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QUARTERLY MARKET COMMENTARY

MARCH 2026



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Quarterly Market Commentary March 2026

Widespread rally across both equities and fixed income

Welcome to the March 2026 issue of *Quarterly Market Commentary* from Elite Wealth Management.

The opening months of 2026 marked a notable shift in market sentiment. Having ended 2025 on firmer footing, global markets entered December cautiously optimistic. By January and February, however, improving inflation data and growing expectations of interest rate cuts helped extend gains across equities, while bond markets stabilised after a volatile 2025. Although geopolitical risks and political developments continued to create periods of uncertainty, investor confidence strengthened as economic data pointed to gradual disinflation and resilient growth across major economies.

Global equities delivered strong returns across much of the period, with Developed Europe and Asia Pacific ex-Japan leading gains. Emerging markets also outperformed in January, supported by a softer US dollar and continued demand for AI-related infrastructure. US markets saw more mixed performance as enthusiasm for artificial intelligence

themes moderated following an extended rally.

Divergence in central bank policy became more pronounced. The Federal Reserve and the Bank of England moved towards easing, implementing initial rate cuts as inflation continued to moderate. In contrast, the European Central Bank maintained a firmer stance, while the Bank of Japan signalled a gradual shift away from ultra-accommodative policy, reflecting differing domestic inflation dynamics.

Bond markets saw more measured performance. Yields fluctuated in response to shifting inflation expectations, but the overall direction suggested that peak rates may now be behind us. Credit markets remained resilient, and alternative assets continued to attract capital as investors sought diversification. As of late February, escalating tensions between the United States, Israel, and Iran have injected fresh volatility into energy markets. Crude oil prices have reacted sharply to heightened geopolitical risks, driven by concerns about potential supply disruptions and broader uncertainty over the region's stability.

EXPERT INSIGHTS ON RECENT MARKET SHIFTS

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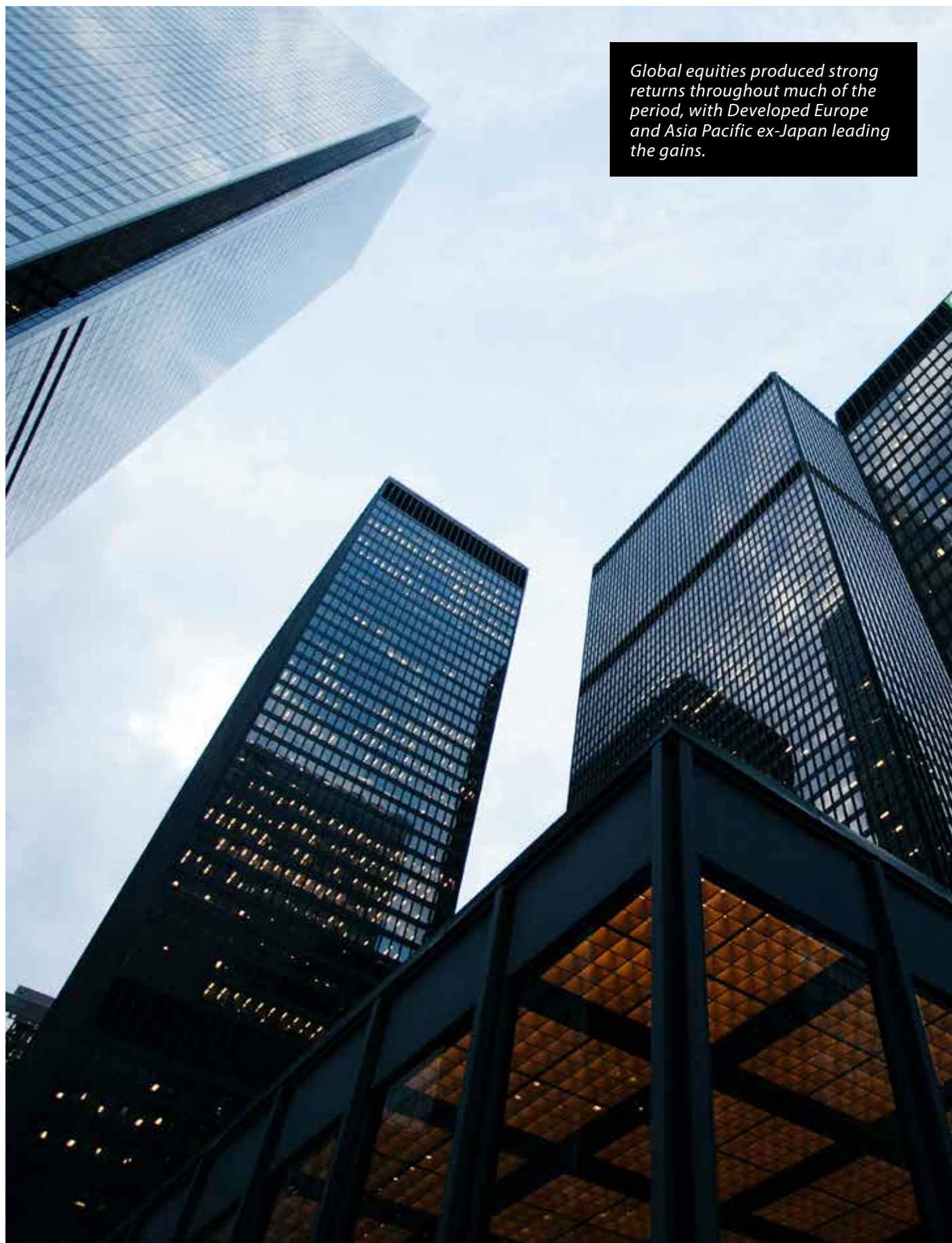
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Global equities produced strong returns throughout much of the period, with Developed Europe and Asia Pacific ex-Japan leading the gains.



