INVESTMENT INSIGHTS

FEBRUARY 2026

Mackay Private Wealth

OVERVIEW

AI UNCERTAINTY AND GEOPOLITICS RESHAPE MARKET LEADERSHIP

Equity markets delivered broadly positive returns in January, though volatility increased as market leadership shifted. Several cross-sector rotations played out beneath the surface, driven in part by concerns around accelerating Artificial Intelligence (AI) capital expenditure and the potential for AI-driven disruption across new economy sectors, particularly software.

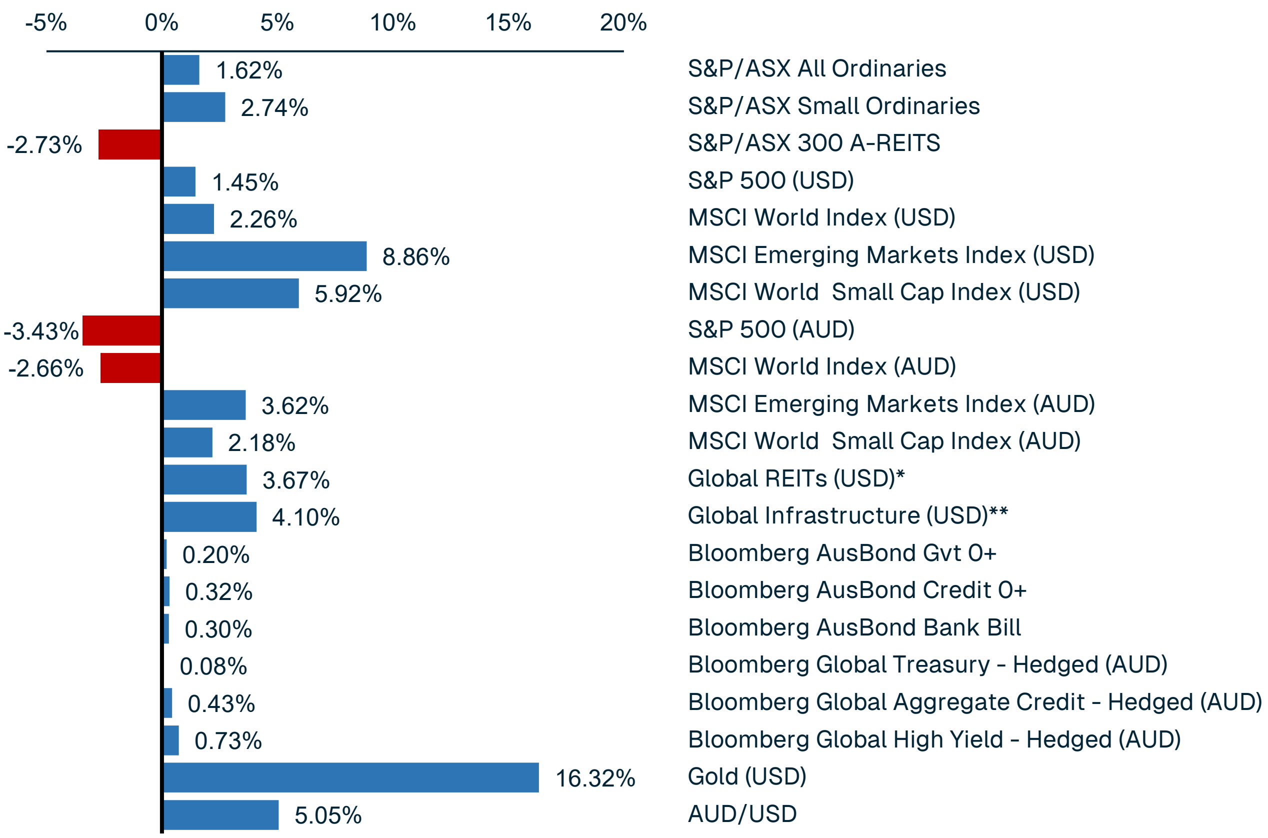
Geopolitical uncertainty also remained elevated, most notably around US policy toward Greenland and Iran. Against this backdrop, hard assets have emerged as relative beneficiaries, with commodities, property and infrastructure performing well. Locally, this was best illustrated by BHP outperforming CBA by 17.8% over the month.

The US Federal Reserve held rates steady, while the RBA lifted the cash rate in early February in response to rising underlying inflation.

Despite the near-term noise, the outlook for global growth remains resilient, supported by fiscal stimulus and the prospect of lower interest rates. Locally, the ASX reporting season is now underway, and we will be closely monitoring results over the coming month.

As outlined in our latest quarterly report, volatility is likely to remain a feature of 2026, not a bug. Diversified portfolios are designed to navigate this environment and capitalise on opportunities.

