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# February Monthly Market Commentary

Following the invasion of Venezuela at the start of the year, February saw further aggressive US military action. We continue to monitor the situation closely, to understand the various scenarios that might play out and their likely impact on portfolios.

Here's a round up of the financial news headlines from February.

## US Supreme Court terminates emergency tariffs

In a landmark decision, the US Supreme Court ruled that the International Emergency Economic Powers Act (IEEPA) does not grant the President the authority to impose tariffs. This effectively invalidated the sweeping "reciprocal" tariffs implemented by the Trump administration last year. The Court emphasised that the power to tax sits with Congress - not with the President alone.

The fallout was immediate, with all IEEPA-based tariffs terminated.

However, the administration quickly pivoted, issuing a new executive order under Section 122 of the Trade Act of 1974 to impose a 10% global tariff, touting the rate at 15% ahead of time. This provides a temporary replacement, and these tariffs can remain in place for a maximum of 150 days, so the White House has a few months to come up with a longer term strategy.

## US and Israel strike Iran

Geopolitical risk reached a new level at the end of February, with the United States and Israel launching joint military strikes against Iran. The operation targeted Iranian leadership, security forces, and nuclear and missile sites, resulting in the death of Supreme Leader Ali Khamenei and other high-ranking officials.

While the US and Israel described the strikes as a necessary move for regional security and regime change, the action has triggered immediate instability across the Middle East, with questions raised over the legality of the offensive.

Markets are now pricing in a risk premium, with global equities falling. Oil and gas prices have spiked due to threats to trade flows and the risk of wider regional involvement.

## Japan's snap election: a supermajority for Takaichi

In a rare moment of political clarity, Prime Minister Sanae Takaichi led the Liberal Democratic Party (LDP) to a landslide victory, securing 316 of 465 seats. Alongside coalition partner the Japan Innovation Party, Takaichi now commands a

two-thirds supermajority.

This decisive mandate empowers Takaichi to push through a robust legislative agenda, including tax cuts, increased military spending, and potential constitutional reform. Financial markets reacted positively, with the Nikkei 225 surging to a record high above 57,000 points. For investors, this outcome eliminates the "gridlock" risk that had previously plagued Japanese politics, offering a clear path for fiscal stimulus.

## Nvidia earnings beat met with market apathy

Nvidia's Q4 revenue hit \$68.13 billion, surpassing estimates of \$66.21 billion, driven by a 75% year-on-year surge in data centre revenue. Despite providing upbeat guidance for \$78 billion in the coming quarter, Nvidia's share price initially fell by around 4%.

The muted market reaction suggests that investor expectations have reached a ceiling where "beating" is no longer enough. Concerns are mounting over the long-term returns on AI capital expenditure by major hyperscalers and an increasingly competitive landscape as rivals like Advanced Micro Devices (AMD) gain ground.

## Consumer confidence falters across major regions

Consumer sentiment took a downward turn in February, reflecting a fragile recovery. In the UK, GfK's Consumer Confidence Index dropped three points to -19, reversing recent gains. This decline was primarily fuelled by weakening perceptions of personal finances and job security, as UK unemployment reached its highest level in nearly five years.

Similar trends were seen globally. While the Euro Area saw a marginal uptick to -12.2, that's still well below long-term averages. High prices continue to force households to prioritise day-to-day spending over major purchases. This widespread caution suggests that while inflation may be cooling, the cumulative "cost of living" impact and rising interest rate environments are still suppressing discretionary demand.

Name	1m	3m	YTD	1yr	3yr
FTSE Actuaries UK Conventional Gilts All Stocks	2.35	2.48	2.24	5.72	8.50
ICE BofA Global Corporate	1.12	1.44	1.65	6.24	20.50
ICE BofA Global High Yield	0.34	1.69	1.03	7.23	30.40
FTSE All Share	6.47	12.15	9.74	27.31	51.56
FTSE USA	1.11	-1.28	0.28	8.74	60.83
FTSE World Europe ex UK	4.71	10.17	7.41	24.33	52.14
FTSE Japan	11.31	14.99	16.02	35.74	65.40
FTSE Asia Pacific ex Japan	8.10	15.61	14.23	36.69	55.94
FTSE Emerging	4.61	8.44	8.38	26.38	49.48

Source: FE Analytics, GBP total return (%) to last month end

# Parmenion

## Investment Management

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