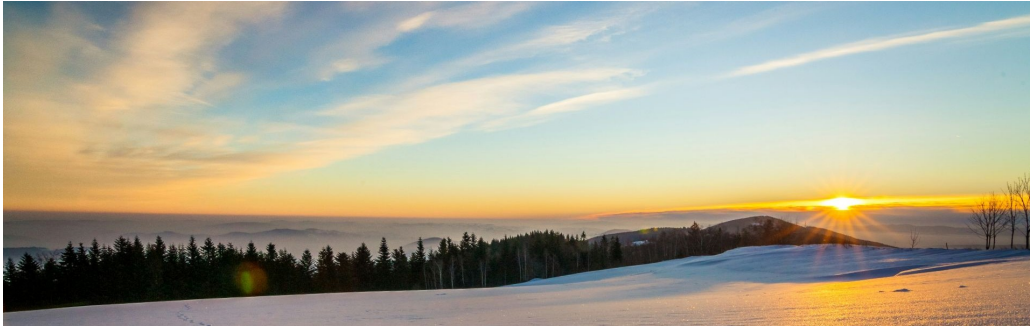


February 16, 2026

Weekly Investment Insights



MARKET SNAPSHOT

Major US stock indices ended last week in the red, as concerns that AI could have a disruptive impact on entire industries continued to drive the sell-off in the technology sector. Financial companies joined software and data firms in their concerns about the potential impact of AI on their businesses. Meanwhile, treasuries rallied, with the benchmark 10-year US Treasury note yield hitting a new year-to-date low amid pressure on equity markets.

We are about halfway through the Q4 2025 earnings season with 66% of US companies having reported and 45% in Europe. In the US, 77% of S&P 500 companies that have reported beat EPS estimates. EPS growth for these companies is at +12% y/y, surprisingly positively by 7%. Five out of eleven sectors are printing double-digit EPS growth, including Materials, Industrials, Financials, Tech and Communication Services. At the same time, Health Care has come in weaker.

In Europe, 57% of the Stoxx 600 companies that have reported have beaten EPS estimates, with EPS growth at +4% y/y, with a positive surprise of 3%. Results are quite mixed, with a number of sectors reporting negative EPS growth. Financials remain an outlier, having reported robust double-digit earnings growth.

	5 Day Percentage Change	MTD Percentage Change	YTD Percentage Change
S&P 500	-1,39	-1,48	-0,14
Nasdaq Composite	-2,10	-3,90	-2,99
EuroStoxx 50	-0,92	0,93	3,66
CAC40	0,21	2,64	2,35
DAX	-0,28	1,66	1,86
CSI 300	0,36	-0,98	0,66
US 10 Year Yield (%)	-3,66	-4,42	-2,85
Germany 10 Year Yield (%)	-3,10	-3,20	-3,61
Gold Spot (\$/Oz)	-1,11	2,19	15,79

Source: Bloomberg, BIL as of February 16

MACRO SNAPSHOT

Who's paying the tariff bill?

Over the course of 2025, the average tariff rate on US imports rose from 2.6 to 13%. According to a new study by the New York Fed, US importers and consumers are footing the bulk of this bill. The paper, posted on the [Liberty Street Economics](#) blog, writes that 94% of the tariff incidence was borne by the US in the first eight months of 2025, meaning that a 10% tariff, caused only a 0.6 percentage point decline in foreign prices.

By the end of the year, a larger share of the tariff incidence was borne by foreign exporters, but still only 14%.

Concurring with this conclusion, the non-partisan Tax Foundation found that the tariffs amounted to an average tax increase on US households of \$1,000 in 2025 and \$1,300 in 2026. With midterm elections scheduled for November 3rd and President Trump's popularity floundering, he has floated the idea of issuing USD 2,000 "tariff dividends" to middle and lower income households. Whether these cheques materialise partly hinges on an upcoming Supreme Court ruling over the legality of tariffs and how importers might receive tariff refunds.

Average by period in 2025	Tariff borne by foreign exporters (%)	Tariff borne by US importers (%)
Jan-Aug	6	94
Sep-Oct	8	92
Nov	14	86

Source: NY Fed, US Census Bureau

Is the US labour market turning a corner?

