

Weekly Macro and Markets View

23 February 2026



Highlights and View

The US Supreme Court rules against President Trump's use of IEEPA to impose broad-based tariffs

Important questions like potential refunds remain open while the administration has announced that it will immediately implement new tariffs using other measures.

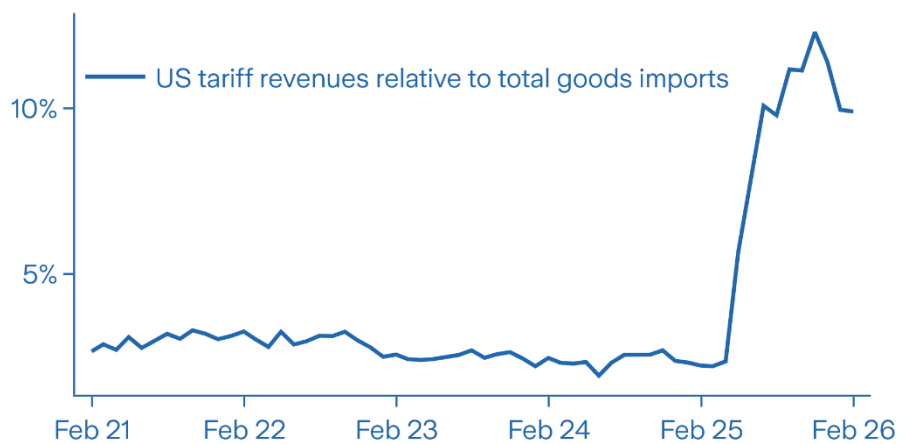
Economic activity picks up in the UK, though the employment environment remains soft

The unemployment rate ticks up to 5.2% while headline inflation slows to 3.0% YoY from 3.4% the month before.

Investment Grade (IG) and High Yield (HY) spreads partly retrace their recent spread widening

We expect demand for higher quality bonds to stay supportive while AI disruption fears are likely to keep pressuring leveraged loans given higher software exposure and lower credit quality.

The US Supreme Court rules against Trump's tariffs



Source: Bloomberg

On Friday, in a vote of six against three, the United States Supreme Court ruled that the administration's use of the International Emergency Economic Powers Act (IEEPA) to impose broad based tariffs was unconstitutional. Major questions including the handling of potential refunds and the treatment of existing trade agreements have not been addressed, creating significant uncertainty. As expected, the administration has announced that it will immediately implement new tariffs, this time under Section 122 of the Trade Act of 1974. This allows the President to address 'fundamental international payments problems'. The tariffs imposed under this rule can reach a maximum of 15% and can only remain in place for 150 days, after which Congressional approval would be required to extend them. If that cannot be attained the administration could use other legal measures to impose tariffs, creating more uncertainty. Meanwhile, the US economy went through a bit of a soft patch in the final quarter of 2025 with GDP growth slowing to 1.4%, down from 4.4% in Q3. Consumer spending and business investment were significantly stronger, however, indicating that the headline GDP number may not tell the full story—the longest ever government shutdown will have left its mark. Industrial production, durable goods orders and initial jobless claims paint a more robust picture.

UK

A solid pickup in activity

The UK economy is showing encouraging strength at the beginning of 2026. The Composite PMI rose to 53.9 in February, the highest level in almost two years, driven by both manufacturing and services activity. The survey data so far this year are consistent with GDP rising by about 0.3% in Q1 if the pace is sustained in March. Retail sales rebounded markedly in January, rising by 1.8% MoM, thus pushing the annual rate to 4.5%, the strongest since February 2022. Interestingly, the pickup in consumer spending comes despite a weaker labour

market. The unemployment rate ticked up to 5.2% in December from 5.1% the month before, leading to a slowdown in wage growth from 4.6% YoY to 4.2%. Meanwhile, price pressure is fading with headline CPI slowing to 3.0% YoY in January, down from 3.4% YoY in December. Inflation is expected to keep falling over the course of the year, allowing the Bank of England to support the ailing labour market with further rate cuts, probably as soon as March.

