Market analysis | February 23, 2026

At a glance

Markets stayed resilient last week despite slower U.S. growth data, shifting trade policy and rising geopolitical tension. Earnings and income remain solid, though investors are tracking rising interest rates and U.S. tariff news.

Number of the week

1.4%

The increase in the real gross domestic product (annualized) in the fourth quarter of 2025.

Term of the week

Real gross domestic product (GDP) – A measure that reflects the value of all goods and services produced by an economy in a given year, adjusted for inflation.

U.S. gross domestic product (GDP) growth stayed positive even as the pace cooled. GDP expanded at a 1.4% annual rate in the fourth quarter, supported by consumer demand and business investment. Government spending declined sharply due to the six-week federal government shutdown, highlighting how policy disruptions can temporarily weigh on growth. Businesses continued to invest in productivity initiatives, including technology and artificial intelligence, helping offset slower headline growth.

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Global economy

Quick take: The U.S. economy continues expanding, led by households and business spending, while inflation stayed above the Federal Reserve's (Fed) comfort zone. Global business surveys improved, though the Supreme Court's design on certain tariffs reshaped the trade backdrop.

- **U.S. real gross domestic product (GDP) growth stayed positive even as the pace cooled.** GDP expanded at a 1.4% annual rate in the fourth quarter, supported by consumer demand and business investment. Government spending declined sharply due to the six-week federal government shutdown, highlighting how policy disruptions can temporarily weigh on growth. Businesses continued to invest in productivity initiatives, including technology and artificial intelligence, helping offset slower headline growth.
- **U.S. households continue to spend, though price pressures remain visible.** The Core Personal Consumption Expenditures Price Index, which excludes volatile food and energy prices, rose 3% year-over-year, above the Federal Reserve's target, but income growth narrowly outpaced prices in 2025. As a result, consumer spending rose, particularly on services, while stable unemployment claims suggested the labor market remains more resilient than many feared.
- **Global activity shows signs of improvement while trade rules shifted.** Purchasing manager surveys pointed to expansion across major economies, reinforcing expectations for gradual global growth.
- **The Supreme Court ruled President Donald Trump cannot impose tariffs under the International Emergency Economic Powers Act (IEEPA).** The ruling cancels most of the President's 2025 tariffs, including the reciprocal tariffs and other tariffs on Canada, Mexico and China. After the ruling, President Trump announced a 15% global tariff under a different trade act, which can be in place for 150 days while the Trump Administration investigates other tariff avenues.

Equity markets

Quick take: Stocks traded sideways during a shortened week as strong earnings countered trade uncertainty and geopolitical tension. Stable inflation, manageable interest rates and rising profits continued to support valuations.

- **Market leadership has broadened in 2026,** with international stocks and smaller companies outperforming large U.S. benchmarks year-to-date. Defensive and economically sensitive sectors have led gains, while growth-oriented sectors lagged. This divergence matters because sustained market advances typically require broader participation from growth segments.
- **Corporate earnings continued to exceed expectations**, providing a key source of support. Most reporting companies delivered revenue and profit growth above forecasts, while upcoming results from major retailers and technology firms remain in focus. Many companies paired solid results with cautious outlooks, reflecting confidence tempered by macro uncertainty. Investors are looking forward to NVIDIA's earnings report this week for its outlook on artificial intelligence and for big box retailers' releases next week for an update on consumer spending.
- **Valuations remain elevated but defensible under the current environment**. Analysts forecast 13.4% earnings growth in 2026 — based on data from Bloomberg, FactSet, and S&P Capital IQ — which can support higher price levels if inflation and interest rates remain contained. However, higher valuations leave less margin for disappointment should growth slow or policy risks intensify.

Bond markets

Quick take: Bond markets faced pressure from rising yields last week, though several income sectors held up well. Investors weighed cautious Fed messaging, strong global demand for U.S. securities and renewed budget uncertainty in Washington.

- **Fed officials signaled a careful approach to future policy moves.** The January meeting minutes revealed differing views on whether inflation or labor market risks should dominate decisions. While some policymakers discussed the possibility of higher rates if inflation persists, others favored future cuts should price pressures ease as expected.
- **Global demand continued to support U.S. bond markets despite rising yields.** Foreign investors purchased significant amounts of U.S. Treasuries and the highest amount of U.S. corporate bonds since 2007, helping offset price declines. While U.S.-based individual investors, pension funds and banks remain the largest holders of U.S. Treasuries, stable foreign investor demand can help support bond prices.
- **Bond markets delivered mixed results last week,** with rising Treasury yields exerting pressure across fixed income. However, several sectors offering additional yield over Treasuries posted gains. High yield corporate bonds edged higher, supported by Moody's data showing steady default rates at historically normal levels in January, while bank loan defaults declined slightly. Investment-grade and high yield municipal bonds also advanced, as did highly rated collateralized loan obligations, which continue to provide slightly higher yields than Treasuries and offer robust structural protection against credit losses in underlying loan pools.

Real assets

Quick take: Real assets delivered mixed results last week, with real estate holding steady, infrastructure edging higher and commodities rising alongside oil prices. Interest rates, earnings trends and geopolitical risks shaped performance.

- **Listed real estate remained resilient as earnings exceeded expectations.** While higher Treasury yields created competition for income-oriented investors, property cash flows stayed healthy. Most reporting real estate companies delivered stronger-than-expected results, reinforcing confidence in underlying fundamentals.
- **Infrastructure assets posted modest gains amid mixed performance across segments**. Utilities faced pressure from higher borrowing costs, yet longer-term demand drivers such as data center expansion continued to support growth prospects. These assets remain sensitive to interest rate movements but benefit from essential service demand.
- **Broad commodity prices rose as energy markets reacted to geopolitical tension**. Oil prices increased following disruptions and military activity near the Strait of Hormuz, a critical global shipping route. Even temporary disruptions can lift energy prices, underscoring the role of real assets as both opportunity and risk during periods of global uncertainty.

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