

## What doesn't kill markets makes them stronger...

- Last week was highly volatile, fuelled by macro data, geopolitics, and renewed uncertainty on US tariffs
- Yet, most asset classes ended in positive territory with the exception of the safest bonds
- The week ahead is light on macro data with Nvidia's results and Washington decisions in focus

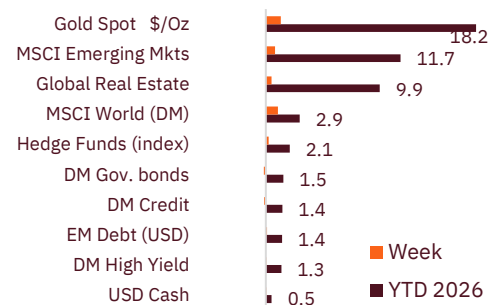


It was another highly volatile week, despite numerous market holidays (the US Monday, the Lunar New Year across Asia). The quantity and variety of data and events was simply massive. In terms of top-down, US industrial production and durable orders were positive, as well as global flash PMIs. However, US Q4 GDP growth disappointed at only +1.4% annualized, way below all estimates. Still, core PCE inflation was steady. Finally, the week ended with the US Supreme Court ruling that most of the trade tariffs from last year were illegal. The US administration immediately reacted by using another legislative path to impose a global tariff rate of 10% on Friday, raised to 15% the following day. Meanwhile, after initial constructive feedback from the negotiations between Iran and the US in Geneva, President Trump set a 15-day ultimatum and said he doesn't rule out limited strikes anytime.

That is objectively a lot to digest for market participants. Yet, most asset classes ended the week on a positive note. First, the dollar logically rebounded, up +0.9% and now only down -0.5% against trade weighted counterparts. Most US Treasury yields logically rose, in an orderly and reasonable way. Finally, cyclical assets gained, from global stocks to global commodities. For the latter, while gold has continued to top returns at +18%, it wasn't the star of last week. Silver plunged -8% before rallying +17% and print a 9% weekly gain - with stunning volatility. Brent crude gained +6%, propelled by the combination of supportive activity indicators and rising geopolitical tensions.

Markets and investors are simply getting used to deal with uncertainty. Our positioning is unchanged, fully invested with an overweight on emerging assets and gold, against some caution on hedge funds and safer bonds. Returns are fine so far. The week ahead will be light in macro data but focus will be on Washington policy and geopolitical decisions, as well as on quarterly results from Nvidia on Thursday. Have a great week.

Asset Classes USD % total. Return, week and YTD 2026



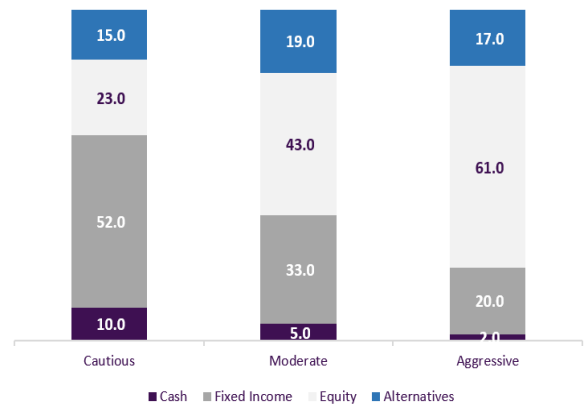
## Cross-asset Update

The past week was data-rich and confirmed that the growth-inflation trade off remains favourable, both globally and in particular in the United States. US Q4 GDP was deceptively weak, as underlying domestic demand turned out to be quite solid; likewise, the US PMI pointed to a slowdown on the surface, while expectations for output one-year ahead recorded a 13-month high. Inflationary pressures remained sticky, though in absolute terms manageable. Overall, broadening growth and acceptable price pressures should bode well for risk assets. A similar signal came from Europe: the PMI flagged economic resilience despite tariffs and the strong euro. So far this year cyclical themes have been shining, and this trend is expected to continue. Both emerging market and non-US equities, smaller companies, and basic resources have outperformed year-to-date. After the multi-year outperformance of growth stocks, cyclicals are still relatively cheap despite the recent rally hence we see more upside potential for them.

