GLOBAL INSTITUTIONAL ADVISORS

Weekly Market Wrap

Week Ending 20th February 2026

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Executive Summary

Global markets stabilized during the week as trade-policy volatility and geopolitical developments reshaped risk premia. The Supreme Court ruling against key elements of President Trump's tariff framework briefly reduced trade friction risk, but the administration's subsequent 10% temporary global tariff reinstated uncertainty. Equity flows rebounded as AI-driven de-risking eased, oil recovered on renewed Middle East risk, and bond markets reflected recalibration rather than a shift in policy trajectory.

Key Themes

- **US Trade Policy Volatility**: The Supreme Court decision initially compressed trade-risk premia, but the administration's rapid tariff pivot reintroduced policy uncertainty, lifting FX and multinational equity volatility.
- **Positioning Stabilization**: Global equity funds saw their largest inflow in five weeks, led by cyclicals and Europe, signaling normalization after AI-driven deleveraging.
- **Increased Energy Risks**: Limited progress in US–Iran negotiations supported a ~5.6% WoW rebound in oil, feeding into inflation expectations and energy equities – further pushed by the winter storms in the US.

Asset Class Performance

Equity Market

Week ending >>>				
	13-Feb-26	**20-Feb-26**	**YTD Returns**	**Growth for the week**
Equity Indices				
S&P 500 (USD)	6,836.2	6,909.5	0.7%	1.1%
Nasdaq (USD)	24,732.7	25,012.6	(0.8%)	1.1%
Dow Jones (USD)	49,500.9	49,626.0	2.6%	0.3%
Sensex (INR)	82,626.8	82,814.7	(3.4%)	0.2%
Stoxx 600 (EUR)	617.7	630.6	5.8%	2.1%
Nikkei (JPY)	56,942.0	56,825.7	12.9%	(0.2%)
Hang Seng (HKD)	26,567.1	26,413.4	0.3%	(0.6%)

- **US Equities:**
  - US equities rose after the Supreme Court struck down key elements of President Trump's tariff framework, reducing immediate trade and supply-chain uncertainty. The S&P 500 and NASDAQ gained ~1.1% WoW. The administration initially proposed a temporary 10% global tariff under alternate authority, which was later increased to 15% on a broader set of imports. Markets first reacted positively to the reduction in trade risk, though the subsequent tariff revision reintroduced policy uncertainty later in the week.
  - The rebound reflects positioning repair and flow stabilization rather than a fundamental reacceleration in earnings expectations. Last week's spike in volatility had triggered systematic deleveraging across volatility-targeting funds and CTAs, amplifying the selloff in high-duration technology stocks amid AI-related margin concerns. As volatility eased this week and price action stabilized, mechanical selling pressure faded and these strategies gradually rebuilt exposure, providing incremental support to growth names.
  - Fund flow data showed the largest equity inflows in five weeks (~$36bn globally), with renewed allocation into US growth and industrial sectors.
- **Sensex:**
  - Indian equities were broadly steady, with the Sensex inching up +0.2% WoW - largely tracking global sentiment and lacking a strong domestic catalyst. Market direction was influenced more by the stabilization in US equities than by internal macro developments.
  - Higher crude oil prices (+5.6%) limited gains, as India's dependence on energy imports means rising oil can pressure inflation, fiscal balances, and corporate margins.
  - India-US trade talks have also been impacted, delayed by the Supreme court decision and the uncertainty over new tariffs, which has a potential impact on investor sentiment.

- The recent AI-Summit hosted in India focused on policy and governance discussions followed by industry collaboration initiatives. This provides a constructive long-term narrative for India around technology and digital infrastructure, which can potentially influence future price movements.

