2026

Lunar Edition

Global Markets Weekly Kickstart

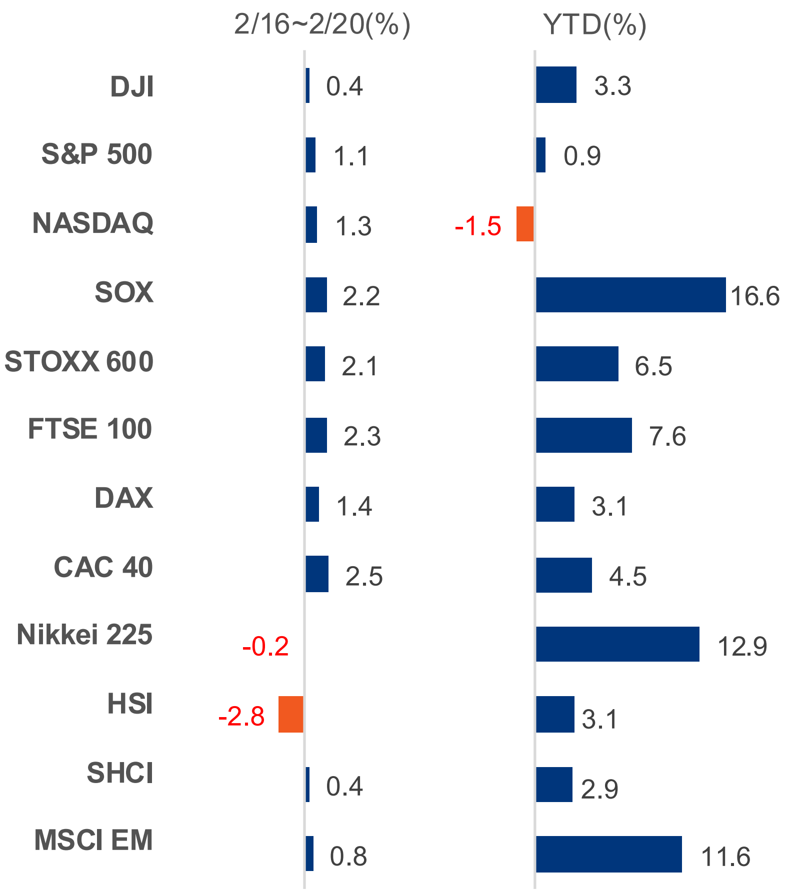
Lead The Market Grow Your Fortune

23 Feb 2026

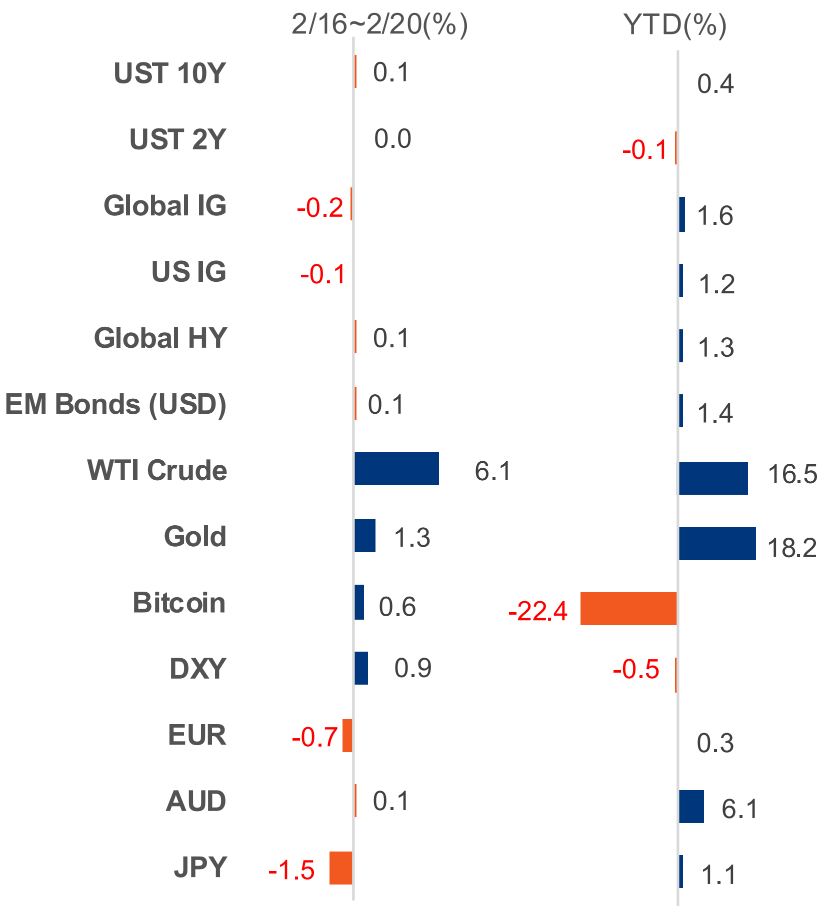
Market Review | Mixed Data and Tariff Ruling Drive Volatility in Equities and Bonds

