



### MARKET NEWS

**EQUITIES:** The U.S. earnings season for Q4 2025 has effectively drawn to a close, with FactSet reporting blended earnings growth rate of 14.2% – the fifth consecutive quarter of double-digit expansion for the S&P 500. The month was however overshadowed by a “software reset” triggered by Anthropic’s launch of Claude ‘Cowork’. The introduction of autonomous AI agents led to a sharp move away from traditional software (specifically SaaS) models (such as Adobe and Salesforce) as investors began to price in lower future revenues.

In the U.K., the FTSE 100 index reached a new all-time high in February. Its outperformance was driven by large weightings in “old economy” sectors, with oil stocks benefitting as geopolitical tensions saw oil prices rise.

Japan remained a bright spot following Prime Minister Sanae Takaichi’s landslide election victory on February 8<sup>th</sup>. The Nikkei 225 index surged past 57,000, driven by a mix of corporate governance reform and a shift toward a mildly inflationary environment.

Asia and Emerging Market returns in 2026 have outperformed Western peers, as investors rotate toward AI hardware enablers and “scarcity” plays in the semiconductor supply chain. They have also benefitted from a weakening U.S. Dollar.

**CURRENCY:** The Japanese Yen experienced significant volatility this month, initially weakening to one-year lows on fiscal expansion fears before stabilising as markets digested the Takaichi victory. The U.S. Dollar remains range-bound; while supported by resilient domestic data, it faces headwinds from the shifting probability of Fed action. Of note, the Swiss Franc has reached decade-highs against the Dollar, reasserting its status as the primary “safe haven” amid escalating Middle Eastern tensions.

**BONDS:** U.S. Treasury yields drifted higher in February as the “higher-for-longer” rhetoric resurfaced. Robust employment data – with the unemployment rate falling to 4.4% – and steady consumer spending have led markets to trim the likelihood of a June rate cut. In Japan, JGB yields climbed to 2.2%, their highest level since 1999, as the market anticipates the cost of refinancing COVID-era debt under a more expansionary fiscal regime.

**ALTERNATIVES:** Significant cracks have appeared in private credit markets, which have grown to \$1.8 trillion in size. This month, Blue Owl Capital “gated” one of its tech-focused funds, preventing quarterly withdrawals. This move, reminiscent of 2008 liquidity mismatches, has sparked broader anxiety regarding the opacity of private lending books and the impact of AI disruption on the companies that these funds typically finance.

### MACRO NEWS

**POLITICS:** On February 28<sup>th</sup> the geopolitical landscape shifted once more, following a massive joint U.S. and Israeli strike on Iran. This action followed months of regional escalation and has placed the Strait of Hormuz – the world’s most vital oil artery – in a state of paralysis.

In Japan, the political landscape was redrawn by Sanae Takaichi’s landslide election victory on February 8<sup>th</sup>. Her platform, which combines aggressive military expansion with large fiscal stimulus, has fundamentally changed the outlook for Japanese debt and equity markets.

Closer to home, the U.K. political scene was jolted by the by-election result in Gorton and Denton. The Green Party secured a historic victory, pushing Labour into third place. This result has introduced a fresh “political risk premium” into U.K. assets, as markets speculate whether the Starmer administration will pivot its fiscal policy toward more radical environmental spending.

In the U.S., a landmark Supreme Court ruling struck down the administration’s use of the International Emergency Economic Powers Act (IEEPA) to impose broad tariffs. While this initially provided a relief rally for importers, the administration responded by invoking Section 122 of the Trade Act of 1974, signalling that the era of protectionism is merely changing its legal attire rather than exiting the stage completely.

**MONETARY POLICY:** The Federal Reserve maintained its target rate range of 3.50%–3.75%. While Chair Jerome Powell had previously hinted at a steady easing cycle, February data has complicated the “June Cut” narrative. Markets are now pricing in just a 40% chance of a mid-year reduction, down from 75% in January.

In the U.K. and Europe, the central banks will potentially have a new inflationary pressure to build into their modelling as a result of the spike in commodity prices, but time will tell how prolonged the disruption to supply is and, as a result, the inflation impact.

**COMMODITIES:** Commodities have been the standout performers YTD. Copper hit record highs this month, increasingly viewed as the essential backbone of both the AI data centre build-out and the green energy transition.

Oil prices, which had been trading near \$70, spiked toward \$85 following strikes on Iran. Analysts warn that any sustained disruption to the Strait of Hormuz could easily push crude to \$100+, reigniting inflationary pressures that central banks have fought so hard to contain. Natural Gas has also spiked, with European gas prices rising c.60% in two days. For some perspective, this now trades at levels last seen in February 2025.

## CHART OF THE MONTH

In last month's chart we looked at volatility in Gold and Silver, and it felt appropriate this month to include a similar chart for Oil & Gas, given the disruption to supply via the Strait of Hormuz, through which roughly 20% of global supply is shipped. The charts show the trading patterns of U.K. Natural Gas futures (left) and Brent Crude Oil prices (right) since the day before the Iranian air strikes, with each bar representing 1 hour of trading and a green bar representing a positive hour, red a negative hour. The length of the disruption will determine how this feeds through to inflation, but as it stands the spikes higher will be felt in the months to come in the prices we all pay, introducing a new challenge for the Bank of England and other central banks globally.



Source: LSEG Workspace

## MARKET DATA

Index	Value	%1m	%3m	%6m	%1yr	%3yr	%5yr	%10yr
FTSE 100	10,510	1.3	8.7	15.2	24.1	47.3	89.2	147.0
FTSE All-Share	5,630	0.9	8.0	14.2	23.4	44.4	76.9	137.0
FTSE AIM	786.40	-3.9	5.0	2.3	12.1	-9.1	-33.9	12.9
FTSE World (ex-UK)	795.02	1.7	2.5	9.6	18.5	54.1	82.9	262.0
S&P500	6,817	-0.8	-0.3	5.5	19.5	75.7	94.5	304.0
Dow Jones	48,501	-2.0	1.4	6.3	14.1	45.3	56.8	185.0
Nasdaq 100	24,720	-0.7	-3.4	4.6	21.5	101.0	98.3	471.0
S&P Smallcap 600	1,574	-0.3	6.2	8.9	20.1	24.0	23.7	137.0
Eurostoxx 50	5,772	-3.3	0.9	8.0	7.1	34.4	55.8	90.0
Nikkei	56,279	3.7	10.3	32.2	50.8	102.0	94.5	231.0
Hang Seng	25,250	-6.0	-2.7	0.8	10.1	22.8	-13.6	25.1
Shanghai (SSE)	4,123	0.5	6.4	9.5	24.0	23.9	17.7	43.4
FTSE Government All-Stocks	130.02	0.9	0.6	4.4	4.1	7.5	-18.4	-4.0
GBP/USD	1.3384	-1.9	0.5	-0.4	4.6	11.1	-3.7	-5.9
GBP/EUR	1.1505	-0.5	0.5	-0.2	-4.5	1.6	-0.9	-11.0
Gold \$	519,220	3.6	23.4	46.1	78.2	180.0	206.0	312.0

Source: Alpha and LSEG Workspace: data as at 04-02-26

## Get in touch

If you are interested in using a discretionary investment manager or are contemplating switching from your existing manager, we would be delighted to hear from you. We are passionate about what we do and unincumbered by any large corporate mindset, free to act independently in your best interest.

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