

Market Commentary 3rd of March 2026

International equity markets saw an increase of 1.34% in February. The standout performers in developed markets were the Nikkei 225 and FTSE 100 Index, with gains of 10.37% and 6.72%, respectively. The Eurozone, as measured by the Eurostoxx 50 Index, was up 3.33% for the month.

In contrast to other developed markets, the U.S. underperformed, recording a decline of 0.87%. This decline was largely driven by investor skepticism regarding whether major tech firms can generate sufficient revenue to justify their massive AI investments, alongside a sell-off in software companies feared to be made redundant by rapid advancements in Artificial Intelligence. Conversely, the S&P 500 Equal Weight Index surged 3.5%, reflecting much broader participation across the market.

By the end of February, U.S. Treasury yields fell significantly across the curve; the benchmark 10-year yield dropped below the 4% threshold for the first time in months, while the 2-year note ended at 3.38%, its lowest point since August 2022. The decline in yields was primarily driven by a "flight-to-quality" as investors reacted to a combination of slowing economic growth and geopolitical shocks. This trend was mirrored in Europe, where German 10-year Bund yields declined by 20 basis points. In the UK, 10-year Gilt yields dropped to 4.25%, their lowest level since December 2024, amid softer employment figures and domestic political uncertainty.

In commodities, both gold and oil saw significant upward movements (Oil up 3.34%, Gold up 7.86%), largely driven by heightened geopolitical risks in the Middle East and tensions between the U.S. and Iran.

In currencies, the U.S. Dollar, as measured by the DXY Index, rose by 0.64%. The strengthening DXY was supported by safe-haven demand and a "hot" PPI report, which prompted market participants to scale back expectations for Federal Reserve rate cuts. In contrast, Bitcoin fell 22% in February, a stark reminder of its highly volatile nature.

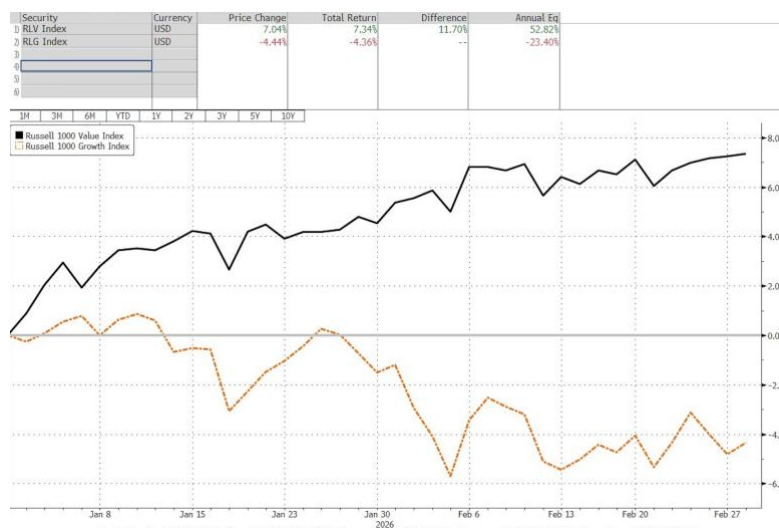


The Tech Correction – should we be worried? Take Two and More

In last month's commentary we argued that big falls in high-quality tech shares have not changed our opinion about their future prospects. February continued to be a brutal month for tech as selling pressure continued, with broad financials also joining the "down party". Indeed, further falls in Microsoft, Nvidia, Amazon, Alphabet and others were joined by JP Morgan, Visa, Mastercard and American Express as investors viewed AI as negatively affecting these companies. "Shoot first and ask questions later". In our opinion this is an over-reaction. When we add even further falls caused by the invasion of Iran, we believe that anyone with a medium to long term horizon will benefit from buying more of these companies' stocks.

As you read in the first section above, the broad markets have been quite resilient in the face of these sectoral selloffs. This is because many "value" stocks have outperformed their growth brethren by a huge margin. As you can see from the graph below, YTD "US value" is up 7.3% while "US growth" is down by 4.3%, for a (massive) difference of 11.6%.

US Value vs US Growth YTD to end of February 2026



The gap is so large that some pundits are calling it the beginning of the long overdue "great rotation". We are skeptical of this view as the main reason value has gone up so much is because of multiple expansion (higher P/E ratios), rather than earnings growth. At the same time, the forward P/E ratio of the Magnificent 7, has fallen to 26, from a high of 38 last year. Considering the broad market's forward P/E ratio of 22, a smaller than 20% premium for the Mag 7 seems like a bargain. This is because earnings growth for this year is expected to be 24% for Mag 7 vs 13% for the broad market ex Mag 7. The market always rewards companies with superior earnings growth. Add to that more solid balance sheets, higher return on equity and more than twice as high profit margins, one should seriously consider buying the current dip. When to buy is a fool's errand. Below is a quote from Ajay Rajadhyaksha, global research chair at Barclays, on March 2, 2026:



Early next week is too early to buy any dip, especially with investors used to a pattern of quick de-escalation . . . What worries us is that investors have now learned this pattern and might be underpricing a scenario where containment fails. Say the market opens Monday pricing in another spike-and-collapse in geopolitical tensions. But then, events on the ground escalate . . . If equities pull back enough (say over 10 per cent in the S&P 500), there is likely to come a time to buy. But not yet.

