



## CIO Office Morning Notes

13 February 2026

Yesterday was not just a broad risk-off session, it was a continuation of the AI unwind that is now clearly spreading beyond a handful of software names and into credit, commodities and global allocation decisions. Global equities sold off sharply, with the MSCI ACWI down 1.0% and developed markets falling 1.1%, while emerging markets managed a 0.4% gain. The S&P 500 dropped 1.6%, led by technology. The Nasdaq's recent pullback has erased roughly \$1.5 trillion in market value over the past 10 sessions, stressing how quickly leadership can reverse when positioning is crowded. There is broader concern that AI disruption is evolving into a macro and credit theme rather than a stock-specific story. Credit markets are beginning to enter the conversation more explicitly. Big Tech's funding needs for AI infrastructure are producing the largest wave of corporate bond supply in history, with hyperscalers potentially adding as much as \$120 billion in net issuance this year. Passive funds, which now absorb a growing share of new deals, may amplify concentration risk as tech becomes a larger slice of investment-grade indices. The concern is not immediate stress, but structural vulnerability if spreads widen from historically tight levels. Cisco suffered its worst rout in almost four years, down -12%, after guiding to adjusted gross margins of roughly 66% for the current quarter, well below the 68.2% analysts expected. Higher memory-chip prices are pressuring profitability even as AI-related revenue accelerates. The company expects \$5 billion in fiscal 2026 AI orders from hyperscale's, yet the market chose to focus on cost pressure rather than top-line momentum. That distinction captures the shift in tone: growth alone is no longer sufficient if margins are compressing. There are still clear winners inside the AI ecosystem. Applied Materials surged 10% in late trading after forecasting quarterly revenue of approximately \$7.65 billion, well above estimates, as demand for high-bandwidth memory and semiconductor equipment accelerates.

European shares reversed from record highs to close lower, with the MSCI Europe down 0.5% as cyclical sectors and tech lagged. Logistics names fell more than 10% and banks and miners underperformed. UK GDP for the fourth-quarter grew just 0.1%, underpinning the fragile macro backdrop. The MSCI China Index fell 1.1%, however, the broader divergence between US and Asian markets remains intact. The MSCI Asia Pacific Index is up more than 12% this year, in contrast to losses in US benchmarks, as global funds rotate toward upstream semiconductor and memory suppliers. Samsung has seen strong overseas buying, and Taiwan's heavy weighting in foundries continues to anchor performance. The correlation between Asian and US equities has dropped to the lowest level since 2022, highlighting that this is no longer a synchronized trade.

Treasuries rallied as equities weakened, with the 10-year yield declining seven basis points to 4.10%. Commodities joined the selloff, with gold down 3.2% to \$4,922 per ounce and Brent crude falling 2.7% to \$67.5 per barrel. The dollar was little changed.

### Markets this morning:

Today morning, Asian equities extended the global tech-led pullback, with the MSCI Asia Pacific Index falling 0.8% as concerns over AI-driven volatility in US markets spilled into the region. Japan led the declines, with the Topix down 1% on profit taking. Hong Kong technology shares remained under pressure ahead of the Lunar New Year break, ending 1.8% lower. Tencent Music fell nearly 10%, while Baidu and Meituan also declined sharply. Gold rebounded 1.3% after the prior session's sharp drop, while the 10-year US Treasury yield ticked up slightly to around 4.11% in Asian hours.

### Upcoming key events/data:

Friday closes the week with China home prices, euro-area GDP, and US CPI, which will be a key test whether inflation is continuing to cool at a gradual pace.

Have a good weekend.

**Chief Investment Office**  
**Wealth Management, Emirates NBD**

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