



CIO Office Morning Notes

6 February 2026

Yesterday, it was more of the bearish same on Wall Street with the sell off extending from near record levels and the S&P 500 falling 1.2%. The Nasdaq 100 (-1.4%) recorded its worst three days since the April meltdown, the Magnificent 7 reached lows last seen in November, while Amazon plunged in extended trading after its results. For every stock that advanced almost two declined on the NYSE. Weak jobs data exacerbated concerns about AI valuations that continued to nag investors selling everything from software stocks (-5%), to Bitcoin (-13.1%), and silver (-19.6%). The broader market was led lower by materials (-2.8%) and discretionaries (-2.6%). AI firm Anthropic released a new version of its most powerful AI model for financial research, days after a push into legal services wrought havoc in legacy software makers. Treasuries climbed across the curve with 2- and 10-year yields falling at least 9bps. The yield on the 10-year note settled at 4.18%. Gold lost 3.7%, and Brent crude ended 2.8% lower as Iran confirmed the timeline for negotiations. The Dollar Index (+0.2%) edged higher. AI outlays announced by some of the megacaps were so massive that pushed further out any notion of positive return on investment. On Wednesday Google announced \$185bn of capital expenditure for this year and for Amazon yesterday that number was \$200bn. Amazon fell about 10% in extended trading. Most of the expenditure announced for 2026 would go towards the AWS cloud unit and AI workloads. Spending will weigh on profits, with the forecast in operating income for the current quarter in the \$16.5-21.5bn range falling short of the \$22.2bn consensus estimates. Labour market data added to the overall uncertainty suggesting that the jobs market would not be firing on all cylinders, though harsh weather conditions played a relevant role. According to data from Challenger US companies announced the largest number of job cuts for any January since the Great Recession in 2009. Half of the cuts were from Amazon, Dow, and UPS. At the same time, applications for unemployment benefits rose more than forecast last week, while job openings fell in December.

The ECB left rates unchanged, the deposit rate at 2%, with Christine Lagarde spending many words to say very little that could be of any interest to an investor. While inflation was deemed to be in a good place and the economy “resilient”, data-dependency driving future decision making was the shared mantra. Traders don’t see borrowing costs changing for the next two years, that is most likely next to impossible given the current macroeconomic volatility. After all, renewed threats of tariffs and a stronger euro could “bring inflation down beyond expectations”. There is one, big logical gap in Lagarde’s polished and dreary message: she touted the ECB’s monetary policy as being agile, even as she continued to beat the dead horse of data dependence. Markets remained uninspired by the lacklustre message. The euro remained steady round 1.18, while domestic bonds rose as they just tracked Gilts and Treasuries. The scene turned out to be livelier at the BOE meeting. The central bank came within a vote of cutting interest rates predicting inflation will fall below target. That revived hopes of a move next month. According to Governor Bailey there should be scope for rates reduction this year. That would be justified by inflation projected to reach the 2% target, though currently at 3.4%, as well as slowing growth, and rising unemployment. We would observe that that inflation gap is still large, so good luck with that!

Markets this morning:

Despite early losses in Asian trading, selling pressure eased following steep declines in US stocks in the previous session. Asian shares and US equity index futures pared most of their losses at Friday’s open. Both futures contracts on the S&P 500 and the Nasdaq 100 started gapping lower though they regained ground to trade above their opening price. The MSCI’s gauge of Asian shares fell 0.2% after tumbling as much as 1.3% earlier, while tech shares rose 0.2% after slumping more than 2%. US Treasuries stabilized during Asian hours with the yield on the 10-year note trading around 4.18% in line with Thursday’s close. Bitcoin was less than 3% higher as of the time of writing after tumbling close to the 60,000 level. Gold and silver more than offset initial losses to trade in positive territory, and Brent crude rebounded. The Dollar Index was little changed.

Upcoming key events/data:

January’s jobs report is scheduled for January 11 due to the partial government shutdown set to end early next week. The highlight for today will be the University of Michigan Consumer Sentiment report.

Have a good weekend!

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