- **Stoxx 600:**
    - STOXX 600 rose by over 2.1% WoW, outperforming other indices and continuing the YTD trend, with improved earnings expectations and investor diversification being the broad supporting themes. supporting equities due to an supported by improved Eurozone macro data.
    - Increased earnings expectations were supported by flash February PMI data release (on 21 February) showing the Composite PMI increasing to ~52: with Services near ~53 and Manufacturing stabilizing around 49–50, indicating continued expansion and improving activity. Q4 GDP held at ~0.3% QoQ (~1.5% YoY), while headline inflation eased toward ~2.5% YoY and core inflation moderated.
    - Stronger macro conditions reinforced confidence in profit resilience, particularly in financials and industrials. At the same time, investors increased allocation to European markets as they diversified away from the more technology-heavy US indices.

- **Nikkei:**
    - Japan's Nikkei edged lower (-0.2%), with prices consolidating post the sharp election-led rally last week. The absence of new fiscal or monetary catalysts following the LDP's supermajority victory limited incremental buying interest.
    - Moreover, data released Feb 16th highlighted Japan's GDP returning to growth in Q4 (0.2% QoQ), up from a decline in Q3, but missing the consensus of 1.6% growth.
    - The rebound in USD/JPY (+1.5%) reflected widening US–Japan yield differentials as US Treasury yields rose, rather than a shift in domestic policy expectations.

- **Hang Seng:**
    - Hong Kong's Hang Seng declined (-0.6%), underperforming peers amid persistent structural headwinds. These included continued weakness in China's property sector, with ongoing developer balance-sheet stress and subdued home sales, which have weighed on broader credit conditions and consumer confidence. In addition, muted private sector investment, softer credit growth, and limited large-scale fiscal or monetary stimulus from Beijing constrained sentiment. The index's heavy weighting toward property and technology names further amplified sensitivity to these domestic growth concerns.
    - Lower trading volumes around the Lunar New Year holiday increased short-term volatility. The rebound in US technology stocks did not significantly lift Chinese equities. Unlike developed markets, Hong Kong equities remain more influenced by domestic credit conditions and China's growth outlook than by global policy developments.

Credit Market

Week ending >>>				
	13-Feb-26	20-Feb-26	YTD Returns	Growth for the week
Interest Rates (10Yr)				
US Bond Yield (%)	4.0	4.1	(2.6%)	0.8%
JGB yield	2.2	2.1	2.1%	(5.8%)

- **US Bond Yield**:
    - The US 10-year Treasury yield rose from 4.0% to 4.1% following the release of the FOMC Minutes and updated inflation data. The Minutes showed differing views among policymakers regarding the timing of rate cuts, while recent data indicated that core PCE inflation remained elevated.
    - Underlying indicators: Q4 GDP slowed to ~1.4%, reflecting softer growth momentum, while labour market conditions remained stable. The combination of moderating growth and persistent inflation reduced expectations of near-term policy easing, contributing to a modest rise in Treasury yields.

- **JGB Yield:**
    - Japan's 10-year JGB yield declined from 2.2% to 2.1% (~13bps), reflecting renewed domestic demand for bonds rather than a shift in Bank of Japan policy.

- This was supported by Prime Minister Sanae Takaichi statement, reassuring investors by pledging to pursue responsible and proactive fiscal policy that balances capital investment and fiscal restraint - concerns about the government's aggressive spending subsided. The move signals confidence in policy continuity and contained inflation.

- **Private Credit / BDCs:**
  - Listed Business Development Companies (BDCs) sold off during the week after Blue Owl Capital announced two developments: the suspension of regular redemptions in its retail vehicle and the sale of approximately $1.4bn of private credit assets from its BDC platforms.
  - The VanEck BDC Income ETF (BIZD) declined ~3% WoW, while Blue Owl Capital Corp (OBDC) fell ~3%, Ares Capital (ARCC) ~1.5% and FS KKR Capital (FSK) ~3.5 over the week.
  - Blue Owl sold approximately $1.4bn of private credit assets from several BDC vehicles to pension and insurance investors. According to company disclosures, the assets were sold at approximately 99.7% of par value, indicating mark-to-market discounting.
  - Blue Owl also adjusted redemption terms in its semi-liquid retail vehicle, effectively halting regular quarterly liquidity and moving from regular quarterly redemptions to occasional payouts funded by selling assets.

