

Market Commentary 6th of February 2026

The new year has seen a significant shift in market leadership, as the narrow, tech-heavy rally of 2025 gives way to a more diversified investment landscape. While the "Magnificent Seven" took a backseat, U.S. small-caps and emerging markets surged to the forefront, driven by supportive domestic data and a global appetite for AI infrastructure.

Monetary policy remains a primary focal point for investors. After finishing 2025 with three consecutive rate cuts, the Federal Reserve held rates steady in January. However, the most significant policy news was the nomination of Kevin Warsh to succeed Jerome Powell as Fed Chairman.

The month was also influenced by rare geopolitical events that tested investor nerves. The capture of Venezuela's president sparked fears of supply disruptions, keeping oil prices buoyant, while diplomatic friction over Greenland led to the sharpest one-day market drop since October. Despite these tensions, equities proved resilient, rebounding quickly as the U.S. pivoted toward a diplomatic "framework deal" rather than military escalation. Overall, global equity markets remained robust, with the S&P 500 Index posting gains of 1.37%. International markets showed even greater strength; the STOXX 50 Index advanced 2.81% and the FTSE 100 Index rose 2.94%. Leading the developed world, Japan's NIKKEI Index delivered a standout performance, surging 5.93% for the month.

The aggregate bond market showed modest positive momentum, up 0.91% for the month following a strong recovery in 2025. Major indices and ETFs reflect an environment of steady returns as investors navigate evolving central bank policies and decelerating inflation.

The gold market experienced extraordinary volatility in January, ultimately reaching a historic milestone of \$5,400 per ounce. This rally was primarily underpinned by systemic currency debasement concerns and sustained, large-scale accumulation by global central banks. The month concluded with a notable technical correction, however. Following an increase in margin requirements, the market saw a wave of rapid liquidation that pulled prices back toward the \$5,000 support level. Despite this late-month retreat, gold delivered a robust monthly performance, finishing the period with a total gain of 13.31%.

Silver also experienced a volatile surge, skyrocketing 68% to nearly \$117/oz before collapsing 25% in a single session. This classic "speculative flush" cleared out over-leveraged retail traders, though the metal still closed up 18.89%. Crude oil followed suit, ending the month up 13.57%, supported by Winter Storm "Fern" in the U.S. and ongoing geopolitical tensions in the Middle East.

The U.S. Dollar, as measured by the DXY Index, had a volatile January, finishing down 1.35%. It initially weakened, but the "Warsh Shock"—the anticipation of a more hawkish, pro-dollar Federal Reserve—



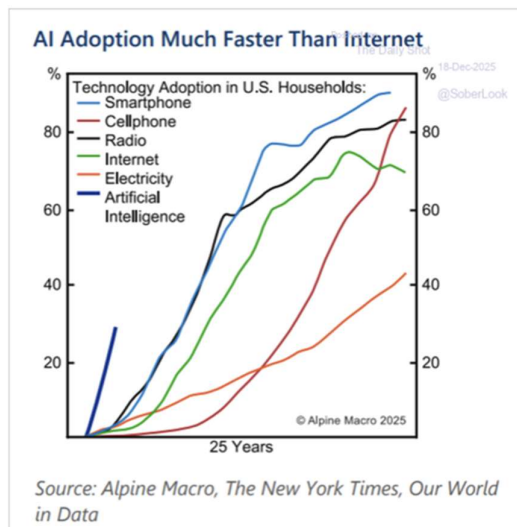
triggered a late-month rally that recovered some of those losses. Similarly, Bitcoin experienced high volatility characterized by an initial surge followed by a significant correction. It opened the year at \$87,508.05 and reached a monthly high of \$97,860.60 on January 14. However, a broader market "risk unwind" led to a sharp decline in late January, with the price falling 10% for the month.

The Tech Correction – should we be worried?