- During the Lunar New Year, U.S. data were mixed. Nonfarm payrolls beat expectations and CPI was softer, but Q4 GDP fell sharply due to the government shutdown, while PCE rebounded. The mixed signals left equities and bonds trendless.
- The U.S. Supreme Court ruled Trump's reciprocal and fentanyl tariffs under IEEPA unconstitutional. Although partly expected—and briefly easing tariff burdens—the administration may seek alternative legal routes, keeping uncertainty elevated. Most equity markets rose modestly amid volatility, while the 10-year Treasury yield fell first, then rebounded.
- Rising U.S.–Iran tensions lifted oil and supported gold. The dollar edged higher after cautious Fed minutes, while the euro and yen weakened. With fiscal easing and a cautious BOJ, near-term yen upside appears limited.

Regional Index Performance (%)



Bonds/ Commodities/ Forex Performance (%)



Source: Bloomberg, 22 Feb 2026

Major Events 1 U.S. Court Invalidates Tariffs; Watch Implications for Growth and Fiscal Outlook

- In a 6–3 ruling, the U.S. Supreme Court said IEEPA does not authorize presidential tariffs, voiding the reciprocal and fentanyl-related measures. Trump then announced a 15% temporary global tariff under Section 122 of the 1974 Trade Act. The focus may shift to strategic goods and supply chains, with markets watching for new tariff tools and refund developments.
- Trump may also expand Section 232 authorities. The ruling requires refunds of unlawfully collected duties. Key implications:

(1) Replacing IEEPA tariffs with a 15% global tariff could lower the average rate, easing costs for major importers.

(2) Lower tariffs may support global growth and benefit higher-yield currencies such as the AUD and select EM markets.

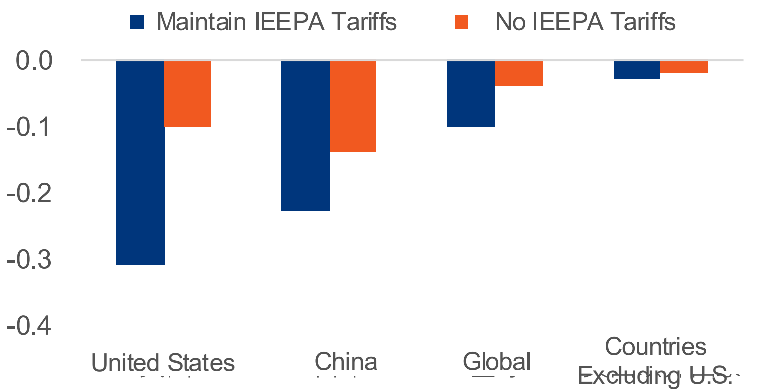
(3) Weaker tariff revenue and refunds could widen the U.S. deficit, boost Treasury issuance, and steepen the yield curve.

Court Invalidates Reciprocal Tariffs; Monitor Alternative Policies and Refund Impact

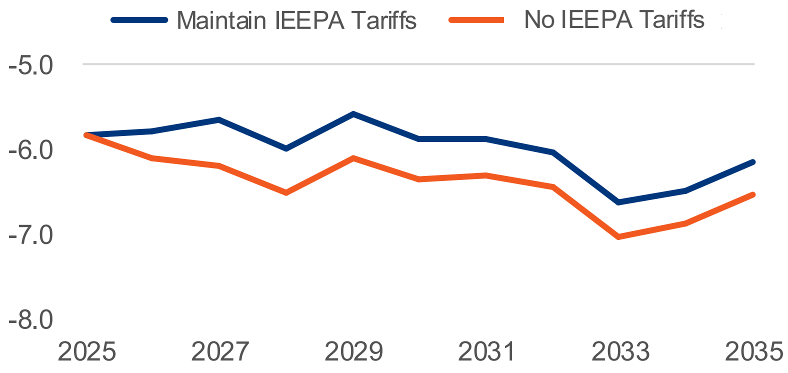
Tariff Impact Item	Potential Developments	Legal Basis & Constraints
Court Rules Tariffs Invalid	Reciprocal tariffs, fentanyl tariffs	IEEPA ruled not to grant tariff authority
Valid Tariffs	Section 232 (national security; steel & aluminum tariffs) Section 301 (unfair trade practices; targeting China)	Not affected by this court ruling
Temporary Tariff Measures	President announces 15% temporary global tariff, valid for 150 days	Implemented under Section 122 of the Trade Act; tariff rate capped at 15%; duration limited to 150 days
Potential Alternative Reciprocal Tariff Policies	(1) Expand Section 232 coverage (including steel, aluminum, autos, copper, trucks, lumber; possibly more industries) (2) Launch Section 301 investigations against major trading partners	Authority has no clear upper limit, but requires public hearings or investigation procedures
U.S. Government Refund Pressure	Estimated tariff refunds of approximately USD 175 billion	Timeline uncertain; may take 3–5 years