Investors were surprised by the hawkishness of the Fed's minutes, as most officials saw risks of persistent inflation and the ones related to employment moderating. Yet, Kevin Warsh, Trump's nominee and expected to replace Powell from May this year, seems determined to cut rates anyway. He has been on the record to have said that strong economic growth should not be a deterrent for rate cuts given that productivity gains from AI adoption would be keeping price pressures at bay. He might be right, he's yet willing to take a big risk considering that persistently higher productivity is far from assured. There is a trade off in this respect: more gains for equities in the shorter term, though rising inflation risks down the road if AI fails to live up to expectations. Inflationary pressures are sticky and cutting rates in a rising commodity cycle seems to be quite a recipe for a policy mistake.

Though markets are fine, we live in a dangerous new world, marked by rising geopolitical tensions, as the recent US military buildup in the Middle East demonstrates. And when seeking a hedge, we all look to gold. The yellow metal has been rising steadily into a blow-off top that has seen it way overbought technically, also overshooting money supply in the process. While we remain structurally bullish on gold, we hold the view that more range-trading would be required before we can witness a resumption of the bull market. The imminent geopolitical risks will be an interesting test for the yellow metal.

Tactical Asset Allocation: Simplified Positioning



TAA – Relative Positioning – Moderate Profile

UW/N/OW: Underweight/Neutral/Overweight

	UW	N	OW
Cash		=	
DM Gov.	<		
DM Credit	<		
DM H. Yield		=	
EM Debt			>
DM Equity	<		
EM Equity			>>
Gold			>
Hedge Funds	<<		
Real Estate		=	

## Fixed Income Update

The biggest market moving event of last week happened on Friday as the Supreme court of the USA struck down President Donald Trump's sweeping global tariffs in a 6-3 decision, delivering a major legal defeat to a cornerstone of his economic agenda. The US government could owe more than \$175 billion in refunds to importers after the Supreme Court ruled that tariffs unilaterally imposed by President Trump are illegal. Any potential tariff repayment would be unlikely this year and could be delayed into future years due to the legal uncertainties. US long-end yields went up post this as the Treasury curve bear steepened. Federal Reserve officials appeared surprisingly wary of cutting interest rates when they met last month, with several even suggesting the central bank may need to raise rates if inflation remains stubbornly high. The minutes showed most of the Federal Open Market Committee believed last year's labour market weakness, which prompted the central bank to lower rates three times in late 2025, was fading by late January.

Saba Capital Management and Cox Capital Partners announced cash tender offers for shares in non-traded business development companies owned by Blue Owl Capital, following a rough week for the alternative investment firm. The offers are expected to be priced at a discount of as much as 35% to the most recent estimated net asset value and dividend reinvestment price. More than 15% of US technology leveraged loans were marked at distressed levels by the end of last week, up sharply from 9.6% at the beginning of the year. Technology surpassed basic industry to become the most distressed sector in the Bloomberg US Leveraged Loan Index. According to JPM, AI related debt has crossed 15% of the JULI index post the recent bout of issuance, increasing the vulnerability of the IG index.

High yield bonds showed positive performance with spreads also tightening. The OAS narrowed from 279.9 basis points on February 17 to 271.4 basis points by February 20, a tightening of approximately 8.5 basis points. The 5-day total return as of February 20 was +0.18%, outperforming investment grade. EM Debt and IG index spreads traded tighter by only 1 to 3 bps. The renewed tariff uncertainty doesn't bode well for DM corporate credit.

