

February 23, 2026

Weekly Investment Insights



The US Supreme Court has ruled that President Trump's trade tariffs are illegal. In a decision issued on Friday, the court found that Trump had exceeded his authority under the International Emergency Economic Powers Act (IEEPA) by imposing tariffs on dozens of trading partners in April last year.

Despite this, the White House has indicated that it intends to pursue other legal avenues to reinstate the tariffs. Speaking on Bloomberg Surveillance, Commerce Secretary Howard Lutnick referenced several alternative presidential authorities and emphasised that "tariffs are going to be part of this administration going forward". Over the weekend, Trump announced that he would replace the IEEPA tariffs with a blanket tariff of 15%, due to come into force on Tuesday. However, this new blanket tariff will require further congressional approval within 150 days.

While the 15% blanket tariff will be welcomed by some trading partners which face higher levies, others will see their trade-weighted average tariff rate increase despite having concluded negotiations to reduce duties. Similarly, trading partners that rely heavily on steel, aluminium, and automotive exports will continue to suffer, as the tariffs imposed on these sectors will remain in place following Friday's ruling.

MARKET SNAPSHOT

Gold rose and the US dollar fell on Monday as global trade uncertainty deepened following the US supreme court's ruling on Friday. In Asia, equities were boosted by the prospect of lower tariffs for some exporters.

Software stocks continue to face what some have coined a “SaaSageddon” (SaaS meaning software as a service). Despite solid Q4 earnings reports, the industry has been hit by a wave of selling that has wiped out hundreds of billions in market value. A combination of high valuations, burgeoning capex, and flip-flopping fears that on one hand, huge investments will not pay off, and on the other, that generative AI might disrupt legacy business models in an array of industries from software to wealth management to logistics.

Oil prices rose last week, reaching close to a six-month high of \$71.70 a barrel, amid rising tension between the US and Iran. The US has significantly increased its military presence in the Middle East this month, after Trump threatened to strike Iran unless the regime meets US demands concerning its nuclear program. On Thursday, Trump said Tehran had 10 to 15 days to reach an agreement with the US.

	Friday Close	5 Day Percentage Change	MTD Percentage Change	YTD Percentage Change
S&P 500	6909.51	1.12	-0.43	0.94
Nasdaq Composite	22886.07	1.28	-2.45	-1.53
EuroStoxx 50	6131.31	2.35	2.89	5.67
CAC40	8515.49	2.35	4.75	4.45
DAX	25260.69	1.34	2.43	2.63
CSI 300	4660.406	0.36	-0.98	0.66
US 10 Year Yield (%)	4.0826	0.61	-3.84	-2.26
Germany 10 Year Yield (%)	2.737	-0.69	-3.80	-4.20
Gold Spot (\$/Oz)	5107.45	3.18	5.24	19.25

Source: Bloomberg, BIL as of February 23

MACRO SNAPSHOT

US goods trade deficit widened in 2025 despite tariffs

The US trade deficit in goods reached a new record of \$1.24 trillion in 2025, despite the sweeping tariffs imposed by President Trump aimed at reducing “trade imbalances”. A notable exception, however, was the goods trade gap with China, which narrowed as US imports from China dropped by 30%. The total trade deficit, including both goods and services, reached \$901.5 billion, slightly less than the \$903.5 billion gap in 2024, however it remains the third-widest deficit on record.

In the last month of the year, the overall deficit grew by more than expected to \$70.3 billion, with exports falling by 1.7% and imports rising by 3.6%.

While President Trump's trade tariffs seem to have done little to reduce the trade deficit in 2025, they have brought the average effective tariff rate to its highest since the 1930s. Following the US Supreme Court's ruling that Trump's tariffs are illegal, it remains to be seen how the US administration will implement new tariffs this year. Some of the legal tools that the administration has mentioned as possibilities are:

- **Section 232** which allows tariffs to address national security risks in specific industries, such as steel or automobiles.
- **Section 301** which permits action in response to unfair foreign trade practices.
- **Section 338** which enables the US to penalize countries that discriminate against American commerce.
- **Section 122** which authorizes temporary, broad-based tariffs of up to 15% for 150 days to address balance of payments deficits.

However, these alternatives generally impose more procedural requirements and tighter limits than IEEPA. As a result, they offer the administration less flexibility to enact tariffs immediately or set rates as aggressively as it could under emergency powers.