Invalidation of Reciprocal Tariffs May Support Growth; Revenue Decline Risks Steeper U.S. Yield Curve

Impact of Tariffs on Real GDP (Long Term), %



Fiscal Deficit as % of GDP



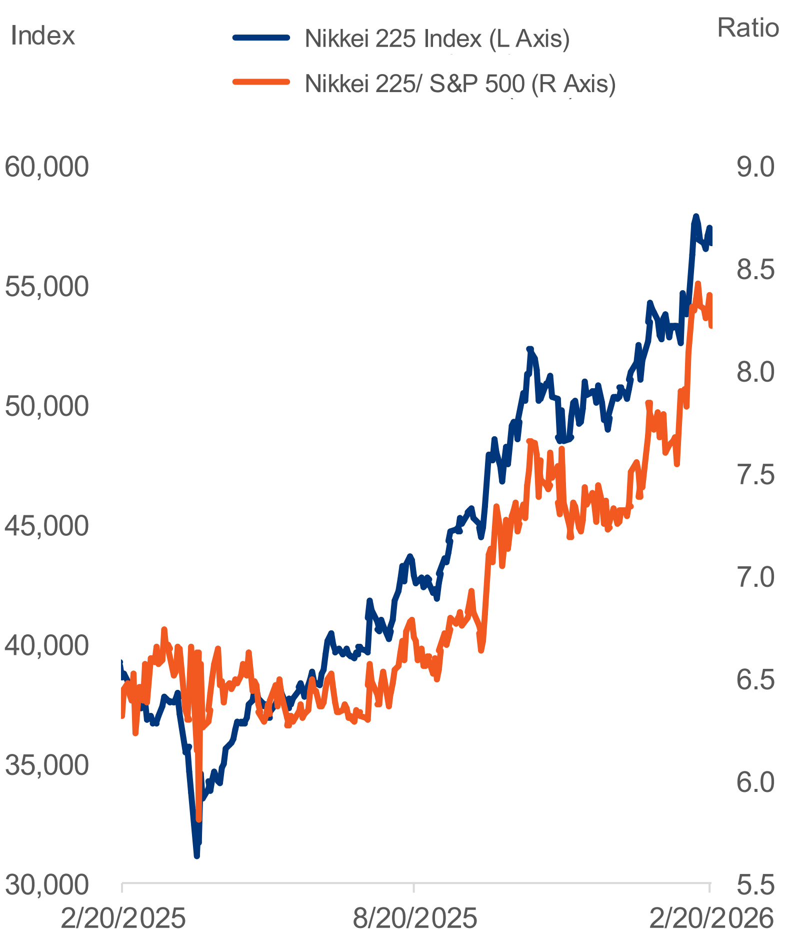
Source: Bloomberg, The Budget Lab of Yale; 22 Feb 2026

KGI

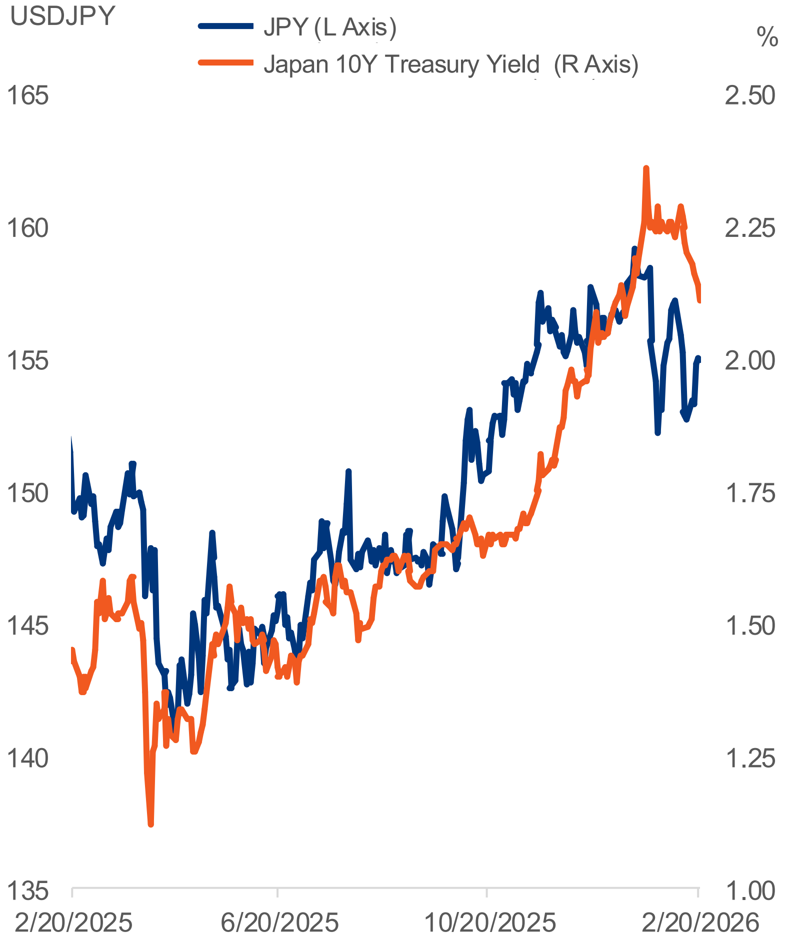
Major Events 2 Takaichi Rally Lifts Japanese Equities; Foreign Inflows Stabilize Yen and JGBs

