Count
The confidence to look ahead

Market **Wrap**

February 2026

Economic and market overview

- **Global:** The US Supreme Court overturned Trump's broad-based IEEPA tariffs on 21 February. Trump promptly imposed a 10% blanket tariff on US trading partners for 150 days under Section 122 of the 1974 Trade Act. This was swiftly increased to 15%. Despite the news flow, markets did not see a pronounced reaction, with equities trading slightly higher, and the USD largely unchanged.
- Gold traded higher on increased tariff and geopolitical uncertainty, closing the month up +7.9%, at US$5278.93/oz. Silver extended gains, up a further +10.1% in February.
- The MSCI World Index traded +0.6% higher in February, with global equity indices mixed as investors assessed the latest tariff and geopolitical updates amid global earnings. US equities broadly traded lower, while European stocks trended higher.
- The last day of the month saw the US and Israel launch an attack on Iran, following months of elevated geopolitical tensions and attempted mediation. Trump advised that the US had begun "major combat operations" in Iran. Markets had closed for the month at the time of this event.
- The market had priced in some geopolitical risk premium throughout February. WTI and Brent gained +2.8% and +2.5% respectively in February, despite loosening supply fundamentals. Both WTI and Brent are trading over +15% higher YTD.

- **US**: US assets saw a muted response to the US Supreme Court decision, with the outcome largely anticipated by markets. While this introduced further tariff uncertainty, the swift imposition of tariffs under section 122 saw little immediate change to the effective tariff rate.
- US equities mostly traded lower in February, with the tech-heavy NASDAQ seeing the largest percentage decline, down -3.4%. The S&P500 declined -0.9% on the month, while the DOW bucked the trend, advancing +0.2%. While the quarterly earnings trends were broadly positive, fears of AI disruption continued to weigh on valuations.
- The DXY appreciated +0.6% in February, initially depreciating after the JOLTS data reported, followed by a recovery in the back half of the month.
- The US labor market strengthened in January, adding 130k jobs, above consensus expectations for 65k new jobs. The unemployment rate fell to 4.3%, from 4.4%.
- Q4 real GDP printed at 1.4%, softer than consensus expectations for 2.8%, however partially attributable to a 1ppt drag from the government shutdown.
- Core CPI rose +0.3% MoM in January, in line with expectations. Headline CPI was slightly softer than expected, up +0.2% MoM vs expectations for +0.3% MoM.
- December retail sales were flat MoM, below expectations for a +0.4% MoM increase.
- The February preliminary Manufacturing PMI fell to 51.2, from 52.4 in January. The Services fell from 52.7 to 52.3 in February.
- Conference Board consumer confidence increased to 91.2 in February, from an upwardly revised 89.0 in January. The expectations index drove the upward move in February, while the present situation index ticked lower.

- **Australia:** The RBA lifted the cash rate by 25bps to 3.85% at its meeting at the beginning of February, as largely expected. The RBA's previous upside risk scenario for activity was changed to be its base case, with the policy statement noting that the data provided clear messaging that inflation had increased in recent quarters, and that some of the pressure was not temporary. As at month end, the market was fully pricing a further 25bp interest rate hike by August.
- The AUD appreciated +2.2% against the USD in February, supported by the interest rate hike from the RBA.
- The ASX200 advanced +3.7% during the month, with the majority of stocks reporting H1 FY26 earnings. Major banks boosted the index, with heavyweight CBA gaining +16.9% on the month. All major banks reported positive earnings, with NIMs and asset quality broadly surprising to the upside.
- The unemployment rate remained at 4.1% in January, tighter than expectations for a tick upward to 4.2%. The economy added +17.8k jobs, slightly below consensus +20k.
- Headline CPI increased +0.4% MoM in January, slightly ahead of consensus +0.3% MoM. This represented a +3.8% YoY increase, above consensus expectations for +3.7% YoY.
- The December household spending indicator fell -0.4%, softer than consensus expectations for a +0.1% increase.
- Wage costs increased by +0.8% in Q4, in line with consensus expectations.

- **New Zealand**: The RBNZ left interest rates unchanged at its February meeting as widely expected. The Bank was more dovish than expected, raising the OCR track by only 10bps to 2.38% by year-end 2026. As at month end, the market has priced one 25bp interest rate hike in 2026.
- The unemployment rate increased to 5.4% in Q4, above expectations for the unemployment rate to remain unchanged at 5.3%. Despite this, employment growth turned positive in Q4, increasing by +0.5%.
- Q4 headline retail sales was better than expected, up +1.4%, boosted by holiday based and discretionary purchases.

- **Europe:** The ECB kept interest rates on hold as widely expected, with the President reiterating that the EBC and inflation were in a good place.
- The BoE kept interest rates steady at 3.75% at its February meeting, in a majority 5-4 vote, with 4 members voting for a 25bp cut. The market has fully priced two 25bp interest rate cuts by the BoE in 2026.
- European equities outperformed their global peers, seeing broad gains during February. The STOXX600 gained +3.7%, while the UK's FTSE100 advanced +6.7%.
- Euro area headline HICP eased to +1.7% YoY in January, in line with expectations. Core inflation eased to +2.2% YoY, slightly softer than expectations for +2.3% YoY.