Market Returns (%), January 2026



KEY MARKET DEVELOPMENTS

Global Equities

The MSCI World Index delivered +2.2%, with Emerging Markets (+8.9%) significantly outperforming the US; the tech-heavy Nasdaq lagged with a +0.9% gain as investors rotated into "old economy" cyclicals and small-caps, driving the Russell 2000 up +5.4%.

Australian Equities

The S&P/ASX 200 returned +1.8%, led by Energy (+10.6%) and Materials (+9.5%); however, Info Tech plunged -9.4% on AI disruption fears and inflation fuelled rate hikes.

Bond Markets

U.S. 10-year yields rose 11bps to 4.2% on delayed rate-cut timing; Australian 3-year yields jumped 14bps as investors priced in an RBA tightening cycle, leaving 10-year yields at 4.8%.

Commodities

Gold gained +13% despite a late-month plunge; Brent crude surged +14% on geopolitical risks, while iron ore fell -3.6% to $103/t due to subdued Chinese demand and new supply.

Monetary Policy

The Federal Reserve held rates steady at 3.50%–3.75%, pausing cuts due to solid growth and sticky inflation.

Conversely, the RBA flagged a hawkish pivot in late January, ultimately raising the cash rate to 3.85% in early February to counter a spike in underlying inflation.

WHAT'S CAUGHT OUR EYE

Reaction to Trump's Nominated FED Chair

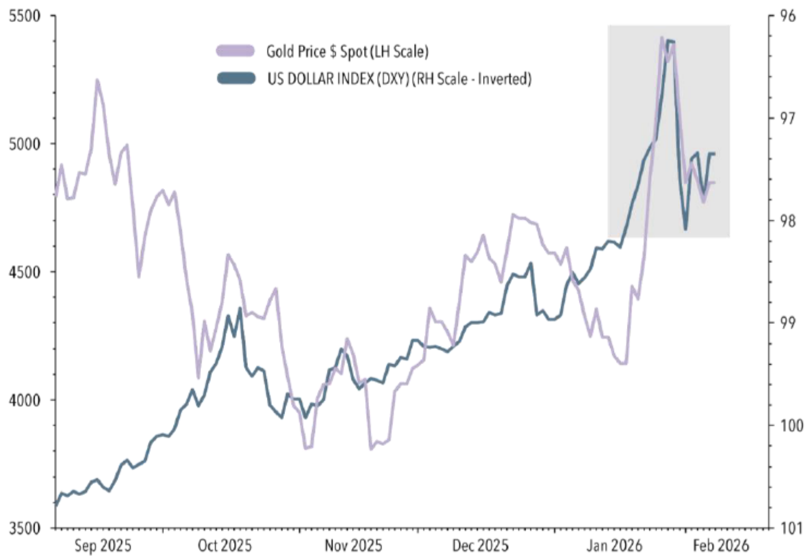
President Trump's nomination of Kevin Warsh as Fed Chair triggered a sharp unwind of "debasement trades".

This "Warsh Shock" initially lifted the USD and triggered panic selling across gold and silver falling 9% and 30% respectively.

Long viewed as hawkish, Warsh now promotes what he calls "productive dovishness," arguing AI-driven productivity is structurally disinflationary and enables lower rates without overheating.

The key 2026 question is whether his monetary barbell strategy sees balance sheet reduction lift long-term bond yields, even as the target cash rate is reduced.

Gold moves in svnc with the US dollar



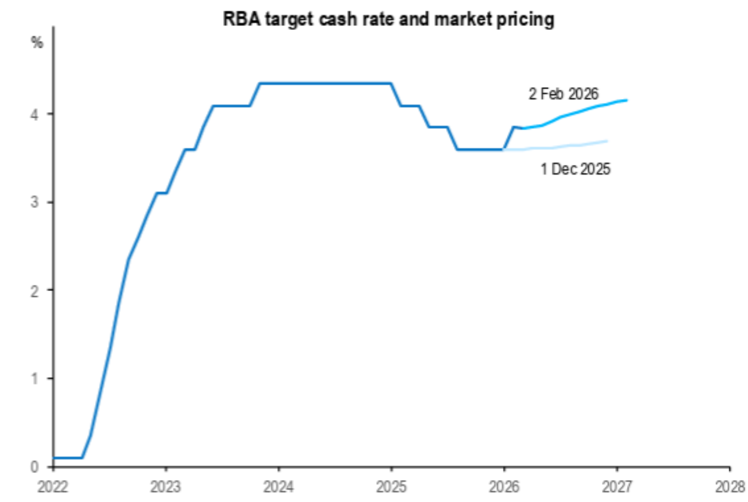
Policy Divergence

The Reserve Bank of Australia (RBA) became the first major central bank to raise rates this year after cutting rates last year.

The decision was largely driven by a recovery in consumer spending, which quickly translated into persistent price pressures that effectively forced the RBA to act.

With inflation remaining stubbornly high, the market is now forecasting at least one additional rate hike, most likely in May.

Markets expect the RBA to raise rates by a further 41bps this year



Source: LSEG, MWM Research, February 2026

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