Currencies

Week ending >>>				
	13-Feb-26	**20-Feb-26**	**YTD Returns**	**Growth for the week**
Currency				
EUR/USD	1.1868	1.1784	0.6%	(0.7%)
GBP/USD	1.3651	1.3480	0.2%	(1.3%)
USD/INR	90.6400	90.9863	0.9%	0.4%
CHF/USD	1.3023	1.2893	2.2%	(1.0%)
USD/JPY	152.7000	155.0500	(1.1%)	1.5%

- **Currencies:**
  - The dominant FX theme this week was renewed US dollar strength driven by higher US yields as markets trimmed aggressive Fed cut expectations. Wider rate differentials supported the USD against major currencies, pushing EUR/USD down 0.7% and GBP/USD down 1.3%, with sterling additionally pressured by the absence of stronger UK macro catalysts. USD/JPY rose 1.5% as US yields increased while Japanese yields remained anchored, encouraging renewed carry trade activity. CHF also weakened as easing equity volatility reduced safe-haven demand.
  - In emerging markets, USD/INR rose 0.4%, reflecting broad dollar strength and a sharp rebound in oil prices, which increases India's import sensitivity. However, currency moves were calm and driven mainly by normal capital flows, not panic buying of the US dollar. There were no signs of stress or emergency positioning. Overall, the FX market was simply adjusting after investors had previously become too bearish on the dollar as this was a reset in expectations, not a major shift in the global currency regime.

