



BENDURA BANK

# Market Outlook

February 2026

## A wave of turbulence at the start of the year

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The new year is barely underway, yet markets have already navigated a degree of geopolitical and economic turbulence that might normally unfold over several quarters. January began with a dramatic development as the United States facilitated the removal of Venezuela's Nicolás Maduro. An event of this magnitude would once have dominated global debate but which, in today's environment, generated only muted market reaction. Soon enough, Federal Reserve Chair Jerome Powell disclosed he was facing a federal investigation related to the refurbishment costs of the Fed's headquarters, responding firmly to what appeared to be fresh political pressure from the administration. Markets registered only a modest "debasement trade," with a brief rotation away from U.S. assets, underscoring how resilient investor sentiment remained despite heightened institutional tension. The administration's desire for lower interest rates continues to clash with a U.S. economy that remains fundamentally robust, providing limited justification for meaningful monetary easing beyond early signs of softness in the labor market.

However, market unease intensified when President Trump shifted focus toward Greenland, reportedly expressing a serious interest in acquiring the territory. This geopolitical surprise triggered a sharper pullback in equities and the U.S. dollar, and prompted an immediate response from Europe, which warned that its anti-coercion instrument could be activated to defend member-state sovereignty. The situation eventually de-escalated, but it underscored how quickly sentiment can shift when geopolitical ambitions intersect with alliances. In contrast to the political noise, U.S. macroeconomic data delivered a notably constructive start to the year: inflation readings remained benign, while Q3 GDP growth exceeded 4%. Markets initially welcomed this stability, though the final days of January brought renewed volatility as metals and technology stocks declined sharply following the naming of Kevin Warsh as the next Fed chair. Whether these late-month moves reflect deeper vulnerabilities or simply a reset in positioning remains uncertain, but January has already offered investors a vivid reminder that 2026 is likely to be a year defined by rapid shifts and heightened sensitivity to policy signals.

# Investment Policy

	Very unattractive	Unattractive	Neutral	Attractive	Very attractive
Liquidity	●	●	●	●	●
Fixed income	●	●	●	●	●
Government	●	●	●	●	●
Corporate	●	●	●	●	●
High Yield	●	●	●	●	●
Emerging Markets	●	●	●	●	●
Duration	●	●	●	●	●
Equities	●	●	●	●	●
United States	●	●	●	●	●
Eurozone*	●	●	●	●	●
Japan	●	●	●	●	●
Emerging Markets	●	●	●	●	●
Rates					
USD	●	●	●	●	●
EUR	●	●	●	●	●
CHF	●	●	●	●	●
EM Currencies	●	●	●	●	●

\*incl. UK and Switzerland

The terms attractive / unattractive describe the return potential of the various asset classes. An asset class is considered attractive if its expected return is above the local cash rate. It is considered unattractive if the expected return is negative. Very attractive / very unattractive denote the highest conviction views of the BENDURA Investment Committee. The time horizon for these views is 3-6 months.

# Global Economy

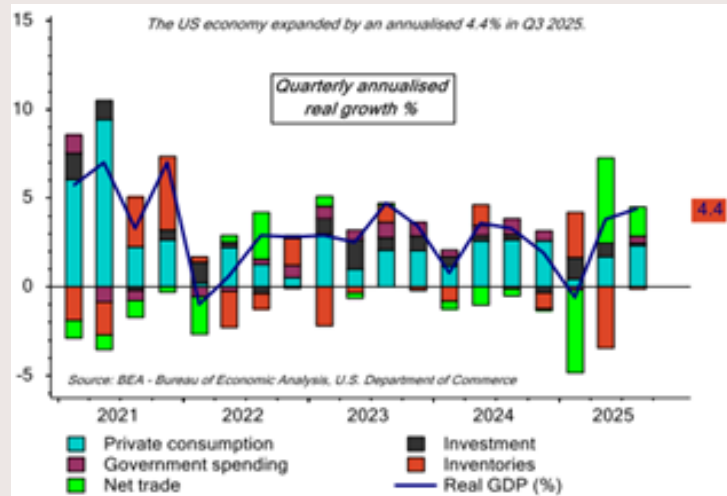
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## USA

U.S. economic momentum remained solid through January, with data confirming that growth extended into Q4, supported by resilient consumer spending despite moderating income growth. Revisions showed Q3 GDP rising to 4.4%, while high-frequency indicators suggest Q4 consumption likely expanded between 2.7% and 3.0%, helping lift overall growth expectations for early 2026. The labor market continued to exhibit a low-hire, low-fire pattern, though benchmark revisions indicate job growth in 2025 was slower than initially reported, which reflects a gradual cooling phase beneath the surface.

