Weekly Macro and Markets View

9 February 2026

Highlights and View

Another mixed week for stocks sees Anthropic's latest release send a shockwave through the software industry

While a number of global equity markets posted intra-week records, fears returned around the scale of AI spending and signs that AI itself could cannibalise the software industry.

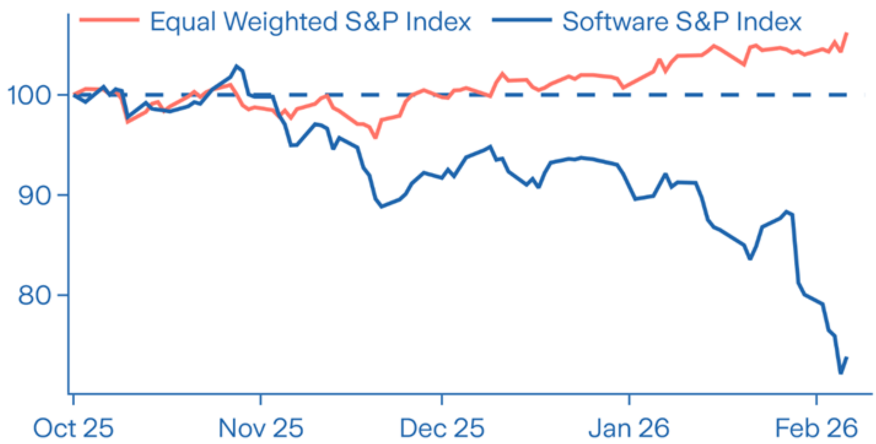
PM Sanae Takaichi wins the snap election as expected

JGBs widened on concerns over increased issuance following Takaichi's pledge to suspend the 8% food tax for two years while the yen was steady and equities rallied.

A tariff reset and policy credibility reinforce India's relative macro appeal

Lower US tariffs versus China strengthen exports; higher borrowings lift yields.

The disruptive nature of technological development is apparent



Source: Bloomberg

It was another topsy-turvy week for equity markets as investors grappled with a barrage of news. Although the MSCI World Equity Index closed the week flat, this once again belied some profound moves. While most European markets were in the green, and Japan's TOPIX rallied an impressive 3.7%, global technology stocks were pummelled on two themes. The first was much higher than expected capital spending commitments, unsettling investors as fears of over-spend resurfaced. Amazon and Alphabet announced USD 200bn and USD 185bn respectively for this year, sending the companies' stocks down a respective 12% and 5% on the week. The second disruption was a new product release from Anthropic that highlighted the potential for AI to make highly profitable software obsolete. Software stocks plunged in response. We continue to point out that technological innovation is by nature disruptive and requires investors to be focused and nimble, rather than simply playing trends. Encouragingly, this is what is happening, with funds being recycled to other opportunities within equities rather than withdrawn. Earnings are certainly supportive. The US Q4 earnings season shows YoY growth of around 13%, notably higher than expected, with around 60% of companies having reported. Interestingly, according to Factset, the weaker dollar has played a part as companies with mostly international revenues are seeing earnings up over 17%. Rising stock volatility requires caution, but the buy-the-dip mentality is holding for now.

Credit

Leveraged loans bear the brunt of the software sell-off

Credit was not immune to last week's software sell-off, as the launch of Anthropic's new AI tool led investors to fret over risks of disruptions to software-as-a-service (SaaS) business models. The reaction in credit was differentiated rather than uniform. While Investment Grade (IG) and High Yield (HY) corporate credit markets saw an orderly response to the sell-off, with spreads widening only marginally, leveraged loans underperformed markedly. Two structural vulnerabilities are likely to have exacerbated the underperformance. First, the leveraged loans market is highly exposed to the software sector, which is its largest component, accounting for 17% of the Bloomberg US leveraged loans index, versus only 4% of the Bloomberg US HY index. Second, credit quality is lower in loans versus HY bonds, especially so among SaaS names. We think that AI disruption fears are likely to continue to drive dispersion and keep investors focused on tail risks in leveraged finance. At the same time, we think the risk of a broader contagion is limited, given our base case of a benign macro backdrop.

