

# **WEALTH FIRST**

## **MONTHLY NEWSLETTER - FEB'26**

*Every past market decline looks like an opportunity. Every future decline looks like a risk*  
*- Morgan Housel*

## Global Equities (in USD terms)

- Global equity markets showed mixed performance in February 2026, reflecting a shift in market leadership rather than a broad risk-off phase.
- In the U.S., the Dow Jones rose 0.3%, while the S&P 500 declined 0.9%, marking its second decline in three months.
- Technology stocks faced sharper pressure, with the Nasdaq-100 falling 2.3%, its weakest monthly performance since March 2025. The pullback was largely driven by large-cap growth names, with the Magnificent Seven Index dropping 7.3%, its steepest fall since March 2025.
- Earnings growth remained uneven, with the Magnificent Seven reporting 27.2% growth compared with 9.8% for the rest of the S&P 500.
- Outside the U.S., performance broadened. Developed market equities (MSCI World) returned 0.8%, while emerging markets gained 5.4%, supported by strength in Asian manufacturing exporters and Latin American commodity producers.
- Japan was the standout, with the Topix rising 10.5% following the snap election victory of Prime Minister Sanae Takaichi.
- In Europe, real estate and small-cap stocks outperformed, while the U.K. market delivered returns of 6.5%.

Global Equities (in USD)		
	1m	1y
Nasdaq	-2.3%	19.5%
S&P 500	-0.9%	15.5%
MSCI Europe	3.1%	28.5%
MSCI Emerging Equities	5.4%	46.8%
Nifty 50	-1.0%	8.1%

## Domestic Equities (in INR Terms)

Domestic Equities (in INR)		
	1M	1Y
Nifty 50	-0.6%	13.8%
Nifty Next 50	2.8%	20.9%
Midcap 150	1.7%	22.9%
Smallcap 250	0.7%	15.4%
Power	9.0%	20.9%
Consumer Durables	7.0%	11.8%
Pharma	5.7%	15.5%
Capital Goods	5.7%	25.6%
IT	-19.5%	-18.6%
FMCG	-0.1%	0.7%
IPO	0.5%	14.6%

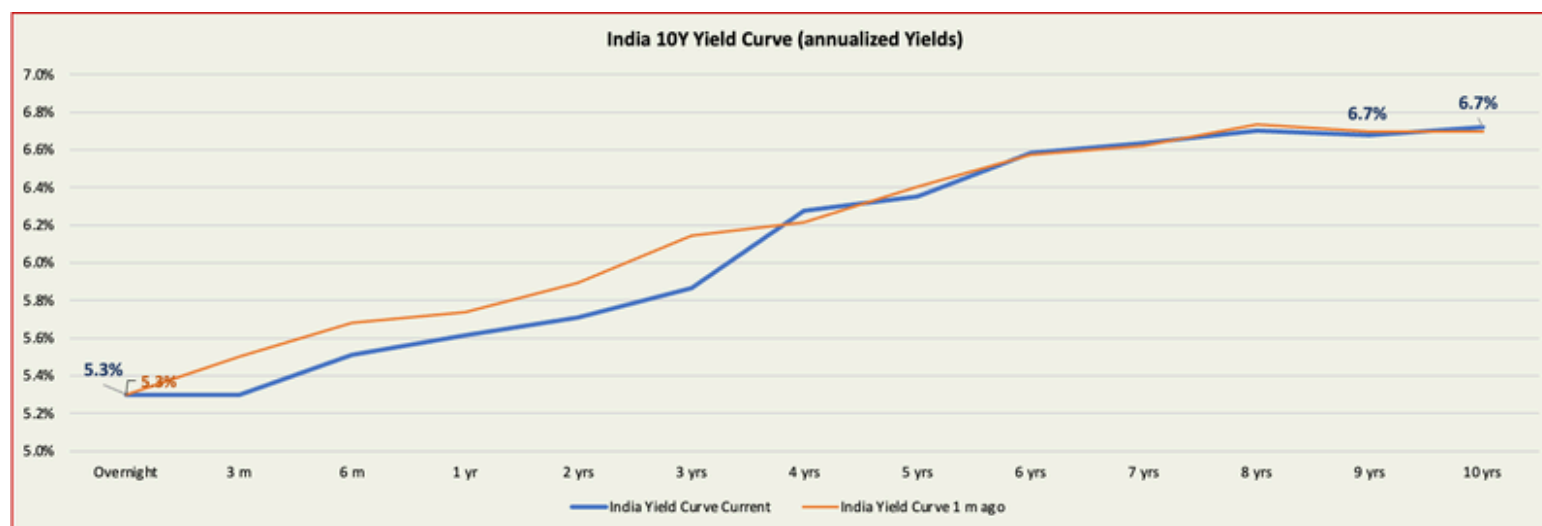
- Indian equity markets experienced a modest correction in February, although the weakness was concentrated in a few sectors. The Nifty 50 declined 0.6% during the month, while the Sensex fell 1.2%. Broader markets showed greater resilience, with the Nifty Midcap index rising 1.7% and the Nifty Smallcap index gaining 0.7%.
- The Nifty IT index plunged 19.5% in February, marking its worst monthly performance since the global financial crisis. The sector's ten constituent companies collectively lost approximately \$62.8 billion in market capitalization. The decline followed announcements by U.S. technology firms such as Anthropic and Palantir showcasing advances in artificial intelligence automation tools, which triggered concerns about future revenue growth and margin sustainability for IT services companies.
- Excluding the IT sector, 14 out of 15 major sectors posted gains, highlighting underlying strength in the domestic economy. Public sector banks advanced 8.9%, led by State Bank of India, which rose 11.6% and recorded its strongest monthly performance since March 2025 following robust earnings.

