Market Update: February 2026

Market Insights By Ben Snedeker

Market Highlights

Australian stocks had an excellent month, outperforming global markets as US shares took a pause. Domestic equities benefited from strong economic conditions and robust profit growth, with investors closely watching the influence of AI across tech and other sectors. Traditional industries and tangible assets also regained popularity.

Diversification played a key role, broadening market leadership. Physical assets and value sectors attracted renewed interest, while investors scrutinized tech winners and losers more closely.

The ASX200 saw a 4.1% rise in local currency, far ahead of global equities excluding Australia (+1%). Other notable performances included the UK (+6.7%), Asia-Pacific (+6.8%), and Japan (+10.4%). Emerging markets (+6.2%) outpaced developed markets by 476 basis points. However, in Australian dollar terms, global equities slipped 1.1%.

Sector performance

The 'Magnificent 7' US tech giants fell by 7.2%, leading investors to shift focus from IT to other sectors and regions. Materials, including resources and hard assets, received significant attention thanks to their resilience, geopolitical risks, mergers & acquisitions, moves toward de-dollarisation, and strong commodity prices.

Banks and Resources were top performers in Australia. The strongest sectors in the ASX200 were Materials (+9.1%), Financials ex-property (+9.2%), and Consumer Staples (+6.1%).

Large caps outperformed small caps by 7.4%. Heavyweights like BHP and Commonwealth Bank saw increases of around 17–18%, boosting their sectors and the overall index.

Healthcare (-13.3%), IT (-9.1%), and Consumer Discretionary (-5.8%) lagged. Within Healthcare, companies such as Pro-Medicus (-31%), Cochlear (-28%), and CSL (-19%) dragged the sector down after poor results.
IT stocks continued to struggle amid concerns over AI-driven disruption, dropping nearly 38% over the past six months.

Factors favoring Size, Value, and Momentum performed well, while Growth and Quality factors lagged—a recent global trend.

Fixed interest

Australian Fixed Interest (Bloomberg Ausbond Comp 0+Y) gained 0.88% in February, as the nation's 10-year bond yield dropped 16 basis points to 4.65%. Globally, bond yields declined as investors sought safety, with US 10-year yields falling 30 basis points to 3.94%.

Credit spreads remained tight,but increased by 30bps in Australia and 23bps in the US.

Global economy

The US Supreme Court overturned IEEPA tariffs, but a new broad-based US tariff rate of 15% was introduced. Steel and aluminium tariffs stayed unchanged. This is expected to have a modest effect on overall tariff revenue. Towards the end of the month, US strikes against Iran and subsequent retaliations increased regional uncertainty.

The US Fed kept rates steady at 3.75%. Inflation remained under control, supporting potential future rate cuts, and jobs data was positive (unemployment fell to 4.3%).

Australian economy

The RBA raised rates by 0.25% to 3.85% and signaled further hikes as inflation remains high. Economic growth improved, but confidence measures slipped due to expectations of more rate increases. Unemployment held steady at 4.1%. Wage growth stayed strong, and house prices rose 0.7% in February. The Australian dollar appreciated by 2.2% to 0.7118 USD.

Monthly Quote

"Owning stocks is risky in the short term. Not owning stocks is risky in the long term."

— D.Muthukrishnan

Commodities

Tensions and tariffs pushed oil and energy prices higher. The CRB Index dipped 2.3%, LME Base Metals rose 1.5%, Gold jumped 7.9%, Oil increased 3.3%, Lithium surged 23%, and Natural gas plummeted 34.3%. Iron ore dropped 3% to US$100/tonne.

Reporting Season – Volatile but Strong Results

Despite significant swings in individual stocks, December 2025's Australian reporting season delivered solid results, with more earnings and dividend beats than misses and more upgrades than downgrades. Guidance was a standout. Banks showed particularly strong results, featuring robust revenues, low bad debts, and healthy capital positions, boosted by RBA rate hikes.
US and European reporting seasons also saw positive earnings surprises, with cyclical sectors outperforming defensive ones. IT and Financials drove much of the growth.

ASX200 – Earnings Outlook Remains Positive

Consensus earnings for the ASX200 continue to rise, mainly due to Resources and Banks. February saw upgrades (+3.7%), driven by a 10.3% jump in Materials earnings. Forecasted earnings growth for FY26 is now +13.6%, and +9.0% for FY27.

The ASX200 is trading at 18.7x forward earnings, a 0.6 PE point increase this month, which is 14% above the ten-year average.
Global equities also saw earnings upgrades (1.6%), led by Emerging Markets (+4.8%). Global shares are forecast to deliver 16.6% earnings growth in FY26 and 14.6% in FY27, with both Developed and Emerging markets contributing strongly.

That's your February market wrap! If you've got questions or want to chat about your portfolio, feel free to reach out

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