Investors are increasingly attentive to the pace and timing of monetary easing, recognising that policy decisions will probably influence market direction for the remainder of the year.



Quarterly Market Review

Gradual disinflation supports improving investor confidence

Strong performances continued into the new year as inflation trends improved across developed economies. Central banks adopted a more balanced tone, acknowledging progress while remaining cautious about declaring victory over price pressures. Markets responded positively, pricing in potential rate cuts later in 2026.

Although valuations in certain growth sectors remain elevated, earnings resilience and improving macroeconomic data have helped sustain risk

appetite. Investors are increasingly focused on the pace and timing of monetary easing, recognising that policy decisions will likely shape market direction for the rest of the year.

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UK

The United Kingdom entered 2026 with a steadier economic footing than many had anticipated late last year. Between December and February, investors navigated moderating inflation, steady monetary policy, and improving risk sentiment. While growth remains modest by historical standards, the overall direction of travel has become clearer. Disinflation is progressing, financial conditions are easing, and equity markets are responding positively to a more predictable macroeconomic backdrop.

Although structural issues, such as weak productivity and subdued business investment, remain in focus, the immediate inflationary pressure has begun to ease. This shift has significantly influenced both market pricing and investor confidence.

UK equities are demonstrating renewed stability

UK equity markets posted steady gains through December and January, extending the momentum into February. The FTSE 100 benefited from strength in globally exposed sectors, particularly energy, mining and consumer defensives, closing at 10,922 in February. International revenue

exposure remained supportive as sterling remained relatively stable and global growth expectations improved modestly.

The FTSE 250, which is more domestically oriented, also showed signs of consolidation after a difficult 2025. As bond yields drifted lower and inflation data improved, investors began reassessing mid-cap equity valuations. Earnings reports through January were broadly resilient, with several companies providing stable forward guidance despite higher input costs earlier in the year.

Overseas capital flows continued to favour large-cap UK equities, particularly dividend-paying stocks. While domestic retail participation remains cautious, early signs suggest that improving macro clarity may attract renewed interest from UK-based investors who had previously remained defensive in cash.

Financials, defensives, and selective growth leadership

Sector performance reflected a more balanced and measured market environment. Financial stocks remained supported by still-elevated base rates, which

continue to underpin net interest margins. However, the pace of share price appreciation moderated as investors increasingly focused on the timing of future rate cuts.

Utilities and consumer staples saw renewed inflows as gilt yields eased and volatility subsided. These defensive sectors provided stability during brief episodes of geopolitical tension that affected energy markets.

Selective growth areas also attracted attention. Companies involved in digital infrastructure, automation, and cybersecurity reported improved contract visibility. While the UK technology sector remains smaller relative to US peers, global demand for artificial intelligence infrastructure and enterprise software continues to filter into UK-listed firms operating in these spaces.