The CPI report surprised to the downside at 2.7% year-on-year, with core inflation at 2.6%. It reinforces the narrative of gradual disinflation, helped in part by softer housing costs. While the calm in tariff-sensitive goods and the low 1.4% core-goods inflation should have been reassuring, the data failed to spark the usual market enthusiasm. Meanwhile, real disposable income growth has slowed to 1.0%, pushing the savings rate to a multi-year low of 3.5%, a sign that household buffers are thinning even as spending stays strong. President Trump has also restated his view that a softer U.S. dollar benefits the domestic economy, which seems to be the stance markets interpret as a sign that Washington is actively encouraging, or at least comfortable with – a weaker dollar policy. Looking into the long term, markets are growing increasingly worried about the health of U.S. public finances. Ballooning deficits and debt levels are driving interest costs sharply higher. Rising debt-service burdens risk crowding out critical spending areas, such as research and development, infrastructure investment, and the climate transition, all of which are essential for supporting future economic growth.

If these pressures intensify, the economy could find itself caught in a worsening negative cycle. Overall, the early-2026 data paints a picture of an economy still expanding above trend but with growing signs of labor-market softening and persistent inflation pressures that will shape the Fed's approach in the months ahead.



*Chart 1: Contributions to US GDP Growth.  
Source: LSEG Datastream / ECR Research, [www.ecrresearch.com](http://www.ecrresearch.com)*

## Europe

The European economy enters 2026 with a cautiously constructive tone, supported by stabilizing macro indicators but tempered by persistent global headwinds. Recent Eurostat data show that GDP in the European Union continued to edge higher at the turn of the year, aided by improving industrial production and stronger retail trade activity. At the same time, inflation moved lower, signaling a clearer disinflation path, while overall unemployment remained unchanged and youth

unemployment declined. It acts as an early indicator that labour-market fundamentals remain resilient despite slow momentum.

Looking ahead, market expectations point to another year of modest but positive growth. Forecasts place Eurozone GDP expansion at just under 1% for 2026, reflecting the drag from elevated global uncertainties and lingering tariff pressures. Germany is emerging from a prolonged stagnation phase, while other European economies show uneven performance across sectors. Inflation dynamics continue to move in a favorable direction: Eurozone inflation is projected to average around 1.5% in 2026, supporting real household incomes and providing a tailwind to consumption at a time when sentiment remains fragile.

## **Asia**

Across Asia, China remains a key driver of regional growth, with forecasts pointing to real GDP expansion of around 4.8% in 2026, supported by stronger exports and a gradual easing of the drag from the property market downturn. However, structural weaknesses persist: domestic demand remains subdued, labor market softness limits income growth, and consumer sentiment continues to lag despite policy support. Inflationary pressures are muted, with headline CPI expected to remain below 1% for much of the year. It reflects both weak demand and ongoing deflationary trends in producer prices. Policymakers are expected to maintain moderate easing as part of the new Five-Year Plan, balancing support for technological upgrading against long-term structural constraints.

Japan's historic post-war election result has given the new Prime Minister Sanae Takaichi an exceptionally strong mandate to pursue her economic agenda, fueling fresh optimism in markets. Her LDP secured a two-thirds supermajority with 316 seats, making legislation with fiscally expansionary measures like temporary food tax cuts and strategic investment plans significantly easier to pass. The decisive win triggered an immediate surge in market confidence, with the Nikkei 225 rallying as much as 5.7% and bond yields climbing as investors priced in bold spending initiatives aimed at supporting growth. Backed by this

robust mandate, Takaichi is now positioned to advance pro-growth, proactive fiscal policies with greater predictability and stability, reinforcing positive sentiment about Japan's near-term economic trajectory.



Chart 2: JPY could strengthen to match the decline in US and Japanese interest rate differentials.