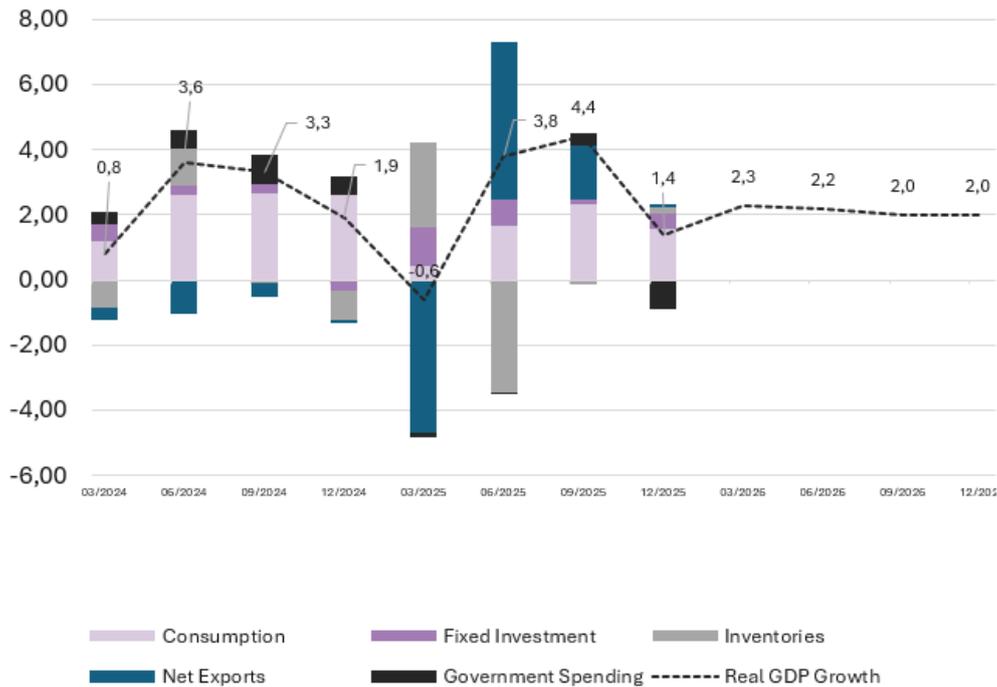
US growth slowed sharply in Q4

US economic growth slowed sharply to 1.4% year-on-year in the last quarter of 2025, well below forecasts of 3% and following 4.4% growth in Q3, according to advanced estimates.

Growth slowed by more than expected as the government shutdown caused government spending and investment to contract sharply (5.1% vs 2.2%), and consumer spending moderated. Consumer spending continued to be driven by upper-income households, while lower-income households struggled with an affordability crisis. This was offset by a rise in fixed investment, driven by strong gains in intellectual property products. Trade also had a negative impact on growth in the last three months of the year, with US trade deficit jumping in December.

According to the Bureau of Economic Analysis, about 1 percentage point was knocked off Q4 growth by the hit to federal government services during the shutdown.

US GDP Growth, Actual & Expected (% QoQ)



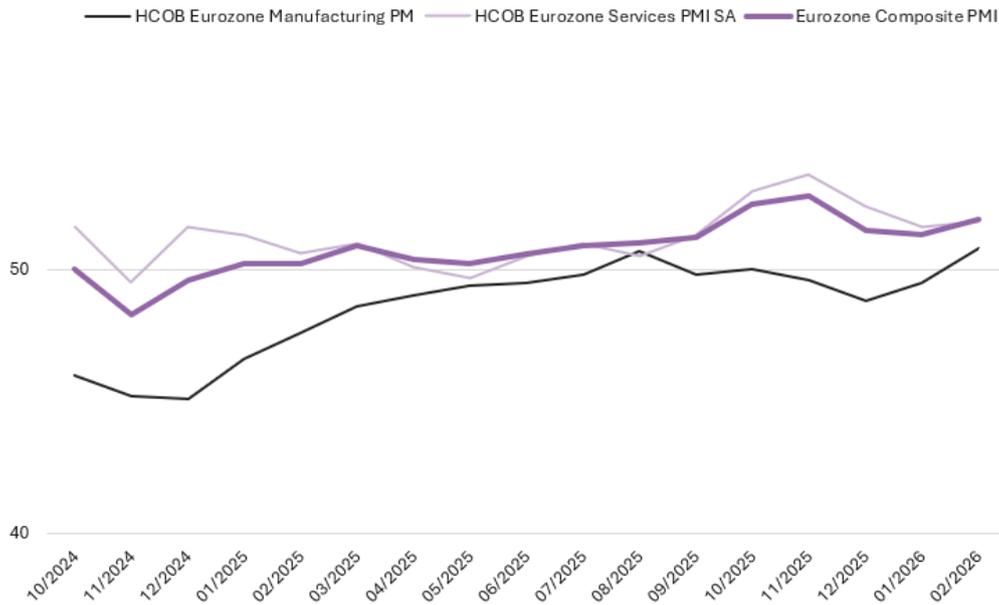
Source: Bloomberg, BIL

Eurozone business activity better than expected in February

According to preliminary estimates, business activity in the Eurozone was boosted in February, with the composite PMI rising from 51.3 in January to 51.9, surpassing expectations of a slower expansion. This marks the strongest expansion in private-sector activity since November, driven by the sharpest rise in manufacturing output since August 2025 and faster growth in services.