Capital markets activity showed cautious improvement. IPO volumes remained modest but constructive, with several mid-sized listings progressing in early 2026. The tone suggests stabilising risk appetite rather than exuberance, a healthier foundation for sustained capital formation.

Although structural issues, such as weak productivity and subdued business investment, remain in focus, the immediate inflationary pressure has started to ease.

Inflation and interest rates

Inflation data improved meaningfully over the period. Headline CPI eased to 3.0% in January, down from late 2025 levels. Base effects from energy, moderating goods inflation and stabilising transport costs contributed to the decline. Services inflation, however, remains comparatively sticky, largely due to wage pressures and housing-related costs.

The Bank of England began easing policy in December, reducing rates from 4% to 3.75%, a level it maintained through January and February. This modest rate cut reflected the continued moderation of inflation pressures. Policymakers noted progress in reducing headline inflation but emphasised the importance of sustained evidence that underlying price pressures are easing. Future rate decisions, they stressed, would remain firmly data-dependent. Market pricing increasingly reflects expectations that the next move in rates will be downward, potentially later in the spring or early summer. Gilt yields drifted lower through February, easing financial conditions and supporting interest-sensitive sectors such as property and infrastructure.

Mortgage rates have also begun to stabilise, providing some relief to households. However, affordability remains tighter than pre-2022 levels, and consumer spending growth remains measured rather than robust.

Fiscal policy and market sentiment

Fiscal policy remained relatively stable during the period. Public borrowing figures showed a gradual improvement compared to projections made late last year, partly due to resilient employment and steady tax receipts.

Government messaging has emphasised stability and targeted investment rather than expansionary stimulus. Infrastructure, digital transformation and energy security remain long-term priorities. Importantly, fiscal rhetoric has remained aligned with maintaining credibility in gilt markets.

Investor sentiment improved as fiscal positioning appeared consistent and measured. Sterling strengthened modestly against the US dollar and the euro in January, reflecting growing confidence in macroeconomic stability and policy coordination.

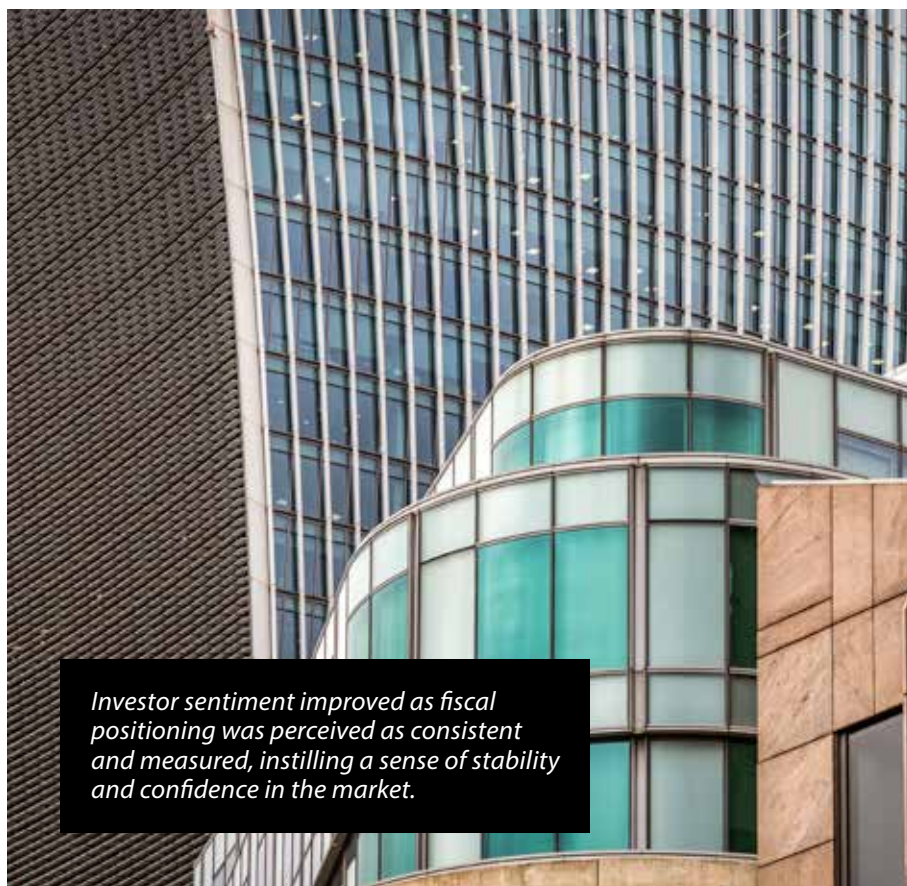
Bond market volatility declined relative to late 2025, reinforcing the perception that the most acute fiscal and inflation-related pressures may now be behind the UK economy.