- In early February, Japan's lower house election delivered a decisive win for the LDP led by Sanae Takaichi, securing 316 seats—above the two-thirds threshold for constitutional amendments. The strong mandate boosted reform expectations. TSMC's 3nm expansion in Japan also lifted semiconductor stocks, pushing the Nikkei 225 to a record high before consolidating during the Lunar New Year.
- Lower political uncertainty supported Japanese equities. Foreign inflows stabilized the yen, with USD/JPY 160 seen as a key policy line, limiting further weakness. Improved growth outlook and tax revenue expectations eased fiscal concerns and JGB selling pressure. As firms gain pricing power and domestic demand improves, the yen-equity correlation has weakened. Near term, we favor exporters and semiconductors. Longer term, diversified exposure is advised, with preference for TOPIX and sectors such as banks, semiconductors, defense, domestic demand, and nuclear energy.

Takaichi Rally Drives Japanese Stocks Higher, Outperforming U.S. Equities



Foreign Inflows Support Stability in the Yen and Japanese Government Bonds



Source: Bloomberg, 22 Feb 2026

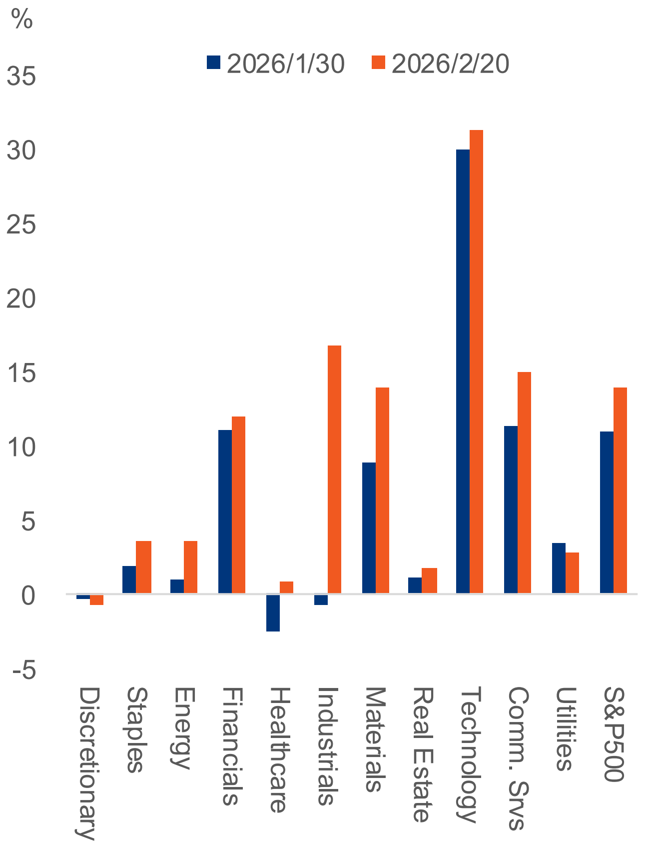
Q4 Earnings

Tech Remains the Primary Driver of Overall Index Earnings Growth

- As of February 20, around 85% of S&P 500 companies have reported 4Q25 results. Overall earnings growth for the index has been revised up from 10.9% at the end of January to 13.9%. Except for Consumer Staples and Utilities, most sectors have seen upward revisions in earnings growth. The Technology sector continues to deliver growth above 30%, reflecting sustained investment and commercialization momentum in AI services and cloud infrastructure. Although overall S&P 500 earnings momentum may moderate slightly in 1Q26, Technology sector growth is expected to accelerate toward the 40% level.
- On February 25 (U.S. time), AI chip leader NVIDIA will release its fourth-quarter earnings, drawing significant market attention. Despite strong fundamentals, the stock has shown muted performance year to date, partly reflecting concerns over elevated valuations in AI-related names and rising investor expectations. Following Meta's major order announcement in February, markets will focus on whether earnings can deliver further upside surprises. Additionally, potential new chip announcements at the March GTC conference could serve as key catalysts for continued gains in technology stocks.

