBoC) to improve liquidity and regional financial connectivity.

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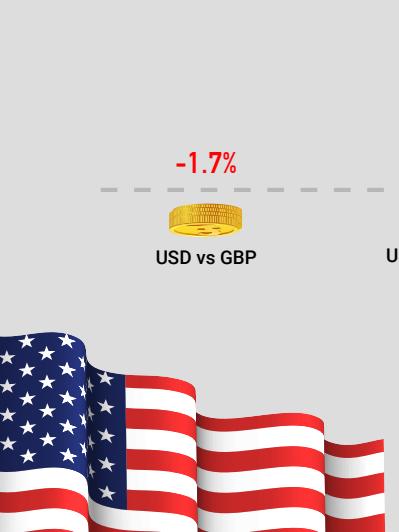
CURRENCIES



GBP VS OTHER CURRENCIES



EUR VS OTHER CURRENCIES



USD VS OTHER CURRENCIES



JPY VS OTHER CURRENCIES

Key Points

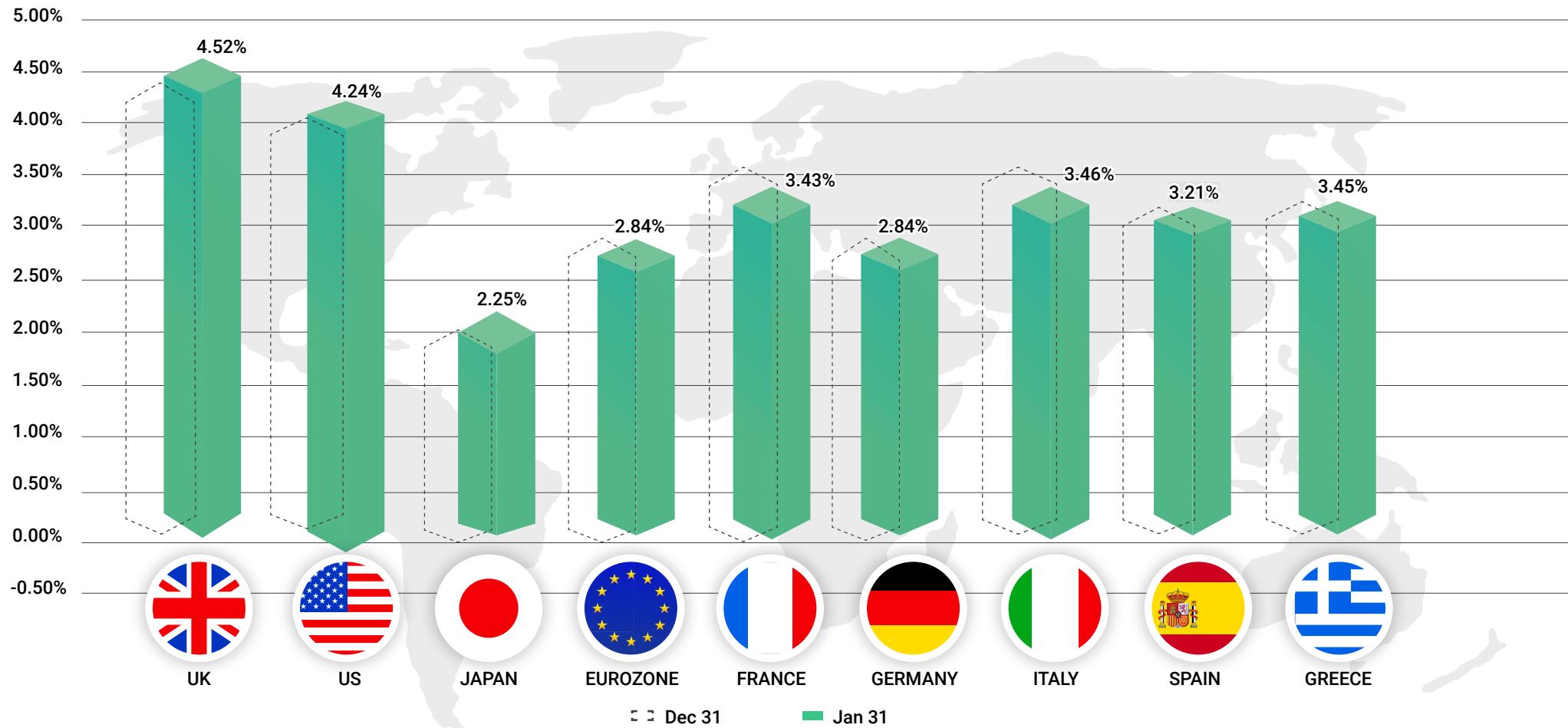
- The US dollar fell to a four-year low as policy uncertainty and tolerance for a weaker currency encouraged flows into precious metals and defensive assets.
- Sterling strengthened to its highest level since 2021, supported by broad dollar weakness and inflation data that reduced expectations of near-term Bank of England rate cuts.

