

Markets volatile on shifting AI Narrative

After sustained periods of technology stocks leading equity markets, last week saw a rotation toward traditional sectors like Consumer Staples, Energy, Industrials, and Materials. These areas quietly outperformed as confidence in high-growth tech has softened. A key factor is rising concern over the immense investment needed to sustain artificial intelligence growth. During the fourth-quarter earnings season, it became clear that major tech companies are spending much more than expected. Amazon's latest results underscored this concern. While the company reported modest earnings miss for the December quarter, the share price reaction had little to do with near-term performance. Instead, investors focused on Amazon's \$200 billion capital expenditure plan for 2026 which marks a 50% increase from last year. Although this can largely be funded internally, tech giants are moving away from the capital-light models that once justified their high valuations. Debt levels are rising as firms stretch their balance sheets for rapid expansion, bringing new questions about return on capital, execution risk, and when AI investments will turn profitable.

Elon Musk's SpaceX last week agreed to acquire his artificial intelligence venture xAI in a transaction valued at around \$1.25 trillion. The deal consolidates SpaceX's aerospace capabilities with xAI assets, including the Grok chatbot and the X platform, ahead of a potential public listing later this year.

Volatility returned to digital assets, with Bitcoin falling roughly 10% last week, briefly trading below \$65,000 amid fading enthusiasm around the "Trump rally". Markets reacted to the nomination of Kevin Warsh as the next Federal Reserve chair, with expectations that a more hawkish approach could limit rate cuts, an environment that typically pressures speculative assets such as cryptocurrencies.

Meanwhile, Japanese equities hit record highs after the Liberal Democratic Party won 316 of 465 lower house seats, boosting prospects for fiscal stimulus. Stocks rallied, bonds fell, and the yen recovered modestly as markets priced in a more decisive economic policy.



Fact of the week

Last week the Dow Jones Industrial Average hit 50,000 for the first time ever.

Our regular market information continues on the next page.

Snapshot



- World Equities
- Copper
- Oil
- Gold



- Corporate Bonds
- Sovereign Bonds

The week ahead

11 Feb The delayed US non-farm payrolls for January goes to print.

12 Feb The preliminary result of UK Q4 2025 GDP is published.

13 Feb US Consumer Price Index data for January is released.



1 Week Return 30.01.26 to 06.02.26		Year to Date Return 31.12.25 to 06.02.26		
	Local Currency	Euro	Local Currency	Euro
World	0.0%	0.7%	2.3%	1.6%
U.S.	-0.2%	0.5%	1.1%	0.5%
Europe	0.8%	0.8%	3.7%	3.7%
Ireland	0.9%	0.9%	0.8%	0.8%
U.K.	1.5%	1.4%	4.6%	5.2%
Japan	3.6%	2.5%	8.6%	7.9%
Hong Kong	-1.9%	-1.3%	8.6%	7.5%
Corporate Bonds	-0.1%	-0.1%	0.9%	0.9%
Sovereign Bonds	-0.1%	-0.1%	0.8%	0.8%

Warning: Past performance is not a reliable guide to future performance.

Warning: The value of your investment may go down as well as up.

Warning: Benefits may be affected by changes in currency exchange rates.

Warning: If you invest in this product, you may lose some or all of the money you invest.

Equities

- Global stocks finished up 0.7% in euro terms and flat at 0.0% in local terms last week.
- Year-to-date global markets are up by 1.6% in euro terms and up by 2.3% in local terms.
- The U.S. market, the largest in the world, finished up at 0.5% in euro terms and down at -0.2% in local terms.

Fixed Income & FX

- The U.S. 10-year yield finished at 4.2% last week. The German equivalent finished at 2.8%. The Irish 10-year bond yield finished at 3.1%.
- The Euro/U.S. Dollar exchange rate finished at 1.18, whilst Euro/GBP finished at 0.87.

Commodities

- Oil finished the week at \$64 per barrel and is up 10.0% year-to-date in euro terms.
- Gold finished the week at \$4,964 per troy ounce and is up 14.3% year-to-date in euro terms.
- Copper finished the week at \$12,923 per tonne and is up 3.2% year-to-date in euro terms.

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