US

A big jump in manufacturing new orders

Business activity had a robust start into the new year. According to the latest ISM survey, manufacturing activity expanded for the first time in a year in January, with the headline index jumping to the highest since August 2022. Meanwhile, services activity also grew at a solid pace, with new orders and employment expanding. The publication of payrolls and the unemployment rate was postponed because of the government shutdown, but employment growth has softened according to the ADP report. Similarly, the number of job openings fell back to the lowest level in more than five years in December, indicating that firms remain reluctant to increase hiring, though both the layoff and the quits rate remain unchanged. Finally, initial jobless claims rose in the last week of January, though the number is likely to be distorted due to the severe winter weather in some states. On a positive note, consumer sentiment has improved for the third month in a row in February, helped by a slightly better perception of inflation and employment conditions.

Eurozone

Still in a good place

Eurozone inflation data was welcome news. The headline rate slowed to 1.7% YoY. The core measure rose at 2.2% YoY, slowing more than the market expected. Service prices slowed too, to 3.2% YoY, helped by evidence of softer annual resets on some service contracts. Those last two measures remain above the ECB's 2% target, but 2026 bodes well for further falls here. The ECB met last week and reiterated that policy is in 'a good place'. With inflation slowing and growth holding up, we now think policy is unlikely to change this year. Yet the ECB must contend with growing inflation divergences between countries. French inflation stands at 0.4% YoY, while Spain's is 2.5% YoY. National central bank representatives are likely to be increasingly vocal about specific domestic conditions. Other news last week included particularly strong German factory order data for December. While industrial production figures were disappointing, due to a weak automobile sector, forward looking data suggest a genuine improvement this year.

Switzerland

Economic activity stabilises, but the strong currency remains a headwind

Swiss activity data confirm that the economy is stabilising following the reduction of US tariffs in November. Stronger Eurozone activity, bolstered by German fiscal expansion and coordinated defence spending, is also supportive for the export-oriented Swiss economy. Consistent with this, although the manufacturing sector remains in contraction, the January PMI suggests a bounce in activity, helped by a pickup in new orders. Services activity also firmed, following a slump in the second half of last year when sentiment deteriorated on surging US tariffs.

The labour market appears to be stabilising, with a tick lower in the unemployment rate in January (after accounting for seasonal factors), in line with higher frequency data on hiring intentions which show similar stabilisation. Meanwhile, the franc remains highly valued and will continue to be a headwind to both growth and inflation over the coming months, limiting potential upside.

India

Credible macro framework meets tactical market repricing

India's policy mix drove market dynamics last week as fiscal credibility, monetary calm, and recalibrated trade barriers shaped asset flows. The Union Budget reaffirmed consolidation with a FY27 fiscal deficit of 4.3% of GDP and elevated capex, but gross market borrowings came in above expectations, pressuring yields upward as supply repricing rippled through the curve. We interpret the sell-off as tactical; over the medium term, anchored inflation and fiscal clarity should keep yields rangebound with attractive carry. The RBI maintained the repo, rate at 5.25% cementing a neutral stance that underpins financial stability and limits volatility across fixed income and risk assets. Equities saw measured consolidation as markets absorbed higher issuance, yet capex orientation and policy predictability sustained earnings confidence. In trade, the US tariff reset to ~18%, placing India's export duty below several regional peers (e.g., Vietnam and Bangladesh at ~19–20%, Pakistan ~19%, and China ~35%), enhancing competitiveness in key sectors. This supports export momentum and a resilient currency outlook.

What to Watch

- In the US, the delayed labour market report and the latest inflation numbers will give crucial insights into the current state of the US economy.
- This week brings Q4 2025 employment data for the Eurozone. December trade balance data will be released as well as Italian industrial production data.
- Inflation and GDP data will be published for Switzerland
- January CPI data will be in the spotlight in Brazil, Mexico, and Argentina.

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