Source: LSEG Datastream / ECR Research, [www.ecrresearch.com](http://www.ecrresearch.com)

# Equities

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Despite a turbulent January, equity markets remained calm for most of the time. While US stocks underperformed most European peers, the S&P 500 still ended up some 1.4% for the month, and the tech heavy Nasdaq up 1%. However, the Software sector in the US was hit hard on the back of AI fears. A recent market downturn saw a pair of S&P indexes tracking software, financial-data, and exchange-related stocks lose roughly \$300 billion in value after Anthropic released upgraded legal-AI tools capable of reviewing contracts and performing specialized tasks.

This shift reflects how rapidly Wall Street sentiment can turn: software companies like Salesforce and Adobe, once at the center of investor excitement, are now pressured by AI-driven “vibe coding,” which enables rapid in-house app and website creation. While software companies are unlikely to become obsolete, rising competition, slower revenue growth, although still in double digits, and uncertainty about how the AI industry will evolve have increased perceived risk. It contributed to heightened volatility across the sector.

Meta and Apple delivered blowout earnings and strong guidance, prompting share price gains; Apple’s December-quarter earnings reached \$2.65 per share on \$137.5B in revenue, up more than 10% YoY. Microsoft also beat expectations with EPS of \$4.14 and revenue of \$81.27B, but the stock sold off after the company guided to slightly slower Azure growth in coming quarters. Meta’s results were among the strongest, posting \$59.9B in Q4 revenue (+24% YoY) and emphasizing major new AI-infrastructure investments for 2026.

STOXX Europe 600 advanced 3.18% and reaching fresh all-time highs in January, extending its long-running upward trend. This performance was supported by a broadly constructive macro backdrop: analysts expect Europe's 2026 economic environment to benefit from steady global growth, easing interest-rate pressures, and resilient corporate earnings, all of which have bolstered investor confidence. Strong earnings momentum across cyclical sectors such as financials, technology, and industrials reinforced the region's positive profit trajectory. It was supported by fiscal investment, recovering margins, and a healthier demand outlook. Additionally, sentiment improved as the eurozone economy entered 2026 with expectations of moderate GDP growth (around 1.3%), helping sustain risk appetite and encouraging flows into European assets. Together, these factors created a favorable environment for equity markets, allowing European benchmarks to outperform many global peers and maintain upward momentum through the start of the year.

Asian equity markets delivered broad-based strength, with gains concentrated in technology-driven segments and markets tied to election optimism. The MSCI Asia Pacific ex-Japan Index surged 8%, supported by double-digit advances in South Korea's Kospi and Taiwan's Taiex, an extension of momentum tied to the global AI buildout benefiting semiconductor-heavy markets. Hong Kong also outperformed, lifted by strong energy names and recovering property stocks, while Australia saw notable upside in tech and mining, reflecting supportive commodity dynamics and sector rotation. Singapore's market continued its steady climb, with major bank stocks once again pushing the STI to repeated record highs, underscoring the city-state's resilient financial sector.

Meanwhile, India lagged sharply, with both the Nifty and Sensex dropping more than 5% as global investors withdrew capital amid slower growth signals and the absence of a trade agreement with the U.S. Overall, the region's performance highlighted diverging national narratives: strong tech-led enthusiasm in North Asia versus macro-policy-driven caution in India.



Chart 3: Global stock markets have mostly rallied to record highs.  
Source: LSEG Datastream / ECR Research, [www.ecrresearch.com](http://www.ecrresearch.com)