After a quiet couple of weeks, the GCC primary market has opened again. The Commercial Bank (CBQ) and Omniyat are out in market. CBQ (rated A2/A-/A by M/S/F) has announced a mandate for an unrated perpetual non-callable 5.5-year ATI bond. The bank currently has an outstanding \$500Mn perpetual bond which has a call date in March 2026. From UAE, Omniyat (rated -/BB-/BB- by M/S/F) has announced a mandate for a 5-year sukuk, which is expected to price on Wednesday. During FY25, Omniyat reported sales of around AED 15Bn (AED 4.5Bn in FY24) and had a revenue backlog of AED 19.6Bn, which supports revenue visibility for near-term. In FY25, Omniyat recognized revenue, gross profit, adjusted EBITDA, and net profit of AED 4Bn, AED2Bn, AED 1.5Bn, and AED 1.1Bn. The Cash & cash Equivalents of company stand at AED 4.7Bn which includes escrow balance of around AED 2.4Bn.

## FIXED INCOME KEY CONVICTIONS (2025)

### DEVELOPED MARKETS

Overall overweight DM FI

OW Government Bonds

Neutral corporate (IG & HY)

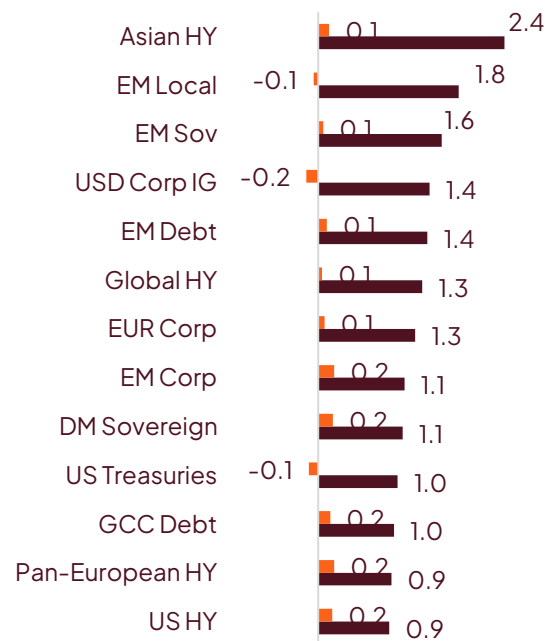
### EMERGING MARKETS

Neutral EM Debt

Favor quality and selectivity

Including in GCC

## Fixed Income Sub Asset Class Returns (US\$ TR, week, YTD 2026)



## Equity Update

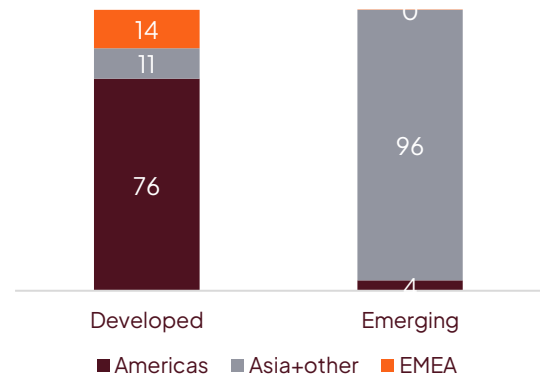
Equities closed the week higher, not because the environment was calm, but because the market chose to look through volatility. The Supreme Court's decision to strike down President Trump's sweeping global tariffs provided the final catalyst on Friday, with the S&P 500 rising 0.7% on the day and finishing the week up 1.1%. Investors interpreted the ruling as a reduction in near-term trade escalation risk rather than a wholesale shift in policy direction. The administration quickly indicated it would explore alternative legal avenues, which means the trade framework is evolving rather than disappearing. For equities, that distinction mattered. The probability of abrupt margin pressure declined, and that was enough to support risk appetite into the close.