Eurozone

Germany's fiscal boost is evident in the data

Last week brought closely watched PMI figures. The good news: the Eurozone February Composite indicator rose from 51.3 to 51.9. This is historically consistent with trend-like growth. The Manufacturing PMI rose above 50, a level only seen in two months since 2022. German data were particularly strong, with clear evidence of the fiscal boost. This was further corroborated by a significant increase in federal spending for January. More negatively, French PMIs remain in contractionary territory. Eurozone labour demand is weakening overall,

particularly in services. Separately, rumours abound of an early exit for ECB President Lagarde. If confirmed, we see little impact for ECB policy. European equity markets have performed strongly, with record investor inflows, helped by a global broadening-out theme and structural tailwinds for industries benefiting from AI and defence spending. We see scope for a further move higher, with favourable global conditions for risk assets. The SCOTUS tariff ruling in the US suggests further upside, although we expect traditional export areas to lag the market.

Switzerland

GDP growth rebounds in Q4 while inflation remains weak

Flash GDP data showed a rebound in growth in Q4, with sports adjusted GDP rising 0.2% QoQ, up from -0.5% in Q3. This left annual GDP growth in 2025 at 1.4%, confirming that the economy remains resilient. The print was in line with recent surveys that showed sentiment stabilising following the reduction in US tariffs in November, with growth momentum set to improve further in early 2026. By contrast, consumer prices fell again in January, down -0.1% MoM, with annual inflation at 0.1%. While deflationary import prices remain the key driver of weakness,

domestic price pressures are also notably lacking. This was highlighted by the latest producer price data, which showed prices falling at -1.5% YoY in January, with deflationary pressures primarily driven by goods destined for export. CPI inflation is once again tracking below the SNB's forecast, and the strong franc is set to amplify the weak dynamics in coming months. While we do not anticipate any further rate cuts from the SNB, risk to the rate outlook remains to the downside.

Indonesia

Trade agreement reached maybe...

A trade agreement between Indonesia and the US was finalized last week that, subject to implementation, would see the effective tariff rate lowered from the threatened 32% to 19% for most goods. For Indonesia the deal is significant as the US is their second largest export market, covering goods such as palm oil, textiles and pharmaceuticals. The reciprocal aspect of the trade deal is Indonesia's commitment to purchase USD 33bn of US goods. From an FX point of view, the agreed upon US purchases, which to be fair are dependent on a host of details not

forthcoming at this point, will add further pressure to the weakening Rupiah. This is already a point of concern for Bank Indonesia and has necessitated a pause in their rate cut cycle, whilst at the macro level, the President's aim of 8% growth clearly depends on an accommodative monetary policy setting. Given the tariff developments in the US over the weekend, it remains to be seen whether the recently negotiated trade deal will be rescinded before it actually commences.

Credit

A better tone emerges, but investors have become more discerning

Last week, corporate credit markets across Investment Grade (IG) and High Yield (HY) retraced some of the spread widening seen over the two weeks prior. Supply/demand dynamics were supportive. The primary market was active, and new deals were well received. New issue concessions in USD IG, which had picked up during the previous week, reduced and oversubscription levels remained solid. Fund flows were healthy for USD IG as well as for EUR IG and HY, but negative to flat for USD HY and leveraged loans. Notably, leveraged loans have

continued to significantly underperform, both in the US and Europe. Looking ahead, we expect demand for credit to remain supportive overall, particularly for higher-quality bonds, given the constructive macro backdrop. That said, it is worth monitoring the extent to which AI disruption fears spill over beyond leveraged loans and software to other credit segments as we continue to see investors remaining vulnerable to any downside risk at current valuations.

What to Watch

- In the Eurozone, this week brings German ifo and GfK consumer sentiment data plus both French and Italian domestic surveys. We will also receive February inflation data for Germany, France, and Spain.
- 2025 Q4 GDP prints for HK and India, and CPI data for Australia and HK are expected in Asia, as well as central bank rate decisions for China and South Korea.
- In LatAm, Mexico's Q4 GDP print is also scheduled for release early in the week.

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