- **China:** February saw a late Chinese New Year, from 15 – 23 February, with associated shutdowns resulting in a data-light month.
- January inflation was mixed, with PPI above expectations, while CPI printed below consensus. Headline CPI was +0.2% YoY, below expectations for +0.4% YoY, predominantly attributable to Chinese New Year falling later in 2026 than 2025.
- The PBoC released its Monetary Policy Report for 25Q4, reiterating its "moderately expansionary" monetary policy stance, focusing on economic growth and a reasonable price rebound. The Monetary Policy Report's stance on the RMB exchange rate remained unchanged.

Australian dollar

- After gaining +4.40% against the USD in January, the AUD ended February at 0.7118, gaining another +2.21% over the month.
- AUDUSD traded a 250-pip range, trading a low of 0.6897 on 6 February, and touching a high of 0.7147 on 12 February. AUD closed near the month's highs at 0.7118.
- The domestic outlook continued to look constructive for AUDUSD, with data pointing to a tight labour market and inflation remaining high.
- The RBA increased the cash rate by 25bps to 3.85% in February, as widely expected. The market has priced a further 25bp hike by August.
- Labour market results were strong with the economy adding 17.8k jobs. The unemployment rate was steady at 4.1%. The Wage Price Index was up +0.8% across both public and private sectors (in line with RBA's forecast).
- January CPI data showed that inflation remained too high with trimmed mean ticking up 0.1ppt to +3.4% YoY.

Australian equities

- The ASX200 gained +3.7% during February, amid H1 FY26 earnings releases.
- Major banks boosted the index, with the Financials sector up +8.6% during February. The major banks reported strong earnings, with asset quality and NIMs broadly better than expected. CBA saw the largest percentage gain in the sector, up +16.9%. The other majors saw strong gains: WBC +9.6%, NAB +13.0%, ANZ +9.1%.
- ZIP underperformed the sector, down -27.9% during February. ZIP reported H1 earnings during the month, with core NPAT of $52m an 11% miss against consensus expectations. H2 cash EBTDA guidance of "broadly in-line" with H1 implied 5% consensus downgrades for FY26.
- Materials saw the largest percentage gain on the index, up +9.0%, boosted by index heavyweight BHP, which advanced +15.5% on the month. BHP guided to copper production upgrades at Escondida in FY27 at its H1 results.
- Healthcare stocks underperformed, with the sector declining -13.4% during February. PME saw the largest percentage decline in the sector, down -29.4%. During the month, PME reported H1 EBIT 14% below consensus expectations, due to a miss on both revenue and cost lines.
- Elsewhere in the sector, COH declined -26.1% on the month. COH reported H1 results below expectations, driven by a 4% miss on both top and bottom lines. Guidance was unchanged on a constant currency basis, implying a larger H2 skew than consensus had expected. However, changes in FX since the beginning of the financial year implied an 8-11% downgrade to guidance.
- Tech stocks traded -9.1% lower on the month, with sector heavyweight WTC declining -18.0%. While WTC traded higher after reporting underlying NPAT 6% ahead of expectations and announced the removed of up to 2000 FTE from its headcount, fears of AI disruption weighed on valuations for WTC and the broader sector throughout the month.
- Consumer Discretionary stocks declined -6.7%. NCK saw one of the largest percentage declines in the sector, down -24.1% on the month. NCK reported H1 NPAT of $41m, above previous guidance of $37m-39m. However, ANZ written LFL written sales orders for January were up +3.2%, below expectations for +11% growth. On the conference call, NCK indicated that January sales may be increasingly pulled forward into the Black Friday sales period in November.

Global equities

- Global equities were mixed in February, with European equities seeing gains, while US equities broadly declined. The MSCI World Index closed February +0.6% higher.
- Materials stocks saw gains globally, due to a combination of favourable commodity prices and strong corporate earnings.
- Tech stocks remained under pressure during February, as AI disruption fears weighed on valuations.
- In the US, the tech-heavy NASDAQ declined -3.4%. The S&P500 fell -0.9%, while the DOW gained +0.2%.
- Quarterly earnings season continued, with the remainder of the Mag7 reporting.
- Nvidia reported a strong beat and raise in the last week of February, however closed lower on the day after reporting. Nvidia traded -7.3% lower on the month, selling off among its global peers.
- US Utilities and Energy stocks advanced, with each sector gaining +9.9% and +8.8% respectively. The sectors both traded higher steadily during February amid increasing tensions in the Middle East.
- European equities traded higher in February, with the STOXX600 advancing +3.7%, while the FTSE100 gained +6.7%. Other regional bourses also traded higher. The STOXX600 reset its record high multiple times throughout the month, closing out February at a new record.
- European semiconductor related stocks saw gains, diverging from its global peers. BE Semiconductor Industries +15.1%, STMicroelectronics +19.2%.
- The MSCI Asia Pacific Index gained +6.8% during the month, driven by gains in Korea (+19.5%), Japan (+10.4%) and Taiwan (+10.5%).

