

## GLOBAL MARKETS

# WEEKLY MARKET BRIEF



### Highlights.

Major U.S. equity indexes moved lower during the week, pressured by ongoing anxiety about the disruptive implications of artificial intelligence (AI) and renewed uncertainty surrounding global trade and tariffs. The Dow Jones Industrial Average posted the steepest decline, falling 1.28%, while the S&P 500 Index proved relatively resilient but still slipped 0.44%. Markets began the week under pressure after a widely shared research report intensified fears that AI could significantly disrupt industries and the broader economy. Although sentiment improved midweek ahead of quarterly earnings from AI leader NVIDIA, the company's better-than-expected results were not enough to shift the prevailing cautious tone, and indexes retreated into week's end. Initial unemployment claims totalled 212,000 for the week ended February 21, slightly higher than the prior week and in line with forecasts. Meanwhile, continuing claims fell by 31,000 to 1.833 million for the week ended February 14. Meanwhile, economic data showed a pickup in wholesale inflation. The Bureau of Labor Statistics reported that the headline Producer Price Index (PPI) climbed 0.5% in January from the prior month, exceeding expectations and December's 0.4% gain. The cautious mood in equities supported demand for U.S. government bonds. Treasury prices rose, pushing yields lower across much of the curve with the benchmark 10-year Treasury yield fell below 4% for the first time since November. Across the Atlantic, European equities advanced modestly with the pan European Euro STOXX 600 adding 0.29% from the previous week's close and hitting another record high. Strong corporate earnings and investor interest in diversifying away from the tech-heavy U.S. market helped offset geopolitical tensions, AI-related concerns, and renewed tariff uncertainty. The UK's FTSE 100 Index also hit a fresh midweek high and gained 2.09%. Bank of England policymaker Alan Taylor indicated that three additional rate cuts could be possible in 2026 if inflation returns to the 2% target. Following the U.S. Supreme Court's recent tariff ruling, UK investors were reassured by the Trump administration's commitment to uphold its May 2025 trade agreement with Britain. Moving along to Asia, Japanese equities rallied strongly during the week. The Nikkei 225 Index climbed 3.56%, and the broader TOPIX Index gained 3.42%, with both benchmarks reaching record highs. Investors remained optimistic about policy under Prime Minister Sanae Takaichi, while markets appeared relatively unfazed by the latest U.S. tariff measures. Meanwhile, Mainland Chinese stocks advanced in a shortened trading week as investor sentiment improved following the Lunar New Year break and ahead of the annual "Two Sessions" meetings, where leaders typically outline key economic priorities. The CSI 300 rose 1.08%, and the Shanghai Composite gained 1.98%. Lunar New Year travel and spending data painted a mixed picture. Total tourism spending increased year over year, and domestic travel rose significantly. However, average spending per trip declined slightly, raising questions about the durability of consumption growth.

**Data highlights:** USD PPI YoY (Jan) fell -10bps, from 3% to 2.9%, consensus wrongly overestimated the -40bps drop to 2.6%. USD Core PPI YoY (Jan) actually rose 30bps to 3.6% from 3.3%, contrasting the consensus expectations of a -30bps drop to 3%. CAD GDP Growth Rate Annualized (Q4) fell -300bps to (-0.6%) from 2.4%, consensus expected it only to drop 240bps to 0%. EUR Core Inflation Rate YoY (Jan) fell -10bps, from 2.3% to 2.2%, in line with consensus. Germany GDP Growth Rate YoY (Q4) rose 10bps, from 0.3% to 0.4%, in line with consensus. AUD Inflation Rate YoY (Jan) stayed still at 3.8%, expectations of a 10bps drop to 3.7% were overestimated.

**Week ahead:** ISM Manufacturing PMI (Feb), JPY Unemployment Rate (Jan), EUR Inflation Rate YoY (Feb), EUR Core Inflation Rate YoY (Feb) - Monday | AUD GDP Growth Rate YoY (Q4), CHF Inflation Rate YoY (Feb), EUR Unemployment Rate (Jan), EUR PPI YoY (Jan) - Wednesday | CHF Unemployment Rate (Feb) - Thursday | EUR Employment Change YoY (Q4), EUR GDP Growth Rate YoY (Q4), USD Unemployment Rate (Feb), USD Non-Farm Payrolls & Private NFP (Feb), USD Unemployment Rate (Feb) - Friday

## Global Markets Overview

**Treasury yields:** The week saw a decisive flight to quality across global bond markets as investors grappled with heightening geopolitical instability. In the U.S., Treasury yields plummeted to multi-month lows, with the 10-year note sliding below the critical 4.00% threshold to settle at 3.94%. The 2-year note fell to 3.38%, a low not seen since August 2022. While inflation data remained sticky, the market prioritized safety over hawkish Fed fears, particularly as a massive sell-off in AI-heavy tech stocks forced capital into the relative security of government debt. Meanwhile in Japan, the 10-year JGB yield mirrored this global easing, finishing the week at 2.12%. Although hawkish sentiment from the Bank of Japan initially exerted upward pressure, yields retreated after Prime Minister Sanae Takaichi signalled caution regarding aggressive rate hikes. This political intervention, combined with the appointment of more dovish board members, tempered the earlier rise in Japanese rates.