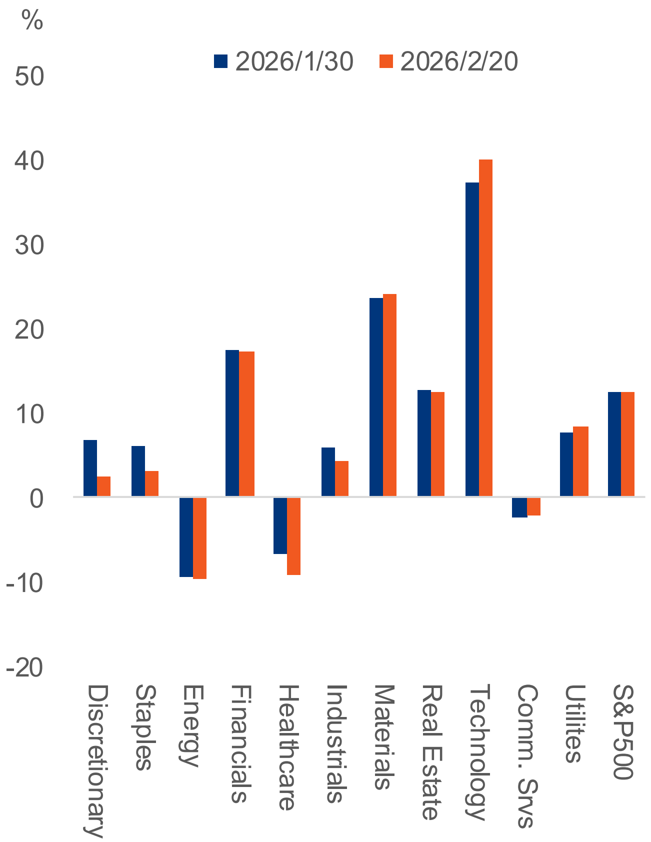
Technology Earnings Growth Continues to Outpace Most Sectors

S&P 500 4Q25 Earnings Growth – Actual



Some Sector Forecasts Ease Slightly, While Technology Continues to Climb

S&P 500 1Q26 Earnings Growth – Consensus Estimate



Source: LSEG, 20 Feb 2026

Asset Strategy

Asset Type	Market View	Preferred Assets
Equities	◆ The U.S. Supreme Court has ruled the International Emergency Economic Powers Act (IEEPA) unconstitutional, creating uncertainty around potential new tariffs under alternative legal authorities and the refund process for reciprocal tariffs. In the near term, investors should also monitor volatility stemming from U.S.–Iran geopolitical tensions. ◆ European and Japanese equities can serve as key diversification allocations. In Europe, preferred markets include Germany (fiscal stimulus and improving growth), the U.K. (attractive valuations and rate-cut tailwinds), and Spain (solid fundamentals and high financial sector weight). Sector preferences focus on financials with improving balance sheets and defense names supported by policy. In Japan, we favor domestic demand plays, banks, and semiconductors.	**Strategy:** Core allocation to large-cap, high-quality names. Long-term positioning in AI-related themes including technology, semiconductors, utilities, and machinery. Outside AI, aerospace, defense, and value stocks are preferred. **Regions**: Germany, Spain, Japan banks, Japan semiconductors
Bonds	◆ With reciprocal tariffs overturned, lower-than-expected tariff revenue could widen the U.S. fiscal deficit and steepen the yield curve. Corporate fundamentals remain stable, though market volatility has led to modest credit spread widening, more pronounced in high yield. We prefer locking in yields through Treasuries and investment-grade bonds with strong cash flow profiles. Sectors with relatively attractive risk-adjusted spreads include financials, utilities, and industrials. ◆ Given long-term depreciation concerns for the U.S. dollar, investors may diversify into non-USD bonds, such as euro- or AUD-denominated investment-grade bonds. Improving fundamentals in emerging markets also support selective allocation to high-yield EM debt.	**Duration:** Treasuries and high-quality investment-grade bonds; preferred sectors include financials, industrials, and utilities. **Types:** Non-USD bonds for diversification
Forex	◆ Internal divisions within the Federal Reserve suggest a near-term wait-and-see stance. The U.S. dollar may have limited downside in the short term but remains biased weaker over the medium to long term. ◆ With ECB rate cuts nearing an end, the euro is likely to trade in a range. In Japan, expectations of fiscal easing and a cautious Bank of Japan stance limit near-term upside for the yen.	**USD:** Mild depreciation trend, with limited downside **JPY:** Limited near-term appreciation potential **EUR:** Range-bound
Commodity	◆ Gold prices show signs of bottoming. From a fundamental perspective, geopolitical risks linked to Trump-era policies, competition over strategic resources, and tariff-related uncertainties continue to support gold's allocation value. Silver remains more speculative; the gold-silver ratio is expected to mean-revert over time, warranting a cautious long-term stance.	**Gold**: Positive medium- to long-term outlook **Silver:** High volatility

Key Data / Events

FEB 2026

16 Monday
- Japan Q4 GDP QoQ (Act:0.1% Est:0.4% Prev:-0.7%)
- Japan Dec Industrial Production MoM (Act:-0.1% Prev:-2.7%)
- Eurozone Dec Industrial Production YoY (Act:1.2% Est:1.3% Prev:2.2%)

17 Tuesday

18 Wednesday
- U.S. Dec Durable Goods Orders MoM (Act:-1.4% Est:-2.0% Prev:5.4%)
- U.S. Jan Industrial Production MoM (Act:0.7% Est:0.4% Prev:0.2%)