- The euro reached mid-2021 highs against the dollar, aided by resilient economic growth and shifting expectations for future central bank policy divergence.
- The Swiss franc climbed to decade highs as investors sought safety amid global trade tensions, despite SNB warnings of a potential return to negative inflation.

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GENERIC 10-YEAR YIELDS*

*A Generic bond is a theoretical bond that always has the specified tenor, unlike a Benchmark bond, which is a physical bond, with a decreasing tenor.



Key Points

- US Treasury yields rose to five-month highs before easing as tariff threats were withdrawn and a more hawkish Fed Chair successor was nominated.
- Japanese government bond yields surged to their highest levels since 1999 following the snap election news and expansionary fiscal plans, driving global sovereign bond volatility.
- UK gilt yields fluctuated as investors weighed cooling inflation against stronger GDP growth and reduced long dated issuance from the Debt Management Office.

- Italian and French government bond yields initially declined on softer inflation data before rising in line with a global sell off, triggered by volatility in Japanese bond markets.
- Credit markets proved resilient, with corporate bonds outperforming government debt, in GBP hedged terms, as earnings remained strong and default expectations stayed low.

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GLOSSARY OF TERMS

| | |
|-------------|---|
| BoE | Bank of England – central bank of the United Kingdom |
| BoJ | Bank of Japan – central bank of Japan |
| Correlation | The degree to which the returns of financial assets or instruments move in relation to each other |
| CNY | Chinese renminbi (yuan) – currency of the People's Republic of China |
| CPI | Consumer Price Index – a measure of inflation in which a basket of goods and services is calculated over different time periods |
| Dovish | The approach in which central banks are likely to keep monetary policy "loose" or accommodative |
| ECB | European Central Bank – the central bank of the European Union countries which have adopted the euro |
| EUR | Euro, the official currency of the European Union for the 20 of 27 member states that have adopted this currency |
| The 'Fed' | or the US Federal Reserve System – the central banking system of the United States of America, which includes the Federal Reserve Board and the twelve regional Federal Reserve Banks |
| GBP | British Pound – sometimes referred to as 'sterling' |
| GDP | Gross Domestic Product – a monetary measure of the market value of all goods and services produced in a specific time period by a country or countries |

| | |
|---------------|---|
| Growth Stocks | Stocks which display specific characteristics – high price-to-earnings (P/E), high price-to-book (P/B), low to no dividend yield – which typically demonstrate revenue growth and tend to reinvest earnings rather than distribute them as dividends |
| Hawkish | The approach in which central banks are likely to keep monetary policy "tight" or restrictive |
| JPY | Japanese Yen – currency of Japan |
| Macro | or Macroeconomics – a branch of economics that deals with the performance, structure, behavior, and decision-making of an economy as a whole |
| PMI | Purchasing Managers' Index – an economic indicator used to measure the activity of the manufacturing/service sectors of the economy |
| USD | US Dollar – currency of the United States of America |
| Value Stocks | Stocks which may trade at lower prices relative to their intrinsic value, as defined by traditional fundamental analysis, and typically include evaluation metrics such as lower price-to-earnings (P/E) and price-to-book (P/B) ratios, and higher dividend yields, compared to Growth stocks. |
| Yield Curve | a graph (line) which depicts how the yields on debt instruments – such as bonds – vary as a function of their years remaining to maturity |
| YoY | Year over year |

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