**Equities:** Wall Street faced a gruelling week as the S&P 500 fell 0.44% and the Nasdaq slid nearly 1%, marking a down February for both. Despite "dazzling" earnings from NVIDIA, the stock faced heavy selling pressure, signalling that investors are no longer satisfied with just "beats." Concerns over AI-driven job displacement—highlighted by massive layoffs at Block—and hotter-than-expected PPI inflation (0.8%) fuelled fears that the Fed might delay rate cuts. Consequently, capital rotated into "heavy" defensive sectors like Energy and Utilities, while tech suffered its worst monthly loss in nearly a year. In contrast, European markets showed remarkable grit. The pan European Euro STOXX 600 secured its ninth consecutive positive month, edging up 0.29% in the week and bringing its gain for the year to 6.28%. At the same time, the FTSE 100 hit an all-time closing high of 10,911, gaining 2.09% in the week. While sticky inflation data from France and Spain tempered enthusiasm, the broader sentiment remained supported by the Bank of England and ECB's steady hands.

**Currencies:** The US Dollar Index was primarily steered by a string of resilient U.S. economic reports that forced a repricing of interest rate expectations. A surprisingly high Producer Price Index (PPI) reading and a surge in the Chicago PMI signalled that the American economy was still running hot, suggesting that inflation might remain sticky. This led traders to believe the Federal Reserve would keep interest rates higher for longer, providing a fundamental boost to the dollar's value against its peers. However, the index shed 0.195 for the week. The Japanese Yen faced its own unique pressures as Tokyo's inflation rate cooled to 1.8%, dropping below the central bank's target for the first time in over a year. This data, combined with political signals from the Japanese government favouring a cautious approach to rate hikes, reduced the appeal of the Yen. Simultaneously, the Euro remained stagnant as investors reacted to underwhelming growth forecasts across the Eurozone, leaving the currency with little momentum to challenge the dollar's strengthening position.

**Commodities:** WTI crude futures notched a second week of gains, as military tensions in the Middle East threatened global supply chains. Brent crude outperformed WTI, rising toward \$72 per barrel as traders factored in a \$5-\$6 risk premium due to potential disruptions in the Strait of Hormuz. Despite reports of localized stock builds, the market remained on edge ahead of critical OPEC+ supply discussions. At the same time, Gold surged 3.36% in the week, with the metal now up in the last four consecutive weeks. The primary catalyst was the escalating U.S.-Iran standoff, which overshadowed a "hot" U.S. Producer Price Index (PPI) report. Investors aggressively rotated out of volatile tech stocks and into bullion, which is eyeing a seventh consecutive monthly gain. Meanwhile, copper prices experienced a roller-coaster performance, starting with a slump before rebounding to finish at their highest point of the month. Prices were weighed down by rising exchange inventories and a cautious industrial restart in China. However, sentiment shifted dramatically mid-week, resulting in a sharp rally.

Bond Yields	Close	% W/W	% YTD
US 10Y	3.94	-3.55	-5.51
Bund 10Y	2.64	-3.43	-7.43
Gilt 10Y	4.23	-2.76	-5.49
Japan 10Y	2.12	-0.05	2.61

Indices	Close	% W/W	% YTD
S&P 500	6879	-0.44	0.49
EU Stoxx 600	651	0.29	6.28
FTSE 100	10911	2.09	9.86
Nikkei 225	58850	3.56	16.91

Currencies	Close	% W/W	% YTD
EURUSD	1.1812	0.24	0.56
GBPUSD	1.3482	0.01	0.05
USDJPY	156.05	0.64	-0.42
USD Index	97.61	-0.19	-0.73

Commodities	Close	% W/W	% YTD
Gold	5279	3.36	22.22
Copper	600.45	2.83	5.68
WTI Crude	67.02	0.95	16.72
Wheat	591.50	1.94	14.08

## Performance of Major Global Financial Assets

% Change.

W/W	-3.6	-3.4	-2.8	0.0	-1.6	-2.1	-0.4	-0.2	0.1	0.1	2.1	3.6	0.8	-0.2	0.2	0.0	0.6	-0.6	0.9	3.4	2.8	-1.7	1.9	
MTD	-7.0	-7.0	-6.4	-5.9	-3.2	-5.4	-0.9	-2.3	3.2	3.0	6.7	10.4	-2.8	0.6	-0.3	-1.5	0.8	-1.4	-1.3	2.8	7.9	1.4	-11.0	8.3
YTD	-5.5	-7.4	-5.5	2.6	-1.9	-7.9	0.5	-1.1	6.0	3.2	9.9	16.9	3.9	-0.7	0.6	0.1	-0.4	-1.8	-3.8	16.7	22.2	5.7	-15.8	14.1
	US 10Y	BUND 10Y	GILT 10Y	JAPAN 10Y	AUSSIE 10Y	ITALY 10Y	S&P 500	NASDAQ	EU STOXX 50	DAX INDEX	FTSE 100	NIKKEI 225	HANG SENG	USD INDEX	EURUSD	GBPUSD	USDJPY	USDCNY	USDZAR	WTI CRUDE	GOLD	COPPER	COFFEE	WHEAT
	GOV. BOND YIELDS						EQUITY INDICES						CURRENCIES					COMMODITIES						

KEY: -100%



+100%

Data Sources: Bloomberg, Investing.com, TradingEconomics, T.RowePrice, Standard Investment Bank

# Disclosure and Disclaimer

**Analyst Certification Disclosure:** The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report.

**Global Disclaimer:** Standard Investment Bank (SIB) and/or its affiliates makes no representation or warranty of any kind, express, implied or statutory regarding this document or any information contained or referred to in the document. The information in this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices, or represent that any such future movements will not exceed those shown in any illustration. Past performance is not indicative of comparable future results and no representation or warranty is made regarding future performance. While we endeavour to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. Accordingly, information may be available to us which is not reflected in this material, and we may have acted upon or used the information prior to or immediately following its publication.



## Headquarters

JKUAT Towers (Formerly ICEA Building),  
16th Floor , Kenyatta Avenue, Nairobi, Kenya.

Telephone: +254 20 227 7000, +254 20 227 7100

Email: [clientservices@sib.co.ke](mailto:clientservices@sib.co.ke)