Political uncertainty and external risks

Political developments remained present but less disruptive than in previous quarters. Ongoing discussions on regulatory alignment with the European Union continued, though without material market consequences.

Industrial action persisted intermittently across parts of the public sector, but economic disruption was limited. Broader geopolitical tensions, particularly in energy-producing regions, led to brief fluctuations in commodity prices in January, though these moves proved temporary.

Looking ahead, investors remain attentive to wage growth data, services inflation and global growth momentum. While risks remain, the UK enters the second quarter of 2026 with improving macro clarity and a more constructive market tone than many expected at the turn of the year.



Investor sentiment improved as fiscal positioning was perceived as consistent and measured, instilling a sense of stability and confidence in the market.

EUROZONE

The Eurozone entered 2026 in a cautiously improving position. While growth remains subdued in parts of the bloc, inflation trends have continued to moderate, and financial conditions have gradually stabilised. Between December and February, markets responded positively to evidence that price pressures are easing, even though core inflation remains above the European Central Bank's target.

Investor sentiment has improved compared with late 2025. However, the region continues to balance fragile growth dynamics with the need to maintain credibility in monetary policy. Divergence between member states remains an important theme, particularly between Germany's industrial base and more services-driven economies such as Spain.

Eurozone equities show selective resilience

Eurozone equity markets delivered modest gains through January and into February, with the EURO STOXX 50 rising by 3.2% year-to-date. Gains were driven by financials, industrials, and selected consumer names, reflecting a more balanced leadership than in 2025, when a narrow group of stocks dominated.

German equities outperformed, with the DAX rising 4.1% in January, supported by improving services activity and early signs of stabilisation in manufacturing, as the manufacturing PMI edged up to 48.5 from 47.8 in December. Spanish markets also remained firm, with the IBEX 35 gaining 3.7%, bolstered by strong tourism revenues and resilient domestic demand. In contrast, French equities were more mixed, with

the CAC 40 up just 1.9%, reflecting ongoing fiscal negotiations and political fragmentation.

Earnings season reassured investors. Revenue growth across the Eurozone averaged 4.5% year over year, while cost pressures showed signs of peaking in key sectors such as industrials and consumer goods. Companies with strong pricing power and significant international exposure, such as luxury goods and automotive exporters, outperformed domestically constrained businesses.

Capital flows into European equities increased modestly in January, with net inflows of €3.8 billion, as global investors reassessed valuation discounts relative to US markets. Eurozone equities remain attractively valued, trading at an average forward price-to-earnings (P/E) ratio of 12.8x, compared with 18.5x for US equities, which has supported renewed institutional interest.

