



# February 2026 Market Pulse

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# EQUITIES DIVERGE BY REGION IN FEBRUARY



Equities climbed in Europe, Japan and emerging markets in February, while US stocks recorded a modest decline amid valuation pressures and profit-taking in tech majors. US Treasuries rallied following a lower CPI reading. EU bond yields also fell as European Central Bank (ECB) policy remained steady.

The global macro backdrop in February was shaped by signs of moderating inflation. The growth outlook remained firm despite a disappointing Q4 GDP release in the US, although rising geopolitical tensions in the Middle East posed some potential risks. Trade policy was also firmly in the news after the US Supreme Court ruled that the Trump administration's use of the IEEPA to impose global tariffs was unlawful. In Europe, economic conditions remained relatively stable, with easing inflation allowing the ECB to maintain a steady policy stance.

## Lenny McLoughlin

Chief Investment Strategist, Irish Life Investment Managers Limited (ILIM)

## US

The US Supreme Court ruled 6–3 that tariffs imposed under the International Emergency Economic Powers Act (IEEPA) were unlawful, removing a key pillar of the Trump administration's recent trade strategy. The decision invalidated tariffs introduced in 2025 on almost every trading partner and created uncertainty over whether firms will be reimbursed, a process likely to be lengthy and done on a case-by-case basis. In response, the White House moved quickly to announce a new 10% "global tariff", imposed under the 1974 Trade Act, with discussion of raising this to 15%. The Trade Act allows for the imposition of temporary tariffs for 150 days in the event of "fundamental international payments problems". Markets took the news in their stride as the proposed changes almost fully replicate the previous tariffs, reducing the average US tariff level by only 1%. US equities rose modestly on the news, while bond yields ticked higher on expectations of a potential rebate of up to \$170bn on previously paid tariffs. The dollar slipped slightly immediately after the ruling. For Europe and other trading partners which had previously agreed trade deals with the US, the ruling raises questions about the future structure and implementation of US tariffs, with possibly more focus on product-specific charges.

US CPI inflation continued to trend lower, keeping markets focused on when the Federal Reserve may resume policy easing in 2026. US real GDP growth decelerated to 1.4% annualised in Q4 2025 (from 4.4% in Q3 and 3.8% in Q2), with the slowdown exacerbated by a prolonged government shutdown and weaker trade. Consumer spending grew 2.4%, driven almost entirely by services. Business investment rose 3.7% annualised, but this masked a divergent picture: structures contracted for an eighth consecutive quarter (2.4%), while equipment investment increased 3.2% and intellectual property investment surged 7.4%, largely reflecting AI-driven data centre and software outlays. Real disposable personal income barely grew in Q4, up just 0.1% annualised, and the household saving rate fell to 3.6% in December as spending outpaced income.

## Europe

Inflation dynamics remained favourable: eurozone headline CPI slowed to 1.7% year on year in January and core inflation to 2.2%, aided by euro appreciation and lower energy prices, allowing the ECB to maintain its deposit rate at 2.0% for a fifth consecutive meeting while keeping its options open with future policy decisions and remaining data dependent. At month end, the resilient economic backdrop with positive momentum evident meant the ECB was expected to keep rates on hold through this year. German activity and sentiment data were responding positively to the implementation of the fiscal stimulus announced last year.

# MARKET ROUND-UP

## Equities

Global equities were up 1.5% (2.1% in euros) in February, delivering a mixed but resilient performance over the month. Large-cap technology and software names lagged on concerns about AI-driven disruption and questions over the return on record AI capital expenditure plans. Old-economy asset-rich companies and sectors performed well with energy, utilities, materials, consumer staples, industrials, real estate and healthcare outperforming, benefiting from a broadening growth narrative beyond high tech.

The MSCI All Country World index ended the month up by 1.5% (2.1% in euros), with the MSCI USA down 0.9% in local terms (-0.1% in euros), as mega-cap technology generally underperformed. The MSCI Emerging Markets (EM) index surged by 5.0% (6.3% in euros), continuing to benefit from rising commodity prices. The Korean and Taiwanese markets benefited from increased hyperscaler capex announcements; these commitments supported hardware and memory stocks, which are large parts of both markets. European stocks advanced, with the MSCI Europe ex-UK higher by 3.4% (3.5% in euros), supported by moderated inflation and resilient Eurozone macroeconomic data. Japan rose 9.9% (9.4% in euros) following the landslide victory for Prime Minister Takaichi and the LDP party, with the expectation that a large fiscal stimulus programme will be forthcoming.