At the global level, MSCI ACWI gained 1.0%, with developed markets up 1.1% and emerging markets advancing 0.8%. The US rally was not solely a Friday phenomenon. Earlier in the week, gains were driven largely by company-specific developments, and the market managed to advance despite rising geopolitical tensions between the US and Iran that briefly unsettled sentiment midweek. The ability to absorb those crosscurrents without a sustained drawdown reinforces the broader tone of positioning, which remains constructive. Technology played a central role in performance with the Magnificent Seven advancing 2.5% over the week, carrying a significant share of the broader market's gains. Reports illustrated that mega-cap technology stocks are the most under-owned relative to their S&P 500 weightings in 17 years, a positioning dynamic that leaves scope for incremental buying if upcoming results validate the growth narrative. That context places Nvidia's earnings on Wednesday at the center of the near-term outlook. Analysts are looking for reassurance that data center funding remains intact and any remarks on corporate AI spending. Recent corporate developments however underline the ongoing scale of commitment to AI. Nvidia is reportedly nearing completion of a \$30 billion equity investment in OpenAI, replacing a previously discussed infrastructure framework, while Meta is aggressively reallocating capital toward AI with projected 2026 capital expenditure between \$115 billion and \$135 billion. The spending is real and significant. What the market now demands is confirmation that revenue growth and profitability can keep pace with that capital intensity, particularly with valuations elevated.

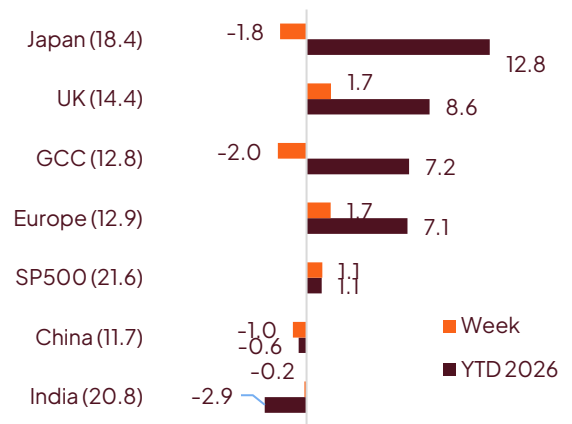
Europe delivered the strongest regional performance, with MSCI Europe up 2.2% for the week. The gains were built earlier in the week, supported by earnings resilience and improving activity data rather than Friday's US court ruling. Within Asia, Mainland China was closed for much of the week, compressing activity into offshore trading in Hong Kong, where MSCI China declined 1.0% as technology shares struggled to sustain momentum after reopening. Japan's TOPIX slipped 0.3%, reflecting some relief post a powerful rally on PM Sanae Takaichi's victory.

The week ultimately showed that equities remain resilient when earnings visibility holds and positioning is not stretched. A major legal decision reduced one layer of trade risk, geopolitical tension failed to trigger sustained de-risking, and mega-cap technology positioning remains lighter than index weights would suggest. Nvidia's report now becomes the focal point. A strong result would reinforce the durability of the AI cycle and support further upside. A weaker tone would test how much optimism is already embedded in global equity indices near their highs.

## Equity Recommended Regional Positioning

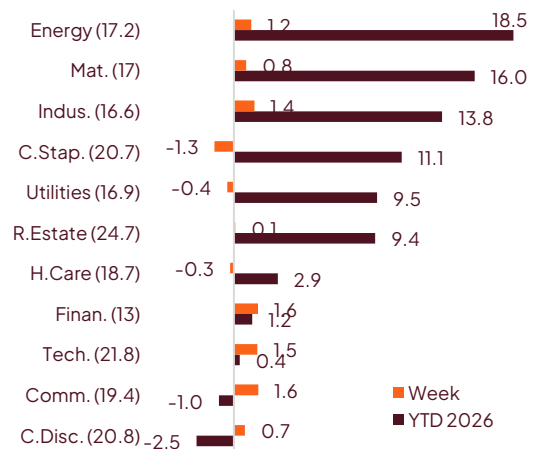


## Major Indices Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI Indices unless specified.

## Global Sector Performance (TR, US\$), P/E in brackets



Source: Bloomberg consensus. MSCI All Country World sectors US\$.

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