# Global Yields

- Global bond markets rallied during February as yields declined across major economies. In the United States, the 10-year Treasury yield fell by 30 basis points to 3.94% in early March, marking its largest monthly decline since February 2025. Meanwhile, the 2-year Treasury yield dropped 15 basis points to 3.38%, its lowest level since August 2022.
- In the United Kingdom, government bonds delivered the strongest performance among developed sovereign markets. Gilt yields fell by 25 basis points during the month, generating a total return of 2.5%, supported by a decline in inflation to 3.0% in January and growing expectations of rate cuts.
- Across the Eurozone, inflation slowed to 1.7% year-on-year, below the European Central Bank's target. Although the ECB kept policy rates unchanged in February, weaker demand and falling long-duration yields supported bond prices.
- Spanish and Italian sovereign bonds outperformed German Bunds as stable spreads and higher carry attracted investor demand

10 Year Government Yields (as of 1st of every month)					
Month	Japan	China	US	UK	India
1 Y ago	1.5%	1.9%	4.2%	4.8%	6.6%
6 M ago	1.7%	1.9%	4.1%	4.7%	6.5%
3 M ago	1.9%	1.8%	4.1%	4.5%	6.5%
1 M ago	2.3%	1.8%	4.2%	4.5%	6.7%
Feb-26	2.1%	1.8%	4.0%	4.2%	6.7%

# Domestic Yields



- Indian government bond yields moved higher during February amid rising government borrowing and surging crude oil prices.
- The 10-year Indian government bond yield climbed to around 6.7%, extending gains for a third consecutive session.
- Market participants also remained cautious ahead of government debt auctions.
- Traders indicated that intervention by the Reserve Bank of India in the secondary bond market could help limit further yield increases, while overnight index swap rates are likely to track global interest rates and crude oil movements.

# India Macro Trends

Macro Trends	Feb-26	Jan-26
FII flows (in crs)	22,615	-35,962
DII flows (in crs)	38,423	69,221
FII flows - Debt (in crs)	5,380	-7,308
New Corporate Bond Issuances (in crs)	40,165	38,135
Surplus Liquidity (in crs)	4,53,843	3,44,836
GST Collection (in crs)	1,83,000	1,93,384
CPI	2.8%	1.3%
Manufacturing PMI	56.9	55.4
Services PMI	58.4	59.3
Forex Reserves (in billion dollar)	725.7	709.4

- Domestic institutional investors (DIIs) continued to provide strong support to the market with net purchases of about ₹38,000 crore, while foreign institutional investors (FIIs) turned net buyers after several months, investing around ₹22,000 crore during the month.
- India's external position remains strong, with foreign exchange reserves reaching a record \$725.7 billion in February 2026, well above the long-term historical average of \$314 billion since 1998.
- Macroeconomic indicators continue to signal resilient growth. Inflation rose modestly to 2.75% in January, but remains comfortably within the RBI's 2–6% target band.
- Economic activity also remained robust, with the HSBC India Composite PMI rising to 58.9 in February from 58.4 in January, indicating the fastest private-sector expansion in three months. Manufacturing activity remained strong, while the services PMI moderated slightly to 58.1 but stayed firmly in expansion territory.
- India's broader growth outlook remains solid. The economy expanded 7.8% in the October–December quarter, driven by a 13.3% surge in manufacturing output, and is expected to grow around 7.6% for FY2025-26, making it one of the fastest-growing major economies globally.
- Employment conditions improved for a second consecutive month, business confidence reached a one-year high.
- GST collections remained robust above ₹1.7–₹1.8 lakh crore, reflecting sustained consumption and improved tax compliance.