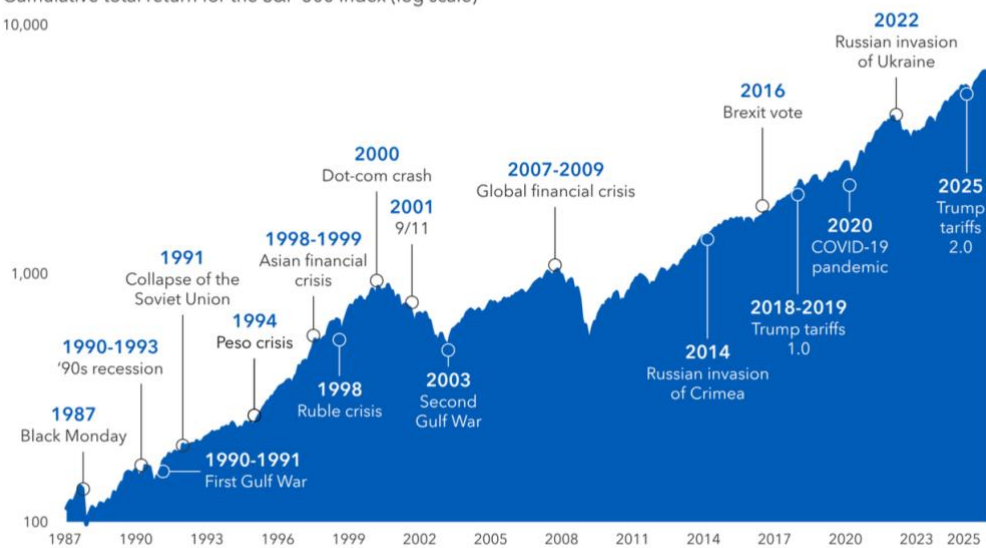
He might be right or might not. We always have the big picture in mind when we live through crises or uncomfortable moments. Below is a graph from Capital Group. No explanation necessary:

Markets have powered through previous crises



Market downturns are painful, but history shows they're common. Over the long term, stocks have been resilient.

Cumulative total return for the S&P 500 Index (log scale)
10,000



Sources: Capital Group, Standard & Poor's. As of December 31, 2025. Data is indexed to 100 as of January 1, 1987, based on cumulative total returns for the S&P 500 Index. Shown on a logarithmic scale.

As Capital Group eloquently asked:

Imagine going back in time to New Year's Day 2020 and learning in advance what the next six years would bring:

- *A global pandemic,*
- *Inflation topping 9%,*
- *Multiple wars,*
- *The highest U.S. tariffs in decades.*

Would you want to invest in stocks? Probably not.

Yet time after time, financial markets pushed through each shock and reached new highs. So, if on that January morning you ignored all the troubling events and had stayed invested, the S&P 500 Index would have risen more than 128%.

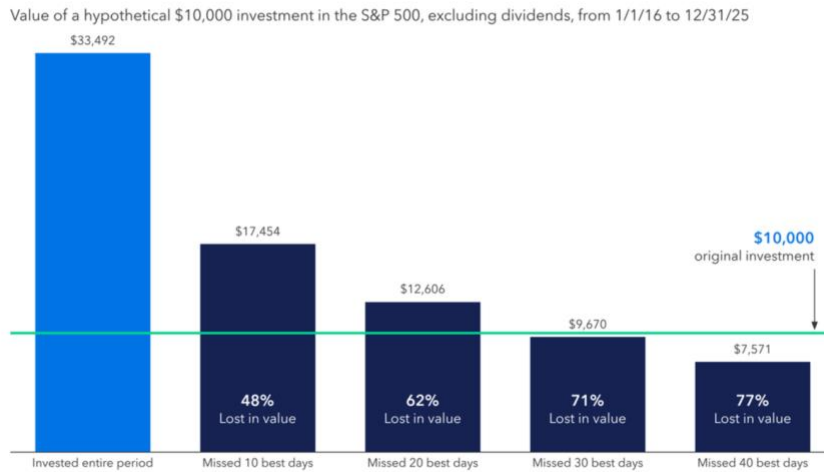
As for timing the markets, we quote Capital Group again.



Timing the market can be costly



Missing just the best 10 days is enough to set a \$10,000 investment back nearly 48% compared to staying fully invested over a 10-year period.



Sources: Capital Group, RIMES, Standard & Poor's. As of December 31, 2025.

Don't let emotions control your investment decisions. History shows that a decade's worth of returns can hinge on just a handful of strong trading days. Miss the 10 best days and a \$10,000 stake would have ended up nearly 48% smaller than if you had simply stayed invested. Miss the 20 best days and the gap would have widened to 62.4%.

Do we really want to time the markets? No thanks!

Anyone who has savings that they do not need in the near future should consider adding to high quality equities. The chances are they will be happy with the decisions when they look back a few years from now.

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