19 Thursday
- U.S. Weekly Initial Jobless Claims (Act:206k Est:225k Prev:229k)
- Japan Dec Core Machinery Orders MoM (Act:19.1% Est:5.0% Prev:-11.0%)
- Eurozone Feb Consumer Confidence (Act:-12.2 Est:-12.0 Prev:-12.4)

20 Friday
- U.S. Dec PCE YoY (Act:2.9% Est:2.8% Prev:2.8%)
- U.S. Dec Core PCE YoY (Act:3.0% Est:2.9% Prev:2.8%)
- U.S. Q4 GDP Annualized QoQ (Act:1.4% Est:2.8% Prev:4.4%)
- U.S. Feb Michigan Consumer Sentiment (Act:56.6 Est:57.3 Prev:56.4)
- U.S. Feb S&P Global Mfg PMI (Act:51.2 Est:52.4 Prev:52.4)

23 Monday
- U.S. Dec Durable Goods Orders MoM (Est:-1.4% Prev:5.4%)

24 Tuesday
- U.S. Feb Conference Board Consumer Confidence (Est:87.0 Prev:84.5)
- Home Depot (HD) Earnings

25 Wednesday
- Eurozone Jan CPI YoY (Est:1.7% Prev:2.0%)
- TJX (TJX), Lowe's (LOW), Intuit (INTU) Earnings

26 Thursday
- U.S. Weekly Initial Jobless Claims (Est:215k Prev:206k)
- Japan Jan Machine Tool Orders YoY (Prev:10.9%)
- Eurozone Feb Consumer Confidence (Prev:-12.4)
- NVIDIA (NVDA) Earnings

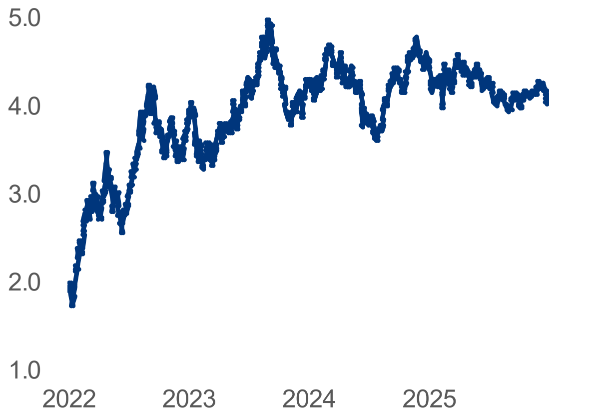
27 Friday
- U.S. Jan PPI YoY (Est:2.6% Prev:3.0%)
- Japan Feb Tokyo CPI YoY (Est:1.4% Prev:1.5%)
- Japan Jan Retail Sales MoM (Est:1.5% Prev:-2.0%)
- Japan Jan Industrial Production MoM (Est:5.6% Prev:-0.1%)
- Salesforce (CRM) Earnings

Source: Bloomberg

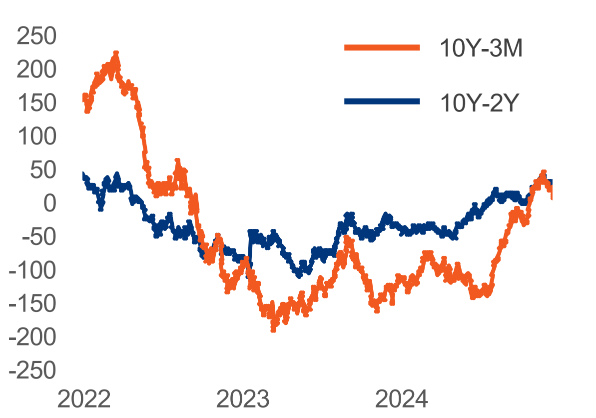
Appendix

U.S. CPI YoY (%)

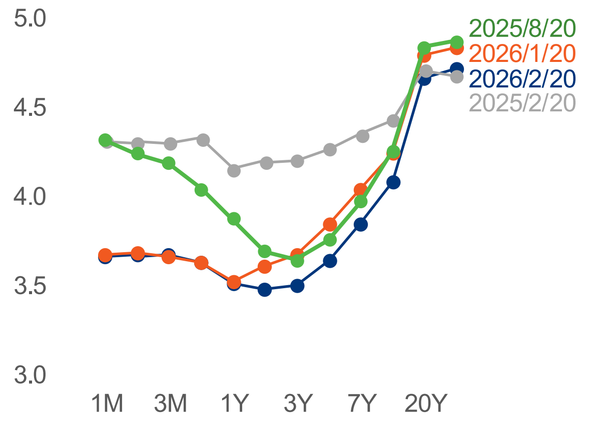
U.S. 10-Year Treasury Yield (%)