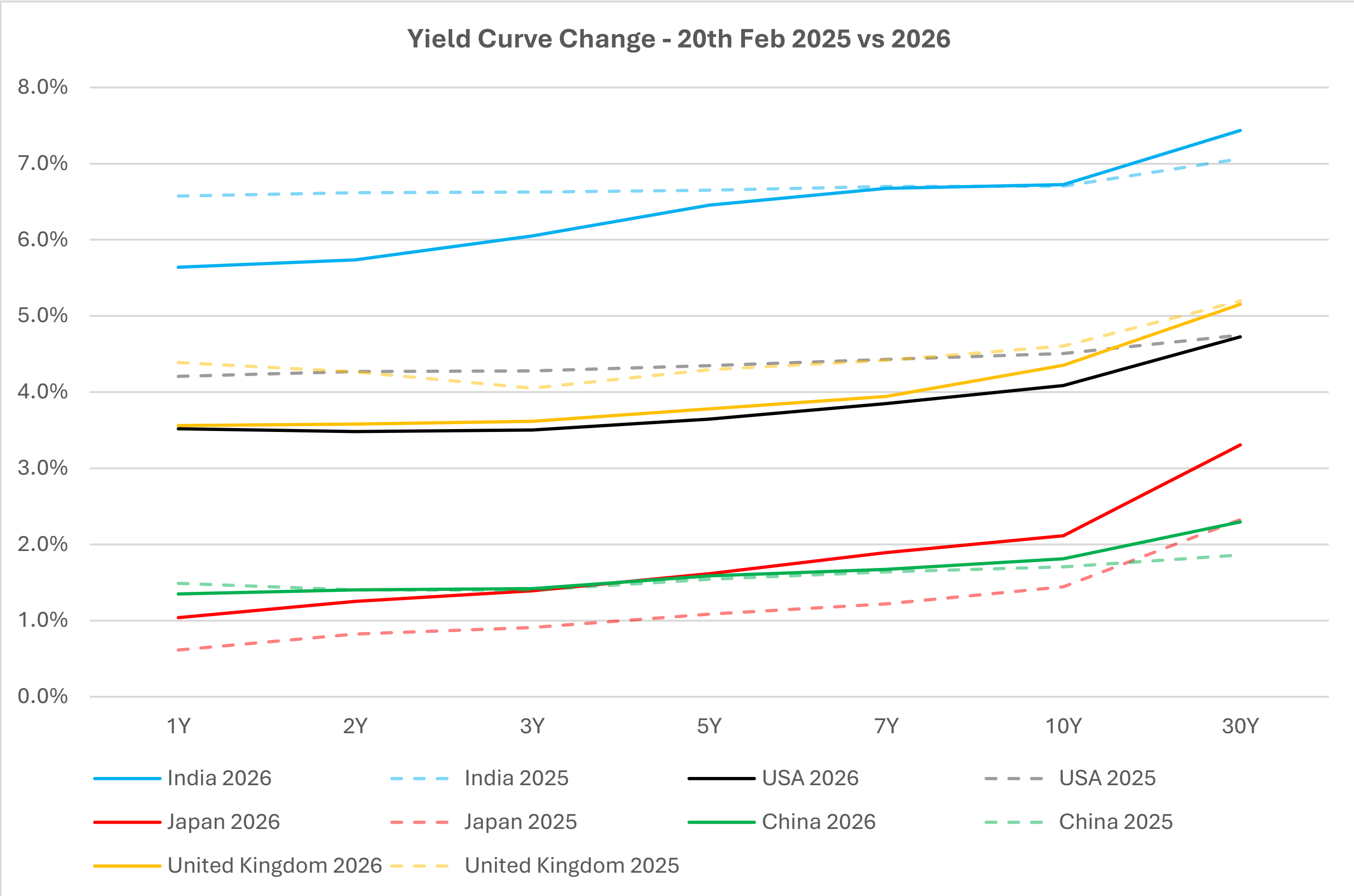
Commodities & Other

Week ending >>>				
	13-Feb-26	**20-Feb-26**	**YTD Returns**	**Growth for the week**
Commodities & Crypto				
Gold (USD per troy ounce)	5,042.0	5,107.5	17.9%	1.3%
Silver (USD per troy ounce)	77.4	84.6	16.2%	9.3%
Oil (USD per barrel)	62.9	66.4	15.8%	5.6%
Bitcoin (USD)	68,864.0	67,798.6	(25.6%)	(1.5%)
Natural Gas (Henry Hub)	3.2	3.0	(15.8%)	(6.0%)
Copper (US cents per pound)	580.3	583.9	2.6%	0.6%
Aluminum (USD per metric tonne)	3,043.0	3,092.4	3.1%	1.6%
Wheat (US cents per bushel)	548.8	573.5	13.2%	4.5%
Sugar (US cents per pound)	13.8	14.3	(2.1%)	3.8%