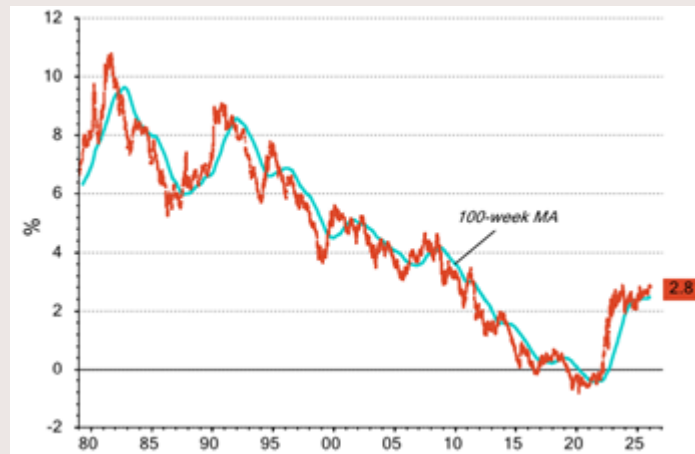
# Bonds

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U.S. Treasuries softened over the month, with 5 – 7year maturities experiencing the sharpest moves. It pushed yields 3–8 bps higher as investors positioned ahead of the Federal Reserve’s January policy decision. The January 2026 FOMC meeting ultimately delivered a widely anticipated outcome: the Fed held rates steady at 3.50% – 3.75%, pausing after three consecutive cuts in late 2025. The policymakers emphasized a data-dependent approach, noting that economic activity remained solid, the labor market had stabilized, and inflation, although still elevated, continued to ease. Powell highlighted that risks to both sides of the mandate had become more balanced and avoided offering strong forward guidance, reinforcing expectations of a prolonged hold through at least March or even into mid-year. Treasury yields rose following the announcement, consistent with a market recalibration toward fewer near-term cuts.

European government bonds saw yields edge higher, partly due to heavier expected 2026 supply and lingering fiscal pressures in large economies such as Germany and France. Analysts noted that eurozone government bonds had already experienced volatility in early 2025 but entered the new year on firmer footing, with spreads continuing to narrow between core and peripheral issuers, supported by improving macro data in southern Europe. At the same time, expectations of higher gross issuance for 2026, which is expected to be €1.4 trillion, kept upward pressure on yields. It was visible especially in the 5-year segment where refinancing costs have risen following multi-year lows in 2021. We expect the yield on 10-year German government bonds, currently near 2.85%, to remain within a range of roughly 2.7% to 3% for the foreseeable future.

However, a decisive move higher is likely once U.S. 10-year yields begin to rise significantly. Corporate bonds, particularly in the high-yield segment, continued to benefit from strong demand and stable financing conditions, with spreads sitting near multi-year tights. Analysts expect 2026 to maintain 2025's robust issuance environment without overwhelming investor demand, as refinancing needs remain modest until later in the decade. Overall, January's backdrop illustrated a European fixed-income market balancing increased supply with solid demand and supportive macro fundamentals.



*Chart 4: Germany 10-year Government Bond Yield.  
Source: LSEG Datastream / ECR Research, [www.ecrresearch.com](http://www.ecrresearch.com)*

## Commodities and Currencies

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For several months, gold and silver had soared to unprecedented highs, lifted by a powerful rally that stirred speculation and raised alarms that global investors were turning away from major currencies such as the U.S. dollar. By late January, however, the trend abruptly reversed. The turning point appeared to coincide with reports that President Trump intended to nominate former Federal Reserve governor Kevin Warsh to replace Jerome Powell. Warsh is known for prioritizing inflation control over growth. His reputation reassured markets that the Fed was unlikely to bow to political pressure for deeper rate cuts, and once Trump formally announced the nomination, the dollar experienced its strongest trading day in months.

The reaction in precious metals was swift and brutal. Silver plunged 31% in a single session, its steepest fall since March 1980, while front-month gold futures dropped 11% to \$4,713, the sharpest one-day decline since January 1980. Despite the dramatic correction, both metals still closed the month substantially above earlier levels. Analysts attributed the sell-off variously to overdue profit-taking, rapid unwinding by speculative traders, bank hedging activity, and even corroborating moves in copper, suggesting broader market forces at work. Looking ahead, the central question is whether the metals' remarkable momentum is fading. Persistent macro uncertainty and a weaker dollar have been key supports, but the violent price swings reflect a market driven increasingly by sentiment rather than fundamentals.

Copper and other major metals have kicked off the year with strong momentum, following the precious metals. The price of copper even briefly surpassed \$14,000 per ton – its first time ever crossing that threshold. Analysts note that although copper

is traditionally tied to industrial demand, the latest rally has been powered in large part by surging investor interest and speculative activity in the market. A telling sign of this shift is the rapid acceleration of inflows into U.S. copper exchange-traded funds, which have soared to \$1.2 billion this year—already more than double the \$426 million recorded in all of 2025. The boom in metals prices has also delivered a significant boost to the mining sector. Major global mining companies have collectively added nearly half a trillion dollars to their market value in the past month, reflecting the strength and breadth of the rally across the commodities complex.

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