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# *The Monthly Edit*

*February 2026*

We examine the markets daily, and our monthly update is a selection of key global stories explained through an investment lens.



# Market headlines

## Equities remained resilient

Global equities held up well despite geopolitical headlines and sector volatility. Software and semiconductors lagged, while value sectors outperformed.

## Earnings confirmed AI strength, but market reactions were restrained

Q4 earnings showed robust growth, led by large technology firms benefiting from AI investment, but equity responses were muted as investors focused on valuations and the sustainability of spending.

## Tariffs overturned, but policy uncertainty lingers

Markets digested news that the US Supreme Court struck down existing tariffs, but uncertainty increased as the administration quickly implemented temporary tariffs using alternative measures.

## Geopolitics continued to influence sentiment and commodities

Persistent geopolitical tensions drove episodic risk-off moves, supporting gold and keeping sentiment cautious. Oil prices rose on Middle East risks, despite expectations of a supply increase planned for later in 2026.



# The big topics

## Broadening equity leadership amid heightened volatility

February was marked by sharp rotations beneath relatively resilient headline indices, highlighting a continued broadening of market leadership.

Periods of weakness in US mega-cap technology were increasingly offset by strength in equal-weighted indices and non-US markets. Europe and Japan repeatedly outperformed, helped by more attractive valuations and improving sentiment around growth.

This dispersion underscored a shift away from narrow concentration risk toward wider participation across sectors and regions. While volatility picked up at times, particularly during technology sell-offs, the ability of broader markets to absorb these shocks reinforced the view that equity leadership is becoming more diversified as the cycle matures.

## AI optimism gives way to greater selectivity

AI remained a dominant influence on markets, but the tone shifted meaningfully during the month.

Early enthusiasm gave way to a more disciplined reassessment of valuations, capital intensity and the sustainability of returns. Software and semiconductor stocks were particularly volatile as investors questioned which business models would truly benefit from rapid AI adoption and which could face disruption.

Even strong earnings from flagship AI beneficiaries failed to trigger sustained rallies, signalling a higher bar for positive surprises. The result was increased dispersion within technology and beyond, with markets becoming more selective rather than uniformly rewarding AI exposure.

## Geopolitical risks resurface through energy markets

Geopolitics re-emerged as a key driver of sentiment late in the month.

Tensions involving the US, Israel and Iran pushed energy prices higher and reignited concerns around supply disruptions, particularly in critical shipping routes. These developments briefly overshadowed macro fundamentals, while volatile energy prices added uncertainty to the inflation outlook.

In the near term, the speed of the market's reaction highlighted how quickly geopolitical shocks can influence risk sentiment. While further escalation could potentially create spillover effects for macroeconomic fundamentals, current expectations for longer term growth, inflation and central bank policy remain broadly stable.

## Cooling inflation pressures, but central banks stay cautious

Economic data across major economies continued to send mixed but broadly constructive signals.

In the US, activity indicators remained resilient, while labour market data showed gradual softening. Bond markets are pricing in the prospect of two rate cuts later in the year without signalling expectations of a more abrupt economic slowdown.

UK data pointed to ongoing disinflation alongside a weakening labour market, supporting expectations of gradual rate cuts, though elevated services inflation remains a constraint. In Europe, improving business surveys suggested tentative recovery momentum. Overall, central banks remained cautious, balancing easing inflation against lingering uncertainty and external risks.



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