- **Oil:**
  - WTI crude rose 5.6% for the week, marking the most significant commodity move. The rebound was driven primarily by a rebuilding of geopolitical risk premium, as markets reassessed the fragility of US–Iran negotiations, broader Middle East tensions, and ongoing OPEC+ supply discipline. Even small changes in perceived supply risk can meaningfully affect oil prices.
  - There were no signs of aggressive production increases, and the oil futures curve remained in backwardation, where near-term contracts trade at a premium to longer-dated contracts. This pricing structure signals tight immediate physical supply rather than speculative excess, as buyers are willing to pay more for prompt delivery, reinforcing the view that supply conditions remain constrained.
- **Gold:**
  - Gold rose (~+1.3% WoW) as investors sought protection amid renewed trade-policy uncertainty and geopolitical risk. The Supreme Court ruling against parts of President Trump's tariff framework followed by the administration's rapid 10% temporary tariff pivot reintroduced global trade unpredictability. At the same time, limited progress in US–Iran negotiations sustained Middle East tensions, reinforcing gold's role as a policy and geopolitical hedge.
  - Macro conditions remained supportive as real yields stayed contained despite a modest rise in nominal Treasury yields. Softer US growth data (~1.4% Q4 GDP) pointed to moderation rather than contraction, while oil's rebound lifted inflation expectations, supporting gold as both a growth-risk and inflation hedge. The move reflects strategic allocation and risk management flows rather than panic-driven safe-haven demand.
- **Silver:**
  - Silver rose more sharply (9.3% WoW) than gold, reflecting its stronger link to industrial activity rather than purely defensive demand. As oil prices rebounded and equity markets stabilized, investors became more comfortable with the growth outlook, which supported industrial metals like silver.
  - Part of the move was technical. Silver markets are less liquid than gold and had seen heavy selling in prior weeks. The rebound likely reflects short-covering and systematic buying as sentiment improved. Overall, the gain was driven by better cyclical tone and positioning adjustments rather than safe-haven demand.
- **Bitcoin:**
  - Bitcoin declined 1.5% over the week, reflecting sensitivity to higher US yields and tighter liquidity conditions. When bond yields rise, non-yielding and speculative assets such as crypto become relatively less attractive.
  - ETF inflows have moderated after the strong post-launch phase, and momentum-driven buying has eased. Although US technology stocks stabilized, crypto did not attract renewed risk flows, indicating cautious investor positioning. The move suggests consolidation within an ongoing deleveraging phase rather than a structural breakdown.
- **Natural Gas:**
  - Natural gas moved differently from oil, reflecting its own supply and demand dynamics. Milder weather forecasts improved storage expectations and reduced projected heating demand, easing near-term price pressure.
  - US production remains elevated, and export capacity constraints limit the ability to absorb excess supply. As a result, natural gas remains largely driven by regional fundamentals and remains structurally decoupled from oil price movements.
- **Copper & Aluminum:**
  - Copper (+2.3%) and aluminium (+1.3%) rebounded alongside improving risk sentiment, as stabilization in US and European equities reduced fears of a sharp industrial slowdown. Copper, which is highly sensitive to global PMIs and growth expectations, reacted more strongly, while aluminium followed with a more moderate gain.
  - The US dollar strengthened only modestly, avoiding a sharp move that would have pressured base metals. There were no new negative headlines from China's property sector, and no major supply disruptions. Oil's rebound also supported broader commodity sentiment. Overall, the gains reflect short-term cyclical stabilization rather than a clear structural reacceleration in demand.
- **Wheat & Sugar:**
  - Wheat (-2.1%) and sugar (-3.5%) declined as supply concerns eased, highlighting that agricultural markets are driven more by weather and production dynamics than by macro factors. Improved crop conditions and stable Black Sea export flows reduced risk premia in wheat, while a stronger US dollar also weighed on grain prices.

- Sugar extended its correction as Brazil's production outlook improved, increasing export expectations and reducing fears of tight supply. With no new weather disruptions, speculative positioning was pared back. Overall, the moves reflect normalization of prior supply-driven risk premia rather than demand weakness.

Interest Rate & Yield Curve Shifts



Geopolitical News & Impact

- **US Tariff Policy Turbulence**

The Supreme Court invalidated key elements of President Trump's administration's broad tariff program, ruling that the use of emergency authority had exceeded legal limits. Markets initially viewed the decision as a reduction in trade friction risk, supporting multinational industrials and supply-chain–exposed sectors. However, the Trump administration quickly moved to impose a temporary 10% global tariff under alternate statutory authority, reintroducing uncertainty around trade direction and implementation. The overall impact was not outright optimism, but renewed policy unpredictability. As a result, a higher trade-policy risk premium became embedded across FX, equities, and inflation expectations. Trade policy moved back to the forefront as an active macro driver rather than a background risk.

- **Global Equity Fund Inflows**

Global equity funds recorded their largest inflow in five weeks (~$36bn), reversing February's AI-driven outflows. The prior weeks had seen systematic deleveraging as volatility spiked and growth stocks de-rated. This week's inflows were concentrated in Europe, industrials, and metals, sectors leveraged to cyclical stabilization rather than high-duration tech. The move signals positioning normalization and reduced volatility pressure, not a broad re-acceleration in growth expectations. It reflects capital rebalancing after mechanical risk reduction.