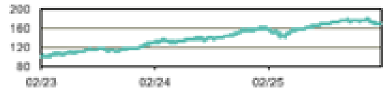
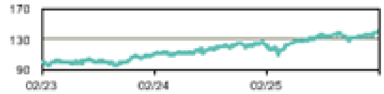
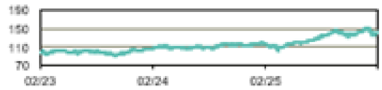
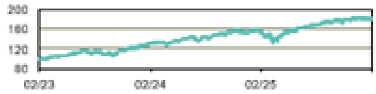
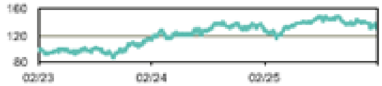
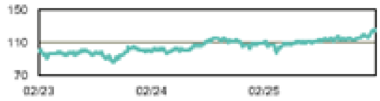
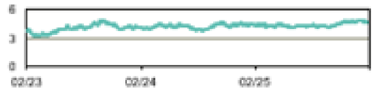
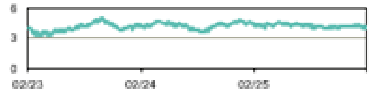
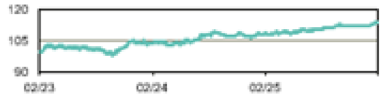
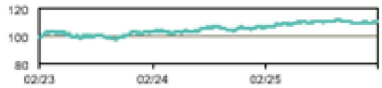
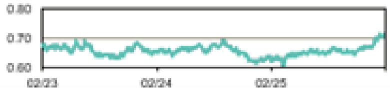
Property securities

- After a strong January, Global property securities had a stronger February with +7.4% returns on the month. This has likely been driven by better results around the US and the developed world, as well as benign interest rate movements YTD, and safe haven buying given macro risks.
- The Americas region outperformed the Global average being up a strong +8.5% in February following +3.4% in January. The strong performance may have reflected buying of the sector given under-performance last year and the lower interest rate outlook.
- Europe/UK returns were also strong at +7.2% in February, following a strong January (+5.0%), continuing strong performance after last year, potentially on safe haven buying amid volatile macro conditions.
- The Asia Pacific region underperformed global averages but produced solid returns of +5% in February following +5% returns in January. The key drivers were ~12% returns in Japan in February, which more than offset the weaker performance in ex-Japan index (+2%).
- Locally, AREITs were down -4% in February, another negative month after -3% in January, as the RBA hiked rates and CPI remained stubbornly high, driving further rate hike fears.

Fixed income and credit

- US bond yields were driven lower on increased demand for safe haven assets amid AI valuation concerns and the risk of conflict in the Middle East. Global bond yields tracked the US lower throughout the month.
- US 10y Treasury yields closed -29.6bps lower at 3.941%. US 2y Treasury yields closed -14.6bps lower at 3.378%.
- The RBA hiked interest rates by 25bps to 3.85% during February, as widely expected. The market has priced a further 25bp hike by August.
- The AU 2yr government bond yield closed -1.9bps lower at 4.186%, while the AU 10yr government bond yield closed -15.4bps lower.
- US investment grade credit finished February +6.552bps wider, widening throughout the month. High yield credit followed a similar trend, closing +35.776bps wider.

MARKET WATCH DATA SHEET

		1 Month Return / Change	3 Month Return / Change	1 Year Return / Change	3 Year p. a. Return / Change	3 Year chart
Equities	*Points*					
MSCI World (AUD)	7,161	-0.95%	-4.39%	6.31%	18.91%	
MSCI Emerging Markets (AUD)	1,632	3.72%	8.90%	31.61%	19.91%	
ASX 200	9,199	3.71%	6.79%	12.56%	8.22%	
ASX Small Ordinaries	3,762	-2.57%	1.53%	23.05%	12.51%	
S&P 500 (USD)	6,879	-0.76%	0.74%	16.99%	21.80%	
REITs	*Points*					
ASX 200 A-REIT	1,700	-3.54%	-4.27%	4.70%	9.85%	
FTSE EPRA/NAREIT Developed (AUD)	3,278	7.12%	8.55%	14.33%	8.03%	
Cash & Fixed Income						
Official Cash Rate Australia	3.85%	0.25%	0.25%	-0.25%	-	
10-year Yield Australia	4.65%	-0.16%	0.14%	0.36%	-	
10-year Yield US	3.94%	-0.30%	-0.08%	-0.27%	-	
Bloomberg Global Aggregate Index, AUD Hedged	-	1.39%	1.39%	4.46%	4.44%	
Bloomberg AusBond Composite 0+ Year Index	-	0.88%	0.46%	3.15%	3.61%	
Foreign Exchange	*US$*					
AUD/USD	0.7118	2.21%	8.67%	14.64%	1.89%	

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