Allianz Global Investors

02/2026

Market Snapshot

Equity Snapshot

United States

US equities fell fractionally in February. Fears of an AI bubble resurfaced early on, triggering a sharp sell-off in technology names, although fears around the disruptive potential of AI for software firms and broader sectors rattled markets for much of the month. Meanwhile, President Donald Trump invoked Section 122 to impose a blanket 10% global tariff after the US Supreme Court struck down the sweeping tariffs pursued by the White House under an emergency law, leaving uncertainty around the slew of trade deals subsequently signed between the US and its global trading partners. In geopolitical news, US-brokered peace talks between Russia and Ukraine ended abruptly while nuclear talks between Washington and Tehran continued for much of the month. Joint US–Israeli attacks against Iran on the last day of the month resulted in the death of Supreme Leader Ayatollah Ali Khamenei and a series of retaliatory strikes by Tehran against Israel and US allies across the Middle East.

US Economic data was mixed. An official advance estimate pointed to a sharp slowdown in economic growth, with an increase of just 1.4% in the fourth quarter of 2025, down from the previous quarter's upwardly revised 4.4% and falling way short of the 2.5% expected. Retail sales also missed estimates, remaining flat in December after increasing by 0.6% in November. Turning to labour market releases, non-farm payrolls data showed that 130,000 jobs were added to the US economy in January, trouncing consensus estimates of 70,000. However, the jobs report revised the totals downwards for previous months, to the extent that total jobs added in 2025 was reduced to 181,000 compared with the previously reported total of 584,000. More positively, the US unemployment rate continued to ease, falling from 4.4% in December to 4.3% in January. Meanwhile, the Conference Board Consumer Confidence Index rose to 91.2 in February from an upwardly revised 89.0 in January.

Headline inflation fell from 2.7% in the year to December to 2.4% in January and eased from 0.3% to 0.2% on a sequential month basis. While the Federal Reserve (Fed) announced a widely anticipated rate hold in January, minutes from the meeting released in February struck a hawkish note, with some policymakers favouring rate rises to tame stubborn inflation, which remains above the Fed's 2% target. However, concerns about the political independence of the US central bank and uncertainty about the future trajectory of monetary policy remained in focus.

Europe

European equities moved higher in February, although markets were not immune to the AI disruption fears dragging stocks lower elsewhere. The STOXX 600 Index touched a fresh record high as investors rotated out of mega-cap high-growth US tech names. Defence stocks also moved higher after US-brokered peace talks between Moscow and Kyiv collapsed dashing hopes of an end to the conflict as it entered its fifth year. Mounting concerns about renewed conflict in the Middle East further supported the sector. Reports that European Central Bank (ECB) President Christine Lagarde was planning to step down before her eight-year term ends in October 2027 fuelled succession talk and speculation about the central bank's policy outlook. Stocks rose later in the review period after the US Supreme Court's decision to overturn President Donald Trump's emergency tariffs.

Euro-zone economic fundamentals remained resilient. According to a flash estimate, inflation in the euro-zone slipped from 2.1% in the 12 months to December to 1.7% in January, trouncing forecasts and coming in well below the ECB's 2% target. As widely anticipated, the ECB held rates steady at 2.0% for the fifth consecutive meeting. Fourth-quarter GDP growth in the euro-zone rose by 0.3% on a sequential quarterly basis and is estimated to have grown by 1.5% over the whole of 2025, up from 0.9% in 2024. Euro-zone exports rose 2.4% over 2025, while industrial production in the euro-zone fell by 1.4% in December but rose by 1.2% for 2025 as a whole.

Asia

Asia ex-Japan equities extended their strong rally in February, led by Korea and Taiwan as semiconductor and AI stocks drove benchmark indices to record highs. Chinese equities finished the month lower, weighed down by weakness in internet and e-commerce names amid intense competition and market rotation toward new technology listings in Hong Kong. Indian equities also declined, pressured by oil-supply concerns against escalating U.S.–Iran tensions.

ASEAN markets also delivered positive returns, though they lagged the broader regional index. Thailand led the market following heightened investor appetite after the general election, while the Philippines gained on improved sentiment after a central bank rate cut. Singapore posted modest gains. In contrast, Malaysia was the weakest market, with shares retreating on profit-taking, and Indonesia slipped further as it struggled to recover from last month's sell-off.

Bond

Global bond markets generally saw strong performance in February, with the major bond markets buoyed by safe-haven flows and easing inflation. US Treasuries notched their best monthly return in a year. Eurozone and UK government 10-year bond yields also fell by 20 and 29 basis points respectively. Japanese bond yields also eased, with the 10-year yield falling by 13 basis points over the month. Inflation in January slowed across the US, Eurozone, Japan and the UK.

Outlook

Markets are increasingly reconciling powerful technological innovation with a renewed emphasis on valuation discipline and earnings quality. The pace of change across AI, automation, and digital infrastructure remains exceptional and continues to expand the addressable markets for leading companies. At the same time, recent volatility has reinforced the importance of selectivity. Investors are clearly distinguishing between durable compounders and more speculative business models. In this environment, disciplined capital allocation, resilient balance sheets, and demonstrable pricing power are emerging as decisive drivers of performance. For our strategies firmly anchored in quality and fundamental durability this represents a highly supportive backdrop.

The recent correction across parts of the AI and broader technology complex has created a more constructive entry point into structurally advantaged franchises. Heightened selectivity has encouraged a renewed focus on fundamentals and accelerated the re-rating of high-quality companies that had de-rated primarily on sentiment rather than any deterioration in earnings power. We are seeing improving breadth in software and growth segments, with early signs of renewed momentum as confidence rebuilds. In defence, short-term volatility stands in stark contrast to strengthening multi-year demand visibility, underpinned by structural increases in spending, stockpile replenishment, and long-dated procurement programs.

In Europe, fiscal expansion and industrial policy are acting as powerful catalysts for investment across energy infrastructure, electrification, efficiency upgrades, defence, and transportation. We maintain exposure to semiconductor equipment, automation, and AI enablers including data centre infrastructure and electrification suppliers where structural demand trends remain robust. Industrial order momentum and backlog visibility are strengthening across several holdings, while early stabilisation in China adds incremental upside potential.

Against this backdrop, we see a compelling environment for high-quality growth. Valuations across European Growth and Global Growth remain attractive relative to the durability and structural nature of earnings expansion on offer. As market leadership broadens and fundamentals reassert themselves, we believe the conditions are in place for sustained, earnings-driven outperformance.

Source: Allianz Global Investors, as of 28 February 2026 unless otherwise stated.

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