Financials, industrial recovery, and defensive balance

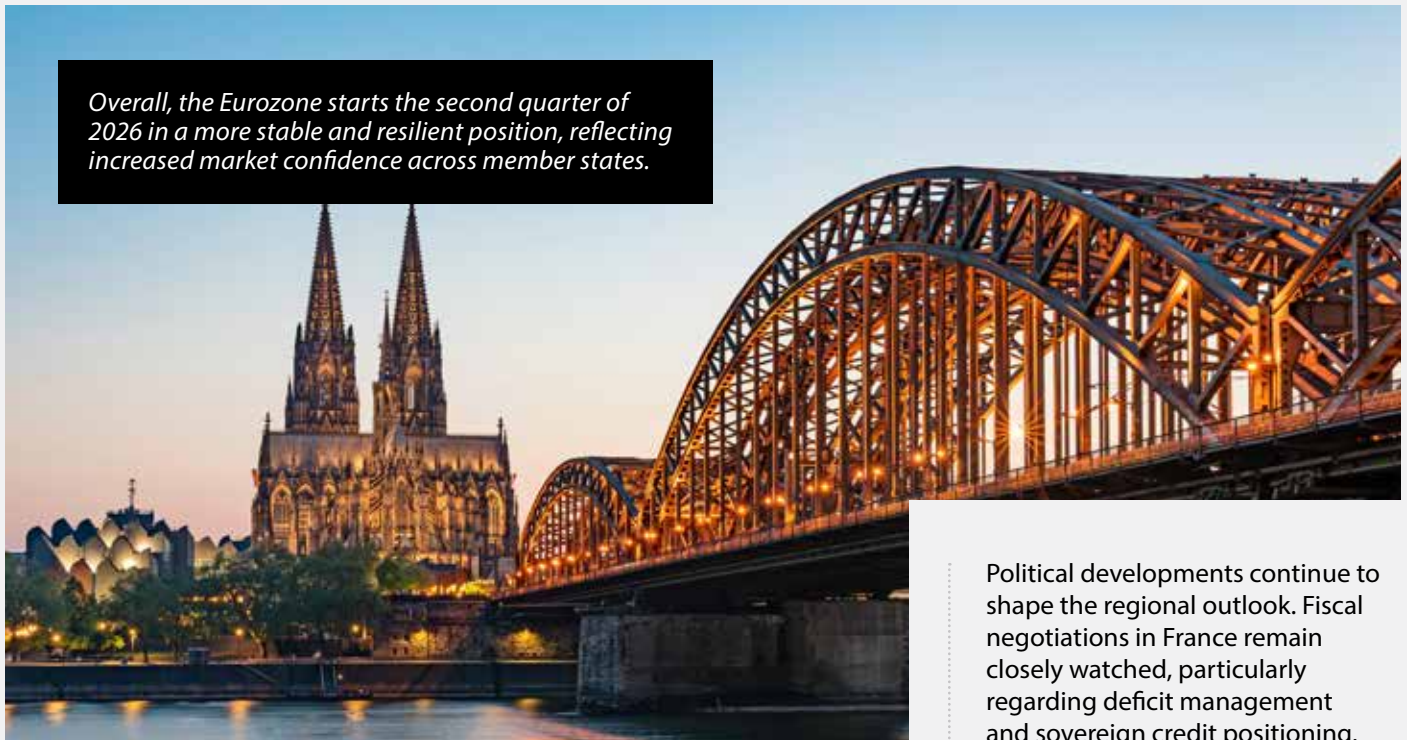
Financials have been among the stronger performers across the bloc. Higher policy rates throughout 2025 have supported bank profitability through improved net interest margins. Although expectations of rate cuts later in 2026 may cap further margin expansion, balance sheets remain robust and credit conditions stable.

Industrials showed early signs of recovery, particularly in Germany and the Netherlands. Purchasing Managers' Index readings improved from contractionary territory, suggesting that the worst of the manufacturing slowdown may be passing. Export-oriented firms benefited from easing supply chain frictions and improved global demand.

While growth remains subdued in parts of the bloc, inflation trends have continued to moderate, and financial conditions have gradually stabilised.



Overall, the Eurozone starts the second quarter of 2026 in a more stable and resilient position, reflecting increased market confidence across member states.



Defensive sectors such as healthcare and utilities continued to attract steady inflows. Investors have favoured these areas as a hedge against lingering geopolitical risk and ongoing uncertainty over growth prospects.

Energy stocks were more volatile, reflecting fluctuations in oil and gas prices during the winter months. However, improved storage levels across Europe have reduced immediate energy security concerns compared to previous years.

Inflation and interest rates

Inflation trends remained central to market direction. Headline Eurozone inflation eased further into early 2026, supported by base effects in energy and moderating goods prices. However, core inflation remains sticky, particularly in services and wage-related components.

The European Central Bank kept its main refinancing rate at 4.0% and the deposit facility rate at 3.75% throughout the period. Policymakers adopted a slightly more measured tone, acknowledging progress while

emphasising the need for sustained evidence before adjusting policy.

Bond markets reflected this evolving outlook. German Bund yields drifted lower into February, easing financial conditions and supporting equity valuations. Peripheral sovereign spreads remained contained, indicating that investor confidence in fiscal sustainability across southern Europe remains stable.