## Bonds

US 10-year Treasury yields decreased by 30 basis points to 3.94%, as cooling inflation data and increased demand for safe-haven assets supported government bonds. Eurozone government bond returns were also positive, with the ICE BofA 5+ Year Euro Government bond index rising by 2.1%, as the 10-year German Bund yield declined 20bps to 2.64% amid easing inflation pressures and stronger demand for high-quality sovereign debt.



## CHARTS OF THE MONTH

### Global equities



Source: ILIM, FactSet. Data is accurate as at 28 February 2026.

### Bonds – German 10-year yield



Source: ILIM, FactSet. Data is accurate as at 28 February 2026.

# MARKET SNAPSHOT

## Market returns (EUR)

Equity Markets (EUR)	MTD Return (%)	YTD Return (%)	2024 Return (%)
MSCI Ireland	-1.3	-1.3	39.9
MSCI United Kingdom	5.9	10.0	19.1
MSCI Europe ex UK	3.5	6.6	20.4
MSCI North America	0.2	0.2	4.5
MSCI Japan	9.4	15.1	10.3
MSCI EM (Emerging Markets)	6.3	14.3	18.5
MSCI AC World	2.1	3.8	8.3
10-Year Yields	Yield last month	2025 Yield (%)	2024 Yield (%)
US	3.94	4.17	4.57
Germany	2.64	2.86	2.37
UK	4.23	4.48	4.57
Japan	2.12	2.07	1.10
Ireland	3.01	3.01	2.64
Italy	3.27	3.55	3.52
Greece	3.27	3.44	3.22
Portugal	3.00	3.15	2.85
Spain	3.06	3.29	3.06
FX Rates	End last month	2025 Rates	2024 Rates
U.S. Dollar per Euro	1.18	1.17	1.03
British Pounds per Euro	0.88	0.87	0.83
U.S. Dollar per British Pounds	1.35	1.35	1.25
Commodities (USD)	MTD Return (%)	YTD Return (%)	2025 Return (%)
Oil (Brent)	2.5	19.1	-18.5
Gold (Oz)	7.9	22.1	64.7
S&P Goldman Sachs Commodity Index	2.4	12.4	7.1

Source: ILIM, Bloomberg. Data is accurate as at 1 March 2026.

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## THE ILM VIEW – LOOKING AHEAD

The fundamental backdrop for global equities on a 12-month view remains positive despite uncertain US policy. The agreement of trade deals provides clarity and helps remove uncertainty, even with IEEPA tariffs being declared illegal; the Trump administration seeks to replicate the previous tariffs under new authorities. While tariffs are higher than at the start of 2025, they are at levels which should not lead to a recession. Earnings forecasts are now being revised higher, consumer balance sheets are strong and ongoing disinflation is expected through 2026, while expected Fed rate cuts and a corporate-friendly stance from the US government all should mean a favourable environment for the asset class. Divergence within regional equity performance, however, is likely to remain a feature as policies in the US and the rest of the world are set to remain in flux.

Global equities valuations are above long-term averages, trading on a 12-month forward P/E multiple of 18.7x against a long-term average of 16.3x. However, with a positive growth and earnings backdrop, multiples can remain close to current levels. The 12-month forward P/E for the MSCI USA is 21.6x against a long-term average of 16.7x. Equities outside the US offer better relative value in absolute terms and are trading closer to their long-term average P/E levels. Equities remain expensive against both bonds and cash given the high yields currently available on these assets.

Despite equities appearing fully valued, the outlook on a 12-month view is constructive. With growth expected to remain positive and US corporates eventually set to benefit from growth friendly policies from the new administration through 2026,

earnings are forecast to rise by double digits over the next one to two years, which should be supportive. Additional rate cuts in a positive fundamental backdrop can also contribute to further gains. Over the medium term, the rollout of AI should boost efficiencies and earnings across the whole market and allow equities trade at higher valuation levels. Any short-term volatility in markets is likely to be offset by the above factors, resulting in positive returns on a 12-month time frame. Assuming the recent conflict in Iran ends soon and oil prices fall from their recent highs, then the positive backdrop for equities can remain in place. However, if oil prices were to remain persistently high because of tensions in the Middle East, the path for equities could become more uncertain.