The manufacturing PMI jumped above 50, rising from 49.5 to 50.8, indicating expansion. This rebound was driven by a revival in demand, with the new orders index climbing from 49.2 to 50.9. The services PMI rose to 51.8 in February from 51.6 in January, signalling continued expansion in the sector.

Eurozone PMIs



Source: Bloomberg, BIL

Looking at individual regions, Germany led the expansion, with business activity reaching a four-month high (the composite PMI rose to 53.1 from 52.1 in January), with both manufacturing and services expanding. Notably, manufacturing entered expansion for the first time in three and a half years. In contrast, business activity in France remained frail (the composite PMI up from 49.1 in January to 49.9) due to weak demand. The services sector continued to contract while the manufacturing sector expanded.

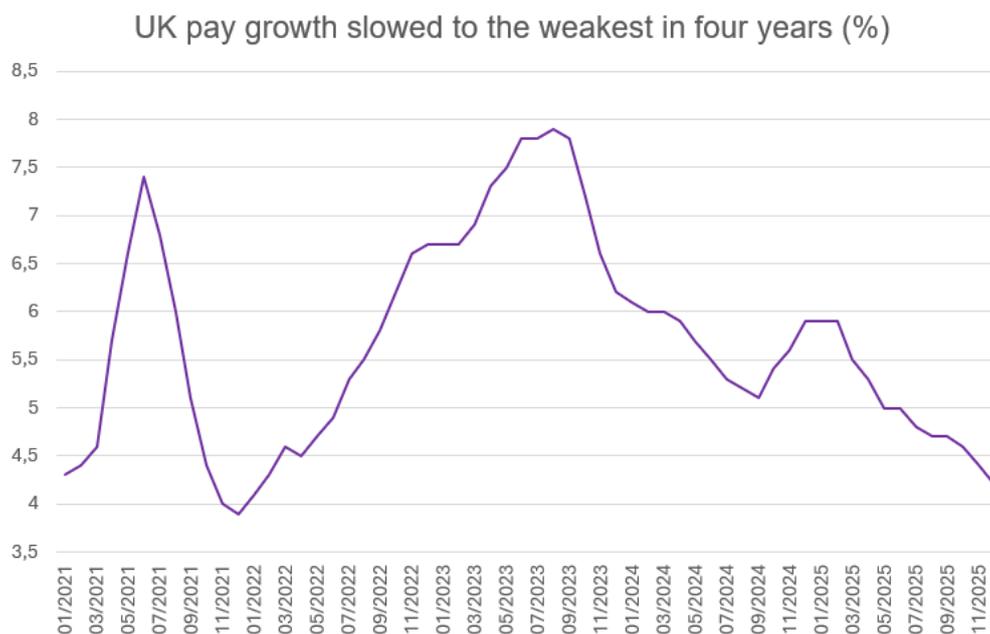
Meanwhile, across the channel, business activity in the UK sped up, with the composite PMI rising to 53.9 — the highest reading since April 2024. Manufacturers saw output growth rise to a 17-month high, while services providers remained at a historically high level.

UK labour market cooled further at the end of 2025

Wage growth slowed and the jobless rate increased at the end of last year, raising the expectations that the Bank of England (BoE) will cut interest rates at its next meeting in response to the cooling labour market.

The unemployment rate rose to 5.2% in the three months to December, the highest level in five years and up from 5.1% in November. At the same time, annual regular pay excluding bonuses rose by 4.2%, slowing from 4.4% in the previous period. This is the weakest pay growth in four years, with private sector wage growth slowing to the lowest level since late 2020. Job vacancies

also fell between December and January, a further sign of weakening labour demand, according to the Office of National Statistics.



Source: Bloomberg, BIL

In addition, higher employment costs have driven youth unemployment up to 16.1%, which is the highest level in more than a decade. The rise in minimum wage is seen to be disincentivizing the hiring of young people.

The BoE is closely monitoring the slowdown in the labour market together with the evolution of price pressures to define the direction of its monetary policy path. The easing wage growth is a promising sign that the persistent price pressures in the UK economy should be coming down. This was reiterated in the latest inflation print, which showed that the annual inflation rate in the UK fell to 3% in January, down from 3.4% in December. This marks the lowest rate since March 2025, primarily driven down by softer increases in transport and food prices.

With inflation easing and clear signs of cooling in the labour market, market participants are expecting the BoE to deliver an interest rate cut as soon as next month.

Calendar for the week ahead

Monday – Germany Ifo Business Climate (February). US Factory Orders (December).

Tuesday – EU New Car Registrations (January). US House Price Index (December), CB Consumer Confidence (February).

Wednesday – Germany GfK Consumer Confidence (March). Switzerland Economic Sentiment (February). Eurozone Inflation Rate (Final, January).

Thursday – Eurozone Economic Sentiment (February). US Jobless Claims.

Friday – UK GfK Consumer Confidence (February). Switzerland Retail Sales (January), GDP Growth Rate (Q4), KOF Leading Indicators (February). US PPI (January).

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