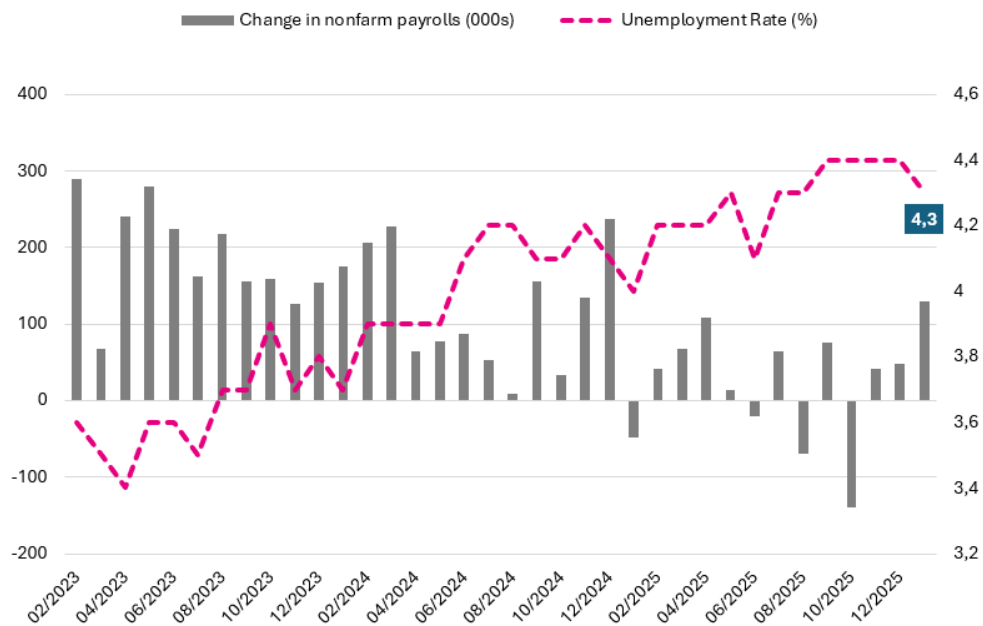
Throughout much of 2025, the US labour market was stuck in a “low hiring, low firing” situation. A breakout on the downside of that pattern would put consumer spending and economic growth in jeopardy. Already, we are seeing a slowdown in Retail Sales, which did not grow in December, and data released last week looked ominous amid a sharp spike in layoffs (though the data was skewed by a few key names like UPS and Amazon), as well as the fact that job postings fell to the lowest level since 2020 in December (the pinch of salt is that severe weather likely interfered with hiring plans).

However, this week brought glints of optimism that the situation in the job market is stabilising, perhaps even turning a corner.

The unemployment rate fell from 4.4%, to 4.3%, even as the participation rate rose, and average hourly earnings came in stronger than expected at 3.7% YoY. Note that the Fed sees a reading of around 3% as being consistent with its 2% inflation target.

Nonfarm payrolls rose by 130k, double the 65k expected by markets, and up from 48k in December. It marked the highest number of jobs being created since Dec 2024, and that's even with a negative skew from the delayed impact of Government job cuts. Federal payrolls dropped by 34k, with many employees who accepted deferred resignations in early 2025 falling off the books. Job gains were largely led by health care and social assistance; a healthy sign would be if this broadened out further.

So, all in all, quite a strong start to the year for the US job market. The market seems to believe that the data reduces the urgency for the Fed to lower rates, and expectations for a June rate cut were pushed out to July.

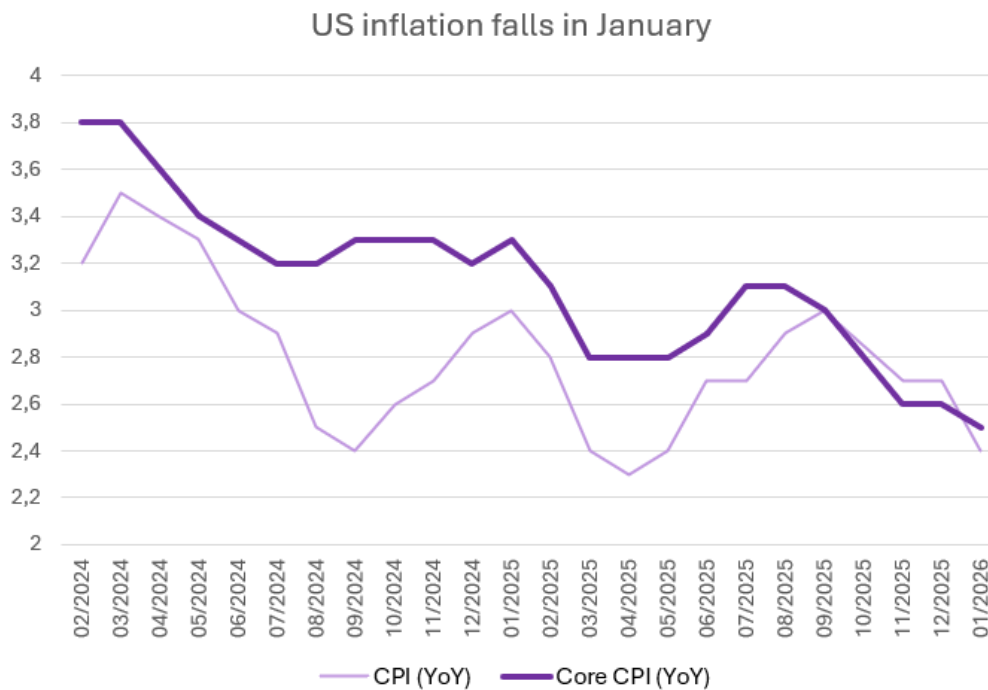


Source: Bloomberg, BIL

US inflation falls by more than expected in January

Consumer prices in the US increased by 2.4% in January, falling more than expected from 2.7% in December. The deceleration was largely due to base effects, however, as higher readings from a year ago disappear from the annual calculation.