Sovereign bond yields have been volatile over the past year amid somewhat sticky inflation, but both German and US 10-year yields are below their October 2023 highs. With inflation having fallen significantly, some central banks can cut rates further, enabling bond yields to decline over the next 12 months. On a 12-month view, our base case is that the German 10-year yield falls from the current level of 2.64% to 2.50%, while the US 10-year yield can remain close to the current level of 3.94% and provide a healthy income stream. We believe fixed income offers a strong risk-reward profile at this stage in the cycle, with the potential to offer protection if the economy slows. The asset class is attractive from an income perspective while also providing potential for capital gains via falling yields. We believe that the risks of materially higher bond yields have reduced and, if the economy falters, major central banks will be able to cut rates to support growth. In that scenario we would expect bonds to outperform.



# THE MONTH AHEAD

## March

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
				<p><b>06</b></p> <p>US non-farm payrolls; retail sales MoM; unemployment rate Canada Ivey PMI</p>
<p><b>09</b></p> <p>Australia consumer confidence; business confidence China inflation rate YoY, MoM; PPI YoY Germany balance of trade</p>	<p><b>10</b></p> <p>Japan household spending MoM, YoY; GDP growth annualised final, QoQ final China balance of trade; exports YoY; imports YoY Germany balance of trade; exports MoM France balance of trade US existing home sales</p>	<p><b>11</b></p> <p>US core inflation rate MoM, YoY; inflation rate MoM, YoY; CPI</p>	<p><b>12</b></p> <p>UK RICS house price balance India inflation rate YoY Brazil inflation rate MoM, YoY Canada balance of trade US housing starts; building permits (prel); balance of trade; exports; imports; initial jobless claims</p>	<p><b>13</b></p> <p>Germany wholesale prices MoM, YoY UK GDP MoM; goods trade balance; industrial production MoM; manufacturing production MoM Euro Area industrial production MoM Canada unemployment rate US core PCE price index MoM; durable goods orders MoM; GDP growth rate QoQ (second estimate); personal income MoM; personal spending MoM; JOLTS job openings; Michigan consumer sentiment (prel) Russia inflation rate MoM, YoY</p>
<p><b>16</b></p> <p>China house price index YoY; industrial production YoY; retail sales YoY; fixed asset investment (YTD) YoY Canada housing starts; inflation rate YoY, MoM US industrial production MoM India balance of trade</p>	<p><b>17</b></p> <p>Australia RBA rate decision Euro Area ZEW economic sentiment index Germany ZEW economic sentiment index US pending home sales MoM, YoY; employment change weekly</p>	<p><b>18</b></p> <p>Japan balance of trade; exports YoY US PPI MoM; core PPI MoM; Fed rate decision; FOMC economic projections; factory orders MoM Canada BoC rate decision, press conference Brazil rate decision</p>	<p><b>19</b></p> <p>Japan machinery orders MoM, YoY; BoJ rate decision UK unemployment rate; employment change; BoE rate decision; MPC meeting minutes US initial jobless claims; Philadelphia Fed manufacturing index Euro Area ECB rate decision, press conference</p>	<p><b>20</b></p> <p>China loan prime rate 1y, 5y Germany PPI YoY Euro Area balance of trade Canada new housing price index MoM</p>
<p><b>23</b></p> <p>Spain balance of trade US Chicago Fed national activity index Euro Area consumer confidence flash</p>	<p><b>24</b></p> <p>Japan inflation rate YoY; core inflation rate YoY; manufacturing &amp; services PMI Manufacturing, services &amp; composite PMIs for India, France, Germany, Euro Area, US UK manufacturing &amp; services PMI</p>	<p><b>25</b></p> <p>UK inflation rate YoY, MoM; core inflation rate YoY Germany business climate US current account; export prices MoM; import prices MoM</p>	<p><b>26</b></p> <p>Germany consumer confidence France business &amp; consumer confidence US initial jobless claims</p>	<p><b>27</b></p> <p>UK consumer confidence; retail sales MoM, YoY Brazil unemployment rate</p>
<p><b>30</b></p> <p>Japan housing starts UK mortgage approvals; mortgage lending Euro Area economic sentiment Germany inflation rate YoY, MoM (prel) US Dallas Fed manufacturing index</p>	<p><b>31</b></p> <p>Japan unemployment rate; industrial production MoM (prel); retail sales YoY China manufacturing PMI; non-manufacturing PMI Germany retail sales MoM, YoY UK current account; national housing prices MoM, YoY France inflation rate YoY, MoM (prel) Euro Area inflation rate YoY, MoM flash Canada GDP MoM US Chicago PMI; JOLTS job openings; CB consumer confidence</p>			

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## Contact us

Phone (01) 704 1200

Fax 01 704 1918

Website [www.ilim.com](http://www.ilim.com)

Write to Irish Life Investment Managers, Beresford Court, Beresford Place, Dublin 1

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