



Monthly Investment Updates

February 2026



# Macro Overview



## Growth


- United States (US) non-farm payrolls rose 130,000 in January, well above consensus estimates for 65,000. Meanwhile, US unemployment rate fell to 4.3% from 4.4% in December 2025. The guidance from the US hyperscalers for about USD660b of artificial intelligence (AI) spending in 2026, amounting to about 2.1% of US Gross Domestic Product (GDP), should keep the US economy growing around or slightly higher than 2% in 2026.
- Asia's role as a key supplier of AI infrastructure hardware is supporting the region's economic growth. Asian technology firms sell critical components to the major US AI players, allowing them to benefit from the intense competition among US companies to build the most advanced AI models. Additionally, if the US government's push to reshore industry gains traction, Asia's exporters of industrial and power generation machinery, as well as machine tools should benefit.
- In Japan, Prime Minister Sanae Takaichi led the ruling Liberal Democratic Party to a landslide election victory, winning at least 316 seats in the Lower House of parliament. With this strong mandate, Takaichi is expected to move fiscal policy in a more growth-friendly direction, including possible cuts to Japan's consumption tax. Any new fiscal stimulus is likely to bolster and prolong Japan's GDP growth, which was already expected to be about 1% this year.

## Inflation & Monetary policy

- Kevin Warsh has been named the next Chair of the US Federal Reserve (Fed). His appointment likely reduces the risk that the Fed keeps policy "too loose" for too long. That means there may be less pressure on the US dollar to weaken, and hence less support for trades that benefit from a falling dollar, such as gold and other precious metals. The Fed may also restart the gradual reduction of its balance sheet from late this year or early 2027, which could slowly push longer-term US government bond yields higher. At the same time, the Fed is likely to give fewer signals about future policy moves, which could lead to bigger day-to-day swings in markets.
- That said, these changes are not expected to happen immediately. Warsh will only take over as Fed Chair in June, and any major changes to how the Fed operates would take time to roll out. In the meantime, under the current leadership of Jerome Powell, the Fed is likely to keep rates on hold as long as the unemployment rate remains below about 4.5% and the trend rate of monthly payrolls stays above 30k - 40k.

## Asset class views

- It may be too early to be outright bearish on risk assets, such as global equities as current macroeconomic fundamentals can still be supportive over the near-term despite lofty valuations. That said, flexible and active downside risk management remains important.
- High equity valuations can make stock markets more sensitive to news and therefore more volatile. More promising investment opportunities can be found in less expensive markets outside of the US (e.g., Emerging Markets, Asia). Nevertheless, it is important for portfolios to remain nimble as geopolitical risks, elevated US asset valuations, and rising concentration risks in equity markets could trigger sharp market movements.
- The stronger-than-expected US jobs report in January potentially lowers the odds of immediate near-term Fed rate cuts, making a neutral US duration stance more prudent for now.

 Top 3 risks	Likelihood	Magnitude of market impact
<b>Two US risks currently stand out.</b> The first of which is that the US labour market weakens materially, pushing up the unemployment rate. Weaker jobs and a higher unemployment rate would risk forcing consumers to shift from cutting savings rates, as they did in the second half of 2025, to cutting consumption in order to rebuild the savings rates. Another major risk is a potential reduction in AI infrastructure spending by major US tech firms. This could lower equity prices, negatively impacting US household wealth, thereby reversing one of the key drivers behind last year's stronger-than-expected consumption growth. This scenario may also depress semiconductor chip prices that would threaten earnings estimates for Korea and Taiwan.	Medium	High
<b>Key upside risks</b> include a recovery in US job creation that pushes US growth above 2.5% at the cost of renewed inflationary pressure. This scenario would probably force markets to reduce expectations of Fed rate cuts, hence pushing US bond yields higher. A higher US interest rate structure would support the USD and potentially weaken financial flows to emerging markets.	Medium	Medium
<b>Geopolitical instability.</b> Potential geopolitical stresses (e.g., Iran protests, Trump Administration's push for Greenland).	Low	High

Views provided herein are subject to change without prior notice.