Markets are increasingly pricing the possibility of rate reductions later in 2026, though expectations remain cautious and dependent on incoming inflation data.

Macroeconomic and geopolitical events

Economic growth across the Eurozone remains uneven. Germany continues to face structural headwinds in manufacturing, though fiscal support for green infrastructure and industrial competitiveness has provided partial relief. Service sectors across the bloc have shown greater resilience, supported by stable employment and tourism.

Political developments continue to shape the regional outlook. Fiscal negotiations in France remain closely watched, particularly regarding deficit management and sovereign credit positioning. Although these issues have not triggered significant market dislocation, they contribute to periodic volatility.

Energy policy coordination across the European Union remains a priority. Gas storage levels are comfortable compared with previous winters, reducing near-term risk. However, policymakers remain focused on longer-term supply diversification and price stability.

Trade dynamics have also improved modestly. Easing tensions in global supply chains and stabilising US-EU trade discussions have supported export sentiment. While geopolitical risks persist, markets appear more comfortable with the current balance of economic risks.

Overall, the Eurozone begins the second quarter of 2026 in a more stable position than at the start of 2025. Inflation is moving in the right direction, financial markets are functioning smoothly, and equity valuations remain supportive. However, growth remains fragile, and policymakers must continue to navigate carefully between the risks of disinflation and stagnation.

US

The United States entered 2026 with markets balancing two powerful forces. On the one hand, economic activity and corporate earnings remained supportive. On the other hand, investors continued to price in risks from persistent inflation pressures, shifting rate-cut expectations, and a noisy political backdrop.

From December through February, US assets reflected this push and pull, with rallies often driven by softer inflation prints and dips triggered by concerns about AI disruption, trade policy, and geopolitical risk.

Overall, sentiment improved into January, then became more selective in February as investors reassessed valuations and the likely pace of monetary easing.

US equities maintained momentum, but leadership narrowed at times

US equities posted a modest gain in January, with the S&P 500 rising 1.5% for the month, supported by a late-month rally that saw the index briefly surpass 7,000 points intraday for the first time. This positive start reinforced the

broader narrative that risk appetite remained intact as inflation cooled, with the Consumer Price Index (CPI) easing to 2.7% year-over-year in December, and growth held steady, as evidenced by a 4.3% annualised GDP growth rate in Q4 2025.

However, market performance became more uneven in February. The Nasdaq Composite, which gained 2.1% in January, saw increased volatility as concerns about AI-related disruption weighed on technology stocks. Defensive sectors, such as utilities and healthcare, provided stability, with utilities gaining 1.8% in February. Smaller companies also attracted attention early in the year, with the Russell 2000 rising 2.3% in January, outpacing the S&P 500. This is often viewed as a signal of improving

confidence in the domestic economy, particularly as small caps are more sensitive to US economic conditions.

Investor focus remained heavily concentrated on forward earnings guidance. Companies demonstrating pricing power, stable demand, and disciplined cost control, such as those in the consumer staples and industrials sectors, tended to outperform. For example, Procter & Gamble reported a 6% increase in organic sales, driven by pricing strategies. In contrast, companies more exposed to slowing discretionary spending or rapid technology shifts, such as some retail and tech names, experienced greater volatility, with the consumer discretionary sector declining 0.9% in February.

Inflation and interest rates

Inflation data remained a key driver of market pricing. In January, US consumer prices rose 0.2% month-on-month, with core CPI up 0.3%. On an annual basis, CPI was in the mid-2% range, reinforcing the view that inflation is cooling, even if underlying pressures persist. The Federal Reserve held rates steady in January, leaving the federal funds target range at 3.5% to 3.75%, but signalled openness to rate cuts later in the year as inflation continued to moderate. Policymakers emphasised that future decisions would remain data-dependent and guided by incoming economic indicators.

Investors continued to factor in risks from ongoing inflation pressures, changing rate-cut expectations, and a turbulent political landscape.

“MARKET COMMENTARY IN LATE FEBRUARY AND EARLY MARCH HIGHLIGHTED THE RISK THAT SUSTAINED CONFLICT COULD ADD INFLATIONARY PRESSURE THROUGH OIL AND SHIPPING DISRUPTIONS, COMPLICATING THE TIMING OF MONETARY EASING.”