# Commodities

- Commodity markets delivered mixed but broadly positive performance in February, with the overall commodity complex rising around 1.1%, though returns varied significantly across segments.
- Precious metals rebounded strongly after late-January volatility. Gold rose 8.0%, marking its 13th monthly gain in 14 months, while silver surged 10.9%, extending its rally to ten consecutive months. However Gold dipped 20% from highs of \$5281 before settling 8% higher while Silver also dipped 31% before rising up again. Platinum and palladium also advanced 11.9% and 5.7%, respectively.
- Energy markets strengthened further. WTI crude gained 2.8% in February after a 13.6% rise in January, and extended gains into March with another 6.8% increase as geopolitical tensions escalated following the U.S.–Iran conflict.
- Oil prices are now up about 24% year-to-date, breaking above a two-and-a-half-year downtrend from 2023, with the next key resistance near \$78.50 per barrel. Brent crude climbed toward \$84 per barrel, its highest level since July 2024, supported by supply disruptions including 1.5 million barrels per day of production cuts in Iraq and shipping disruptions in the Strait of Hormuz, which carries roughly 20% of global oil and LNG flows.
- Other commodities showed divergent performance, with assets such as cocoa, natural gas, Arabica coffee, frozen concentrated orange juice, and cryptocurrencies recording double-digit declines

Commodities	Returns	
	1M	1Y
Brent Crude	5.1%	0.1%
<b>Precious Metals</b>		
Gold	8.0%	84.6%
Silver	10.9%	201.2%
<b>Industrial Metals</b>		
Steel	0.2%	-0.5%
Iron Ore	-6.2%	-2.3%
Aluminium	0.9%	20.7%
Copper	2.3%	33.2%
Zinc	-2.2%	18.5%
Nickel	0.7%	14.3%
Lead	-1.8%	-1.4%

## Performance of Currencies against USD

Currencies against USD			
		1m	1 yr
India	USD/INR	0.7%	-3.9%
AUD	USD/AUD	2.3%	14.6%
Japan	USD/JPY	-0.8%	-3.5%
China	USD/CNY	1.5%	6.2%
Euro	USD/EUR	-0.3%	13.9%
Pound	USD/GBP	-1.4%	7.2%
Dollar Index	DXY	0.6%	-10.2%

- The U.S. Dollar Index surged above 99, supported by safe-haven demand and concerns that prolonged Middle East conflict could keep energy prices elevated and delay Federal Reserve rate cuts.
- The dollar strengthened particularly against the euro and commodity-linked currencies during the week as investors reassessed the trajectory of global inflation and interest rates.
- The Indian rupee weakened significantly in march, falling past 92 per U.S. dollar for the first time in history and reaching 92.30, surpassing the previous record low of 91.99 recorded in January. The currency declined approximately 0.9% during the session, making it the worst-performing currency in Asia.



## Markets & Geopolitics: Lessons from Past Conflicts

As of late Tuesday, GIFT Nifty indicated ~807 points lower (~3%), suggesting a weak opening for Indian equities after the Holi holiday while market opened 2% lower on Wednesday . The US markets also crashed with Dow, S&P 500 and Nasdaq each falling over 2%. Asian markets also fell with Kospi crashing 7.8%.

Geopolitical events typically trigger sharp but temporary volatility. History provides useful perspective.

### What Analysts say

- Top research houses say that a 10% increase in oil prices can increase current account deficit by 0.4% while the inflation pass through could be limited.
- Impact of closure of Strait of Hormuz can increase freight cost by 3%-5% though volumes are unlikely to be affected based on past experiences.
- Also, the current assessment is that US doesn't want a protracted war and is likely to terminate it in a matter of 4-6 weeks.

