



CIO Office Morning Notes

12 February 2026

Yesterday's session revolved around the January payrolls report and what it means for the trajectory of US policy. The headline number came in firmer than expected, with 130,000 jobs added and the unemployment rate declining to 4.3%, a combination that eased immediate concerns that the softness seen through much of 2025 was carrying into the new year. That strength, however, sits against the backdrop of downward revisions showing that 2025 delivered the weakest annual job growth outside a recession since 2003, leaving the broader growth narrative stable but hardly overheating. Markets absorbed the data without conviction. The MSCI ACWI rose just 0.1%, developed markets finished flat, and emerging markets outperformed with a 1.0% gain. The S&P 500 closed unchanged as Treasury yields edged higher, the 10-year rising three basis points to 4.17%, reflecting a modest repricing of near-term easing expectations rather than a wholesale shift in rate outlook. Federal Reserve communication added an additional layer rather than a clear signal. Governor Stephen Miran said there are still "a variety of reasons" to lower rates despite the stronger labor print, reinforcing that parts of the Committee remain inclined toward accommodation. Traders nonetheless pared the probability of a June cut to below 50%, suggesting that while cuts remain in the base case, urgency has diminished.

On the corporates front, McDonald's delivered 6.8% US same-store sales growth, its strongest pace in more than two years, underlining that the consumer is still spending when value is clear. Cisco reported revenue and AI infrastructure orders exceeded expectations, yet a softer margin forecast tied to rising memory-chip costs weighed on sentiment and pushed the shares down about 7% in late trading. The AI cycle continues to generate top-line growth, but cost dynamics are beginning to shape profitability narratives. In Europe, the MSCI Europe Index closed 0.2% higher. Siemens Energy surged 8.4% to a record high after reporting strong results, benefiting from sustained demand for power-grid infrastructure. Dassault Systemes plunged 21% after issuing disappointing guidance, dragging peers lower, while Barclays downgraded European insurers and warned valuations could fall a further 5% to 25% as AI disruption risks intensify.

Chinese equities closed mixed following the release of January inflation data, with the Shanghai Composite edging higher and the Shenzhen index declining. Producer prices remained in deflation for a 40th consecutive month, though the pace of decline moderated to 1.4%. Authorities signaled continued support, with the People's Bank of China reiterating it will increase financial backing to bolster domestic demand while maintaining a moderately loose stance. Structural support may also come from index rebalancing, as MSCI added a net 21 Chinese companies to its global benchmarks, the largest wave of inclusions in nearly three years. It is estimated that the changes could attract approximately \$1.4 billion in passive inflows once implemented later this month, with technology firms dominating the additions. Japanese markets were closed for national holiday.

Within commodities, gold rose 1.2% to \$5,084 per ounce and Brent crude gained 0.9% to \$69.4 per barrel, while the dollar was little changed.

Markets this morning:

Today morning, Asian equities extended their advance for a fifth straight session, with the MSCI Asia Pacific Index rising as much as 0.7% to a fresh record, marking its strongest start to a year relative to the S&P 500 this century. The gauge is now up around 13% year-to-date versus roughly 1.4% for the US benchmark. In China, electric power stocks rallied after the government pledged to increase the share of electricity traded to 70% of total consumption, a move aimed at improving grid efficiency and supporting renewable penetration. Japanese markets reopened following a national holiday with the TOPIX gaining 0.5% as earnings revisions and expectations of stock-friendly fiscal policy continued to support sentiment. Mitsui & Co. rose nearly 5%, while Shiseido jumped as much as 16% after lifting its earnings outlook.

Upcoming key events/data:

Looking ahead, attention today turns to U.S. jobless claims, housing data, UK GDP, Japan PPI, and India CPI, before Friday closes the week with China home prices and euro-area GDP, which should provide a final read on global growth momentum after a very dense stretch of data, earnings, and policy signals.

Have a good day!

Chief Investment Office
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