While broad market indices, especially in the US have fallen only slightly from their all-time highs recently, the fall in technology has been far more pronounced. This has resulted in more notable drawdowns in "growth" vs "value" indices. It also comes at a time when the AI narrative has soured somewhat, with many saying "show me the money", as they are concerned that all the unprecedented AI spending will not have a commensurate return on investment. The "hyperscalers" (Alphabet, Amazon, Meta and Microsoft) have not only spent hundreds of billions, but they have committed many hundreds of billions more this year and beyond, and many are accusing them of reckless spending. As investors get nervous about the AI trade, they have by and large been sellers of the tech space. Recent falls of 15-27% in the likes of Microsoft, Nvidia, AMD, Broadcom and Meta, with a market cap of more than 10 trillion between them, reflects this worry.

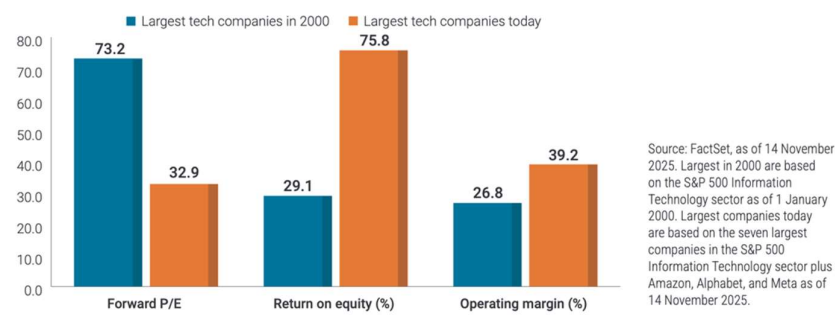
Software companies have been hit especially hard, with falls of 25-60% in some big names. We, like most rational investors are concerned, as these falls are reflected in our portfolios, and we do not know how far this down-cycle will go or how long it will last. Still, we would rather take a step back and remind you of the big picture and the fundamentals.

1. AI is being adopted at an alarming rate, far outpacing previous transformative eras. We not only see it in households, but in corporations, that are expected to double their AI spending in 2026, according to BCG (a consulting group). This bodes well for growth. BCG also notes that "Future-built" corporate leaders achieve 5x the revenue increases and 3x the cost reductions compared to those struggling with AI adoption.





2. Recent quarterly reports from Microsoft, Meta, Alphabet and Amazon were all above expectations in terms of profit, revenue and future guidance. For example, Alphabet announced a 30% increase in net profit compared to the same quarter last year and made a stunning \$132 billion in profit and \$400 billion in revenue in the last 12 months! These are still highly profitable companies, with amazing growth profiles despite their very large sizes. Any talk of a bubble and of similarities to 2000 are not rational in our opinion. See chart below.



Markets have rewarded such growth in the past and they will in the future. Two examples of the highest quality companies that have been hit are Microsoft and Nvidia. At the time of writing, they are trading 27% and 17% below their all-time highs. More strikingly, their current valuations carry forward P/E ratios of 22% compared to their 5-year average of 29% and 37%. These are huge dislocations that we do not expect to last. Let's not forget that Microsoft carries the extremely rare AAA bond rating, while Nvidia, which is expecting \$100B in free cash flow this year is also a rare AA rating.

3. The same reports have indicated that between them, the four hyperscalers will spend about \$650 billion in capex this year. This was way above analysts' forecasts and have alarmed the markets. It is the main reason that their stocks have been getting hit. While we still have strong conviction that these companies' stocks will be much higher in 12-24 months than they are today, we have even higher conviction in the other side of this trade. That is, the beneficiaries of all this humongous spending. Here, we are confident in the performance of the highest quality companies in all-aspects of data center deployment such as building, electrification, semiconductors, semi equipment, cooling systems, networking systems, energy providers etc. Many of these companies have also been hit recently, creating opportunities that we think will reward investors in a big way.

While all the above is exciting, we remain grounded and well diversified in our equity allocation and continue to focus on non-speculative high-quality companies in different sectors.



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