### Market Reaction to Major Geopolitical Conflicts

Event	Conflict Start Date	Index Referenced	Fall (1-5 days)	Peak Drawdown	Time to Recover Pre-Event Level	Recovery Date
Iraq Invades Kuwait (Gulf War I)	02-Aug-90	S&P 500	-1.1% (2 Aug)	~-16%	~4 months	Feb-91
9/11 Terror Attacks	11-Sep-01	S&P 500	-4.9% (17 Sept reopen)	~-11.6%	~1 month	Oct-01
US-Iran (Soleimani strike)	03-Jan-20	Nifty 50	~-2.5% (3-8 Jan)	~-3%	~2-3 weeks	Late Jan 2020
COVID	05-Mar-20	Nifty 50	~11.6% (5-10 Mar)	~31%	~5-6 months	Early Oct 2020
Russia-Ukraine Invasion	24-Feb-22	Nifty 50	-4.8% (24 Feb)	~-12.5%	~3 months	03-Jun-22
		S&P 500	-2.6% (24 Feb)	~-9%	~1 month	Late Mar 2022
Israel-Hamas War	07-Oct-23	Nifty 50	~-2% (9 Oct open)	~-4%	~4-6 weeks	Mid Nov 2023



## ...contd

### Historical pattern:

- Geopolitical escalations have typically triggered an immediate equity correction in the range of 2–10%, accompanied by a spike in volatility.
- Once the extent of the conflict becomes clearer and systemic risks are reassessed, markets have generally stabilised and recovered over the following 3-4 months.
- Historical data across multiple conflicts shows that equity markets tend to discount uncertainty rapidly, with medium-term performance ultimately driven more by earnings, liquidity, and macro fundamentals than by the conflict itself.
- Such corrections have historically created attractive entry points for disciplined investors with a long-term horizon.

# BEHAVIOURAL FINANCE

## Epistemic Bubbles vs. Echo Chambers in Investing

Investors often operate within limited information environments shaped by the sources they follow. Two behavioural phenomena help explain this: epistemic bubbles and echo chambers.

An epistemic bubble occurs when investors are not exposed to alternative viewpoints. Their information sources—analysts, media, or social networks—highlight certain narratives while unintentionally excluding dissenting perspectives. Investors inside such bubbles may not even realize that contradictory information exists.

An echo chamber is stronger. Here, opposing views are actively dismissed or distrusted, and only reinforcing opinions are considered credible.

### Real-Life Example: Adani Stocks (2020–2023)

Before the Hindenburg Research report in January 2023, several Adani Group stocks experienced a sharp rally. Public narratives around infrastructure growth and India's energy transition dominated investor discussions. Across many forums and social media platforms, supportive views were widely circulated, while concerns around leverage and valuations were less visible to many retail investors—an example of an epistemic bubble.

In some investor communities, criticism of the group was also actively dismissed, creating conditions closer to an echo chamber. When the Hindenburg report surfaced with detailed allegations, it introduced information that many investors had not previously considered, triggering sharp volatility.

### Key Insight

Epistemic bubbles arise from missing information, while echo chambers arise from rejection of outside information. Investors who deliberately seek diverse viewpoints are less likely to be caught in narrative-driven market moves.



## Snippets

- Iran confirmed that Supreme Leader Ali Khamenei was killed in U.S.–Israeli airstrikes on Tehran on 28 Feb 2026, marking one of the most significant leadership decapitation strikes in modern geopolitics.
- Tehran has responded with waves of missile and drone attacks targeting Israel and U.S. assets across the region, raising fears of a prolonged regional war.
- The conflict expanded beyond the Middle East after reports of a U.S. submarine sinking an Iranian warship.
- Concerns are rising around potential disruption to the Strait of Hormuz, through which roughly 20% of global oil supply transits, pushing oil risk premiums higher.
- Heightened geopolitical risk has boosted demand for assets such as gold as investors seek protection from potential market volatility

## Takeaways

Escalation in the Middle East raises the probability of oil supply disruptions, particularly through the Strait of Hormuz. This can push oil prices and inflation expectations higher, which in turn may influence central bank policy and global bond yields in the near term.

Geopolitical risk tends to drive indiscriminate selling across markets, even when corporate fundamentals remain unchanged. For long-term investors, such episodes can present attractive entry points in quality assets, provided investment decisions remain guided by fundamentals rather than short-term sentiment

## Key Events

Interest Rate Decisions (USD, JPY, CHF, GBP, EUR) - 18-19<sup>th</sup> March  
India Inflation rate - 12<sup>th</sup> March  
PMI Data - 24<sup>th</sup> March

## Market Watch





# THANK YOU



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