



## CIO Office Morning Notes

5 February 2026

Rotation into the more economically sensitive pockets of the market continued on Wednesday at the expense of tech giants. The US economy showed signs that it could be accelerating, with manufacturing inflecting higher, as per Monday's ISM release, while the ISM services yesterday matched the highest reading since 2024. YTD asset returns confirmed the shift. Materials (+13.6%) is the best sector YTD, the economy-sensitive smaller companies (+5.8%) have outperformed the broader market, and value (+4.1%) has outperformed growth (-2.6%). More globally, EM shares (+9.4%) have been leading their DM peers (+2.1%). And economic momentum is picking up globally as the investment cycles tied to data centres and the arms race take hold. We hold the view that the shift is secular, long-lasting given the underlying macro trends supporting it. Why hold the expensive tech giants with all-weather earnings that are safe bets at times of economic uncertainty, when a stronger economy supports cheaper value stocks that can grow their earnings today? While the S&P 500 (-0.5%) was mildly lower, the Nasdaq 100 lost 1.8%. Software stocks were hit again (-1.8%), though losses in semiconductors (-4.4%) were larger. Software companies went through their own fair share of trouble of late, on growing concerns their business model would be disrupted by AI apps lowering barriers to entry in software development. While the companies are still doing fine, valuations were hit for the longer term as investors suspect their moat was challenged by AI. And the rout recently extended to private equity firms as well, that had counted on the earnings visibility of the software sector in their buyout activity. On the earnings front, although Alphabet's shares fluctuated in extended trading, they dented the overall negative IT sentiment. The company topped projections for quarterly revenue and outlined an ambitious capital spending plan way above predictions. Planned expenditure for 2026 would be totalling more than what was spent in the three prior years. CEO Pinchai managed to reassure investors that the outlays in data centres and infrastructure were needed to lead in the AI age. On the other hand Qualcomm, the largest maker of smartphone processors, gave a lacklustre revenue forecast for the current period. That stoked concerns consumer demand would be hit by component shortages driving prices up. Shares dropped as much as in the high-single digits in extensive trading. Advanced Micro Devices sank 17% on a disappointing forecast. Elsewhere, the quarterly refunding statement was a non-event, as the US Treasury confirmed no major changes to auctions of notes and bonds, somewhat disappointing trader expectations of borrowing getting further skewed towards the very short end of the curve. That pushed the yield on the 10-year note to a session high of 4.29%. Bitcoin slumped 4.6% to 72,627, with prediction traders betting it would drop below 65,000. Volatility on gold and silver subsided, with the former little changed and the latter rebounding more than 3%. Brent crude (+3.2%) rose, despite conflicting reports on the status of nuclear talks between the US and Iran.

### Markets this morning:

The tech rout snowballed into Asia on mounting anxiety on frothy valuations and massive AI spending. The MSCI Asia Technology Index fell for the fifth time in six sessions, with Samsung Electronics and SoftBank Group the notable losers. The South Korean Kospi Index, heavy on the AI theme, lost 4%, while the broader MSCI Asia Index fell 1.5%. Sentiment was further hit by Qualcomm's and Arm's losses in extended trading, with Alphabet ending just in negative territory in the after-hour session as ambitious capex plans overshadowed strong results. Futures contracts on the S&P 500 and the Nasdaq 100 slipped in negative territory. Outside of tech, Silver plummeted as much as 17% and gold dropped as much as 3.5%. Bitcoin extended losses to trade below 71,000, while the yen fluctuated ahead of the elections in Japan set for the weekend. The Dollar Index held its gains, while oil (-2%) fell for the first time in three days after Iran confirmed it would hold negotiations with the US.

### Upcoming key events/data:

Today's key events will be the ECB and BOE meetings. Payrolls numbers are released in the US by private firm ADP, and retail sales in the euro area.

Have a good week ahead!

**Chief Investment Office**  
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