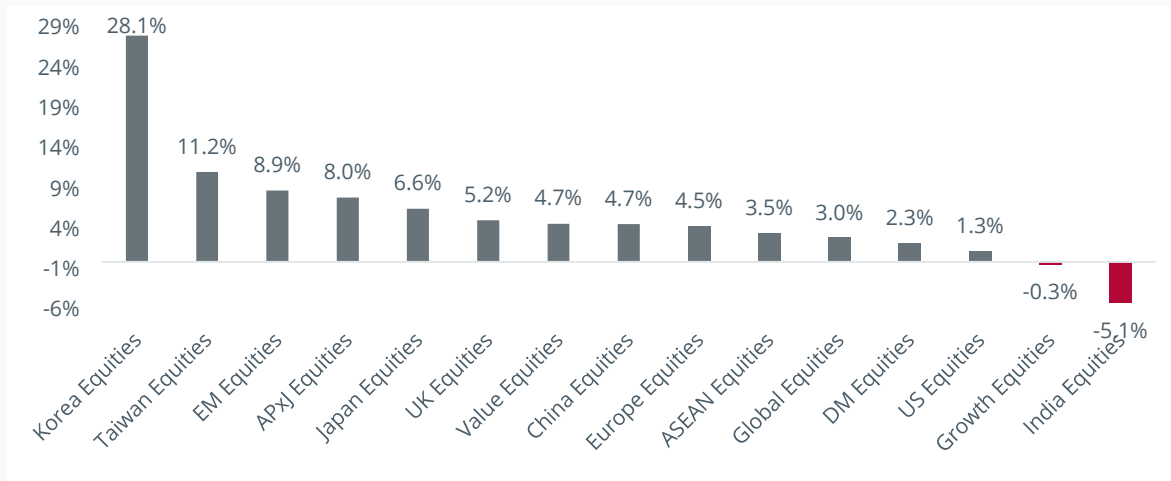


# Market Recap and Update



## Global Equity Markets

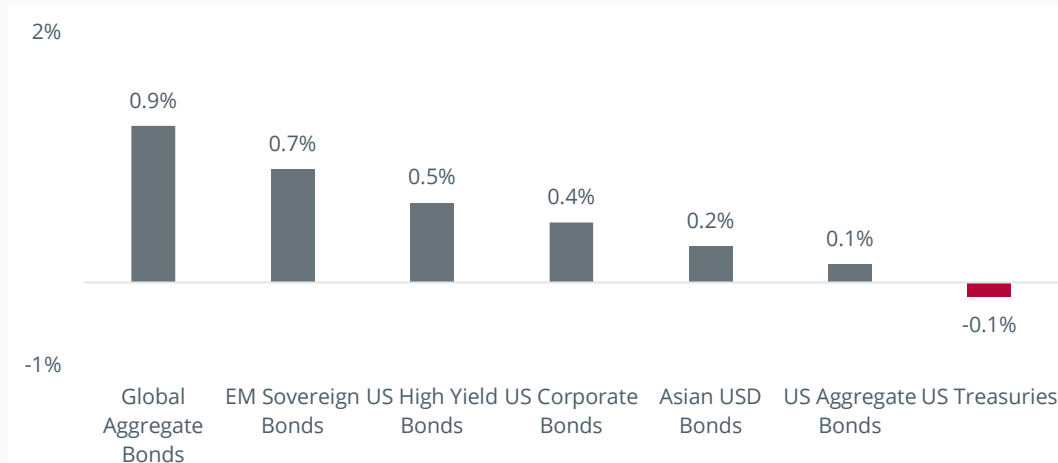
(Monthly gross returns as of 31 January 2026, in USD)



- Global equity markets rose by 3.0% in January, as investor optimism around artificial intelligence (AI)-led productivity and capital expenditure as well as broadening earnings growth outweighed geopolitical uncertainty. US equities, as proxied by the MSCI USA Index, rose by 1.3%, supported by robust fourth-quarter earnings from large-cap technology companies and gains in AI-related stocks. European equities climbed 4.5% buoyed by expectations of strong corporate earnings and the recovery of Germany's industrial production. UK equities advanced 5.2% as rising commodity prices boosted heavyweight energy and mining names.
- Emerging Markets and Asia Pacific ex-Japan equities rose by 8.9% and 8.0%, respectively (both in USD terms), outperforming Developed Market equities. Korea (+28.1%) and Taiwan (+11.2%) were notable outperformers. Korea equities benefitted from the AI-fuelled global semiconductor shortages, political stability, and progress in corporate governance reforms. Taiwanese equities were led by strong gains in AI-linked technology and memory stocks. Chinese equities rose by 4.7%, primarily led by the technology and AI sectors. China's economy expanded by 1.2% quarter-on-quarter in the fourth quarter of 2025, up from 1.1% in the third quarter, marking the strongest growth in three quarters. In contrast, Indian equities fell by -5.1% in January as persistent foreign investor selling, weak global cues, and geopolitical tensions weighed on most sectors.

## Global Bond Markets

(Monthly gross returns as of 31 January 2026, in USD)



- Global fixed income markets posted modest gains in January. Global aggregate bonds returned 0.9%. The US Federal Reserve kept the policy rate on hold but indicated a shift in its priority from inflation control to supporting employment. Global government bond yields diverged, with Japanese bond yields rising sharply, US Treasuries edging higher, and the German Bund yield declining. The policy divergence between planned expansion in fiscal expenditure and monetary tightening triggered a sell-off in Japanese government bonds across the curve, raising concerns about a potential unwinding of global carry trades. US Treasury yields moved higher during the month; the 2-year yield rose 5 bps to 3.52%, the 10-year yield increased 8 bps to 4.26% and the 30-year yield inched up 3 bps to 4.87%.
- The US high yield market returned 0.5%, its ninth consecutive gain in January as benign economic data and bond upgrades helped offset a selloff in the Technology & Electronics sector. Emerging markets USD bonds edged higher in January, with the JP Morgan Emerging Markets Bond Index Global Diversified Index rising by 0.7%. Asian USD-denominated bonds, as measured by the JP Morgan Asia Credit Index, returned 0.2%, led primarily by high yield issuers.

Data source: Eastspring Investments, LSEG Datastream and MSCI. \*Monthly gross total returns as of 31 January 2026. **Equity Markets** - "Global" : MSCI ACWI, "DM" : MSCI World Index, "APXJ" : MSCI AC Asia Pacific ex Japan Index, "EM" : MSCI Emerging Markets Index "Value" and "Growth" : MSCI World Value Index and MSCI World Growth Index, respectively, and "China" : MSCI China Index. **Bond Markets** - "U.S. Corporate Bonds": ICE BofA U.S. Corporate Index, "EM Sovereign Bonds": J.P. Morgan EMBI Global Diversified Index, "U.S. Treasuries" : Bloomberg U.S. Treasury Index, "Asian USD Bonds": J.P. Morgan Asia Credit Index, "Global Aggregate Bonds": Bloomberg Global Aggregate Index, "U.S. Aggregate Bonds": Bloomberg U.S. Aggregate Index, and "U.S. High Yield Bonds": ICE BofA U.S. High Yield Constrained Index. Past performance of the indices is not indicative of future performance of the indices.



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