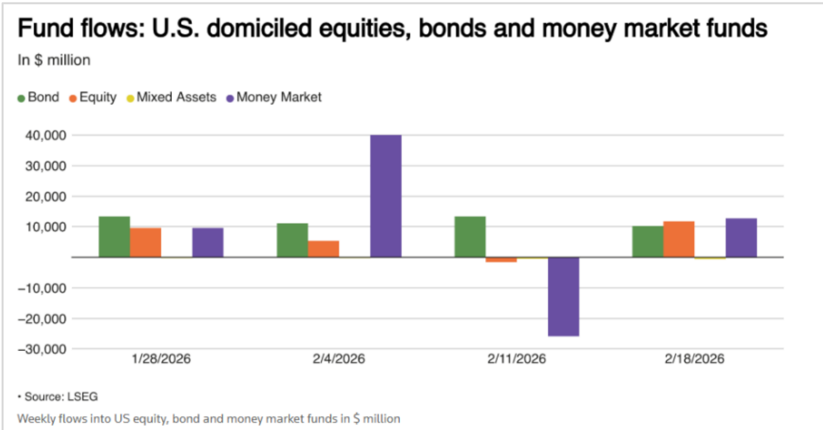
- **Middle East / US–Iran Tensions**

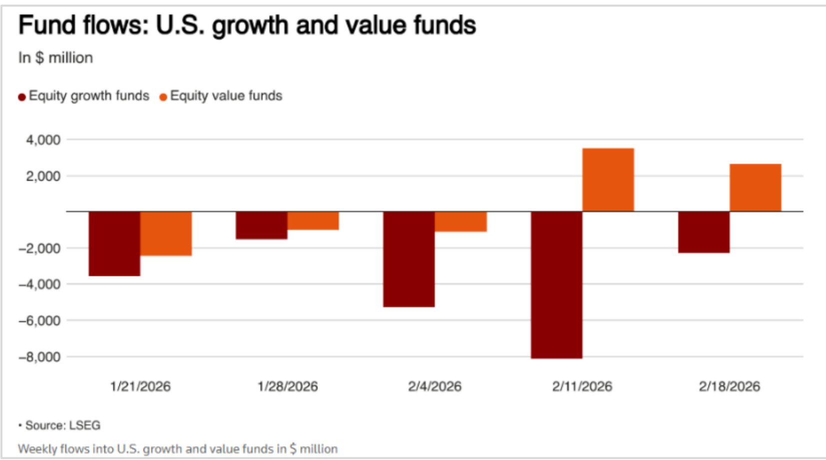
Diplomatic progress between the US and Iran appeared limited, while regional military posture remained elevated. Oil markets responded by rebuilding part of the geopolitical risk premium that had compressed earlier in the month. Given tight physical supply balances and limited spare capacity visibility, even small probability shifts in disruption risk materially impact pricing. The rebound in crude fed into inflation breakevens, influenced bond market expectations, and supported energy-linked equities.

- **AI Narrative Recalibration**

Earlier in February, AI-related disruption fears, particularly around enterprise automation and software margin compression triggered valuation compression in mega-cap tech and spillover into financials and REITs. During the week, the absence of new disruptive model launches or earnings downgrades allowed markets to transition from panic repricing to reassessment. Volatility declined, short positioning eased, and selective re-risking emerged in high-beta segments and industrial metals. The structural AI theme remains intact, but the acute de-rating phase appears to have stabilized tactically.

US Fund Flows





Flows & Rotation: Bond funds recorded steady inflows, equity funds returned to positive flows in the latest week, and money market balances showed large swings, indicating active cash repositioning. Growth funds continued to see net outflows, while value funds attracted inflows, consistent with the rotation away from high-duration technology and toward cyclical/value segments.

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