16 February 2026

Handelsbanken
Wealth & Asset Management

WEEKLY BULLETIN

US stocks 'in the red' for 2026

Key takeaways

Global stock markets were flat last week as another week of losses for US shares erased strong gains from emerging markets, Asia and especially Japan.

'Unloved' markets have reason to celebrate Valentine's Day

It's been a tough 12 months for the Magnificent 7 technology giants, and for US shares. In the year from Valentine's Day 2025, both the Magnificent 7 and the broader US stock market underperformed emerging markets and Japanese shares by at least 25%. They underperformed UK shares by almost 20%.

Thanks to a snap election and a wave of investor optimism, Japanese shares are already up almost 14% in 2026. Emerging markets are ahead some 10%, Asia is up more than 7%, with UK shares up 5.5%. Meanwhile, US stocks have slipped into 'the red' with the MSCI North America Index now down 1.2% in 2026 (to 13 February). This underlines that market leadership is broadening out with previously 'unloved' markets playing catch-up after an extended period of 'US exceptionalism'.

Out with the 'new', in with the 'old'

Investors have a newfound appetite for 'old economy' or 'value' stocks, such as industrial, manufacturing, energy and utility companies, at the expense of 'new economy' stocks exposed to the AI buildout.

This is most notable among US software companies, which are now down some 30% since their highs of late 2025. Last week, saw further casualties as new AI releases challenged existing business models. Close behind Anthropic's AI legal chatbot, two AI insurance apps detonated valuations in the sector, while a new AI tax-planning tool, torpedoed the share prices of financial services, real estate, media and wealth management firms, both in the US and Europe.

Meanwhile, the little-known Algorhythm Holdings, which formerly produced in-car karaoke machines, rocked share prices in the trucking and logistics sectors.

UK economic growth underwhelms

Last week saw the UK economy limp home with reported GDP growth of 0.1% in the final quarter of 2025. This reflected just 0.1% growth in December, despite the Christmas period, and brought annual UK growth to 1.3% in 2025 – a small advance on 2024's 1.1%. Within this, UK manufacturing accounted for the majority of growth amid ongoing weakness in the construction sector. Meanwhile, UK services flatlined for the first time in two years.

Contrast this with the US economy, which bounded 4.4% in the third quarter. This Friday sees the latest US GDP print. It's expected to show robust growth of 3% in the last quarter of 2025, despite the record-breaking government shutdown. The ratings agency Fitch, along with the Federal Reserve Bank of Philadelphia, expects US growth to come in at 2.1% in 2025.

Market moves

Japanese shares were the top performers; they surged almost 6%, basking in post-election optimism and the promise of heroic government stimulus.

Emerging markets bounced back last week. Asian shares also flourished as appetite for semi-conductor (chip) stocks returned.

Both US and UK government bonds delivered 1% gains last week as bond yields fell (meaning their prices rose) in the face of weaker US inflation.

What to look out for this week

US data this week includes the fourth quarter GDP number alongside December's personal consumption expenditures (PCE) price index, the Federal Reserve's preferred inflation gauge, on Friday.

European industrial production numbers are due on Monday; UK employment and earnings numbers are on Tuesday.

UK inflation and Retail Price Index (RPI) numbers are out Wednesday with retail sales numbers due on Friday.

If you have questions about financial markets, or our investment services, please contact the Marketing team:

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Important Information