Price pressures eased significantly in the energy sector (-0.1%, from 2.3% in December), driven down mainly by gasoline and fuel oil. Prices for used cars and trucks fell, while inflation for food and shelter slowed. Core inflation, which excludes volatile categories such as food and energy, eased to 2.5%, the lowest reading in nearly five years and compared with 2.6% in the prior month.



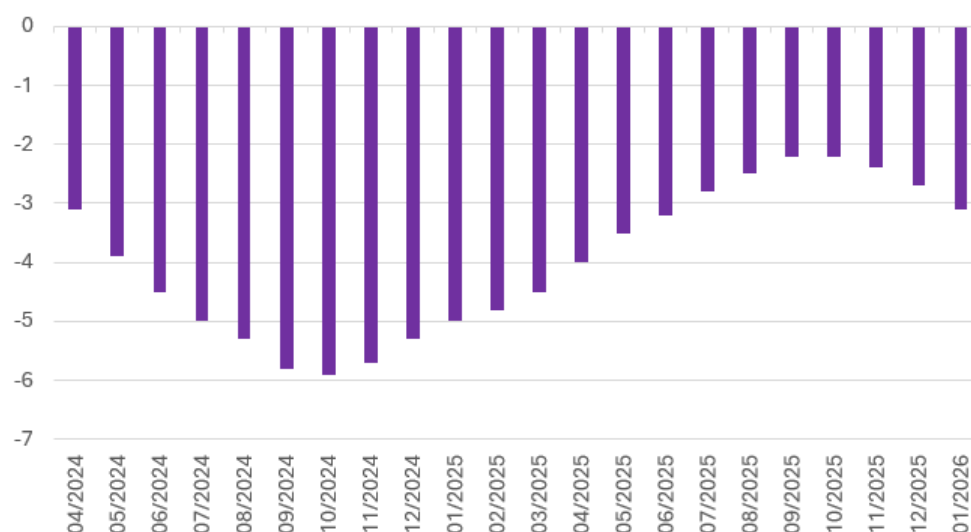
Source: Bloomberg, BIL

With price pressures easing, investors slightly increased their bets on interest rate cuts by the Federal Reserve. However, a first cut this year is still only fully priced in for July.

Chinese house prices continue to fall and inflation eases

At the start of the year, new home prices in China fell further, dropping by 3.1% year on year in January, compared to a decline of 2.7% in December. This marks the sharpest drop since June last year, highlighting the ongoing downturn in the property sector that China is struggling to turn around. This, in turn, is weighing on households, causing them to consume less as they observe the assets that hold most of their wealth declining in value. With Beijing set on increasing consumption's contribution to GDP growth in 2026, economists expect that consumers will either need to see the property downturn turn around, or for Beijing to unleash more serious stimulus measures, to meaningfully boost consumption.

China's new home prices continued to fall in January (%, YoY)



Source: Bloomberg, BIL

In terms of price pressures, China's annual inflation rate fell sharply to 0.2% in January, down from 0.8% the previous month and below expectations. This is the lowest rate since October last year. Prices fell for pork, eggs and cooking oils, which pushed down food inflation for the first time in three months. Non-food inflation also slowed, despite ongoing consumer trade-in programmes. Meanwhile, core inflation, excluding food and energy, eased to 0.8% year-on-year, which is the weakest figure in six months, following increases of 1.2% in December and November.

UK economy grew by just 0.1% in Q4 2025

According to preliminary estimates, the British economy expanded by just 0.1% in the final quarter of 2025, falling short of expectations and bringing to a close a year of modest growth.

Growth was driven higher by industrial production and manufacturing, which offset a decline in construction output. Services remained unchanged in Q4, partly reflecting the uncertainty faced by businesses in the run-up to the Autumn Budget announcement. Consumer spending remained low, while trade continued to be a drag on growth. Business investment fell by 2.7%, while government consumption rose by 0.4%.

Despite Chancellor Reeves' attempts to improve stability and increase business investment, the economy continues to struggle. Overall, the UK economy expanded by 1.3% in 2025, which is below the Bank of England's (BoE) estimate of 1.4%, up from 1.1% in 2024. The BoE is expecting just 0.9% growth this year.

With growth still depressed, the BoE is expected to continue lowering interest rates in an attempt to stimulate growth, with the first cut of the year likely to be made at the March meeting.

Calendar for the week ahead

Monday – Japan GDP Growth Rate (Prel, Q4). Switzerland GDP Growth Rate (Flash, Q4). Eurozone Industrial Production (December).

Tuesday – **UK Unemployment Rate** (December). Germany & Eurozone ZEW Economic Sentiment (February). US NAHB Housing Market Index (February).

Wednesday – Japan Balance of Trade (January). UK Inflation Rate (January). US Housing Starts (December), Industrial Production (January), FOMC Minutes.

Thursday – Switzerland Balance of Trade (January). US Balance of Trade (December), Jobless Claims. Eurozone Consumer Confidence (Flash, February).

Friday – Japan Inflation Rate (January). UK Retail Sales (January). **France, Germany, Eurozone, UK, US Composite, Manufacturing & Services PMI** (Flash, February). **US GDP Growth Rate** (Adv, Q4), Michigan Consumer Sentiment (Final, February).

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