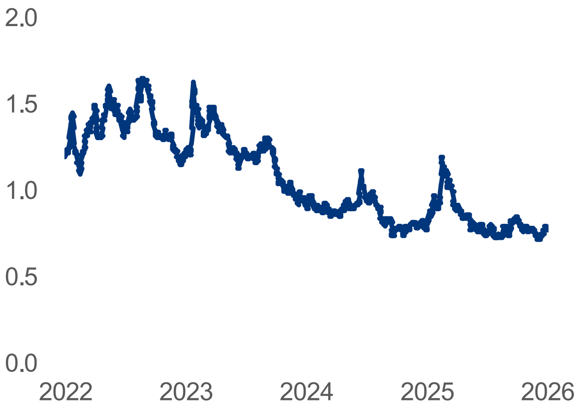
U.S. Treasury Yield Spread (bps)



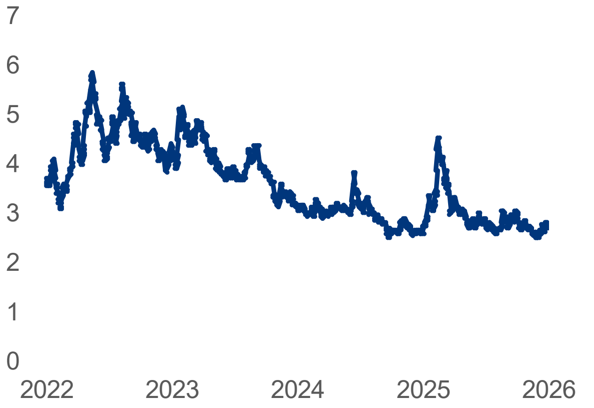
U.S. Treasury Yield Curve (%)



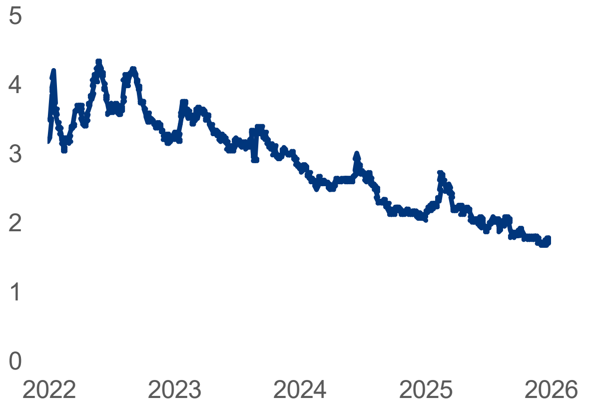
USD IG Credit Spread (%)



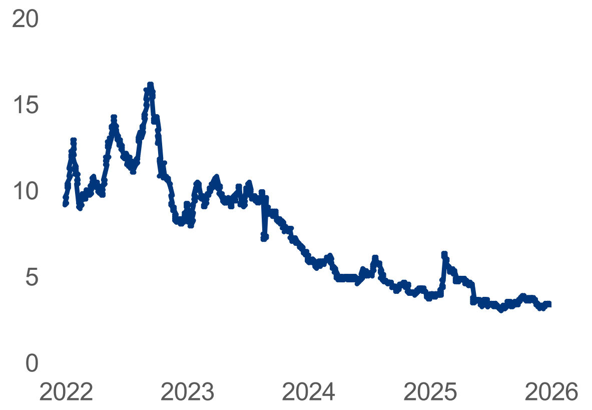
USD HY Credit Spread (%)



USD EM Credit Spread (%)



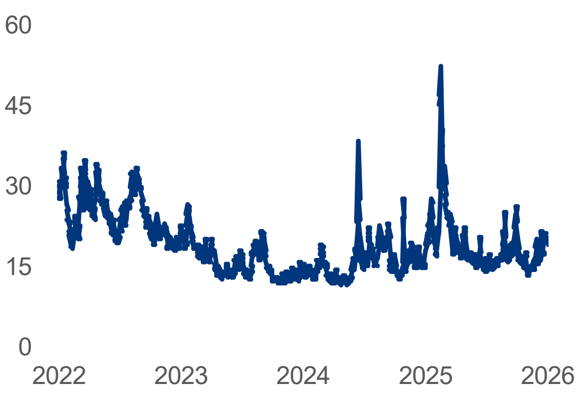
USD Asia Credit Spread (%)



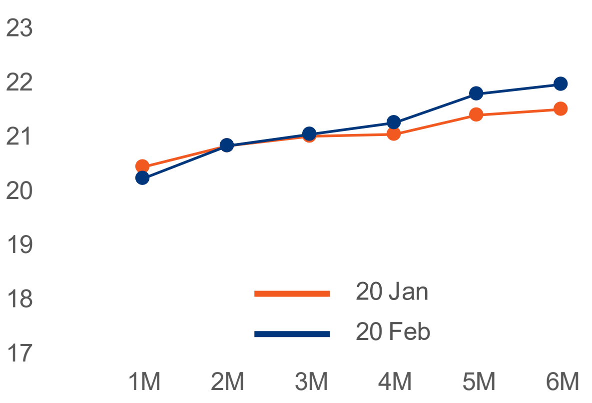
Source: Bloomberg

Appendix

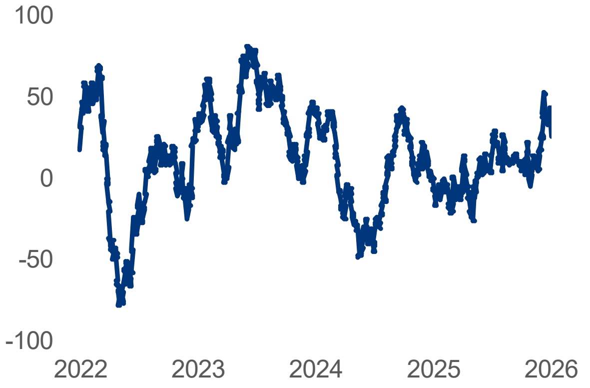
VIX Index



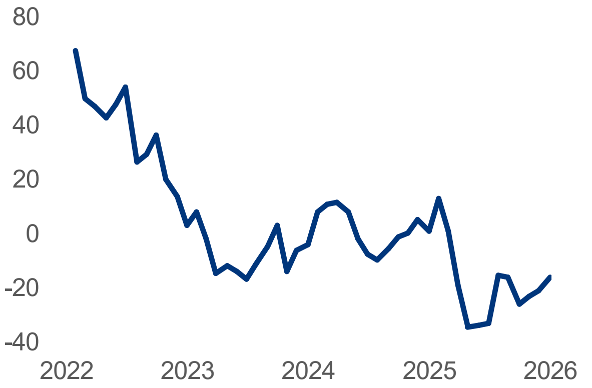
VIX Term Structure



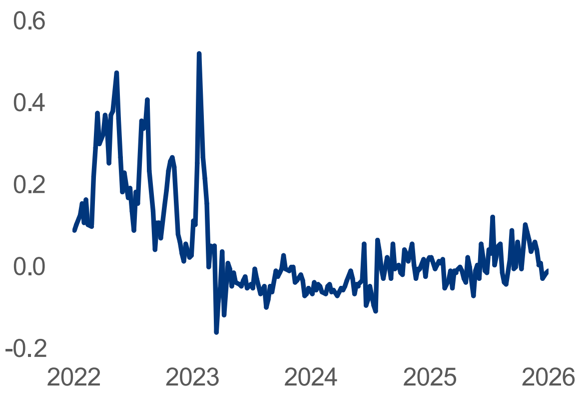
U.S. Citi Economic Surprise Index*



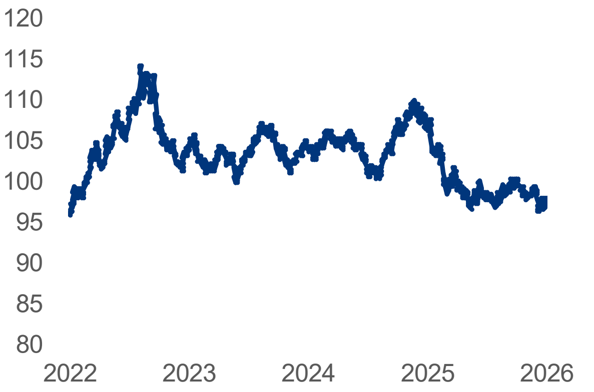
U.S. Citi Inflation Surprise Index*



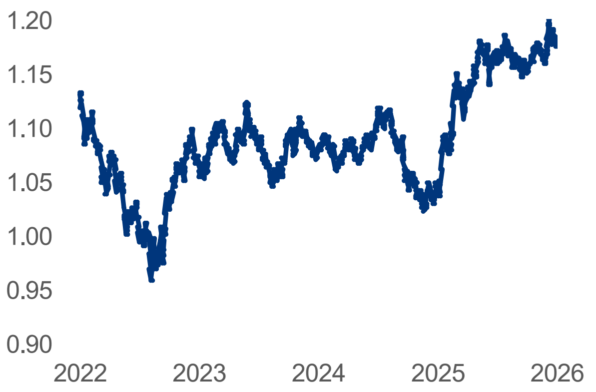
TED Spread (bps)



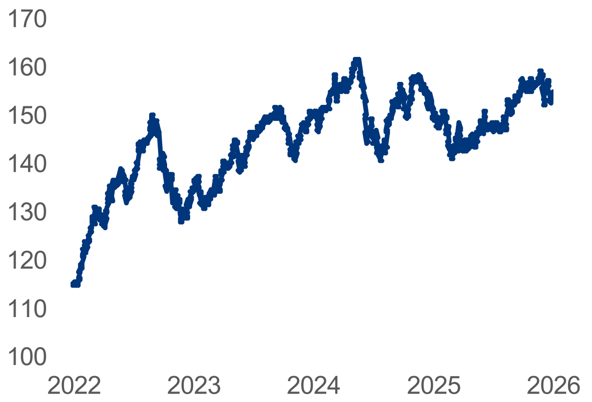
U.S. Dollar Index



EUR to USD



USD to JPY



Source: Bloomberg, *The Citi Economic/Inflation Surprise Index measures the deviation between economic data/actual inflation and market expectations. A rising index indicates economic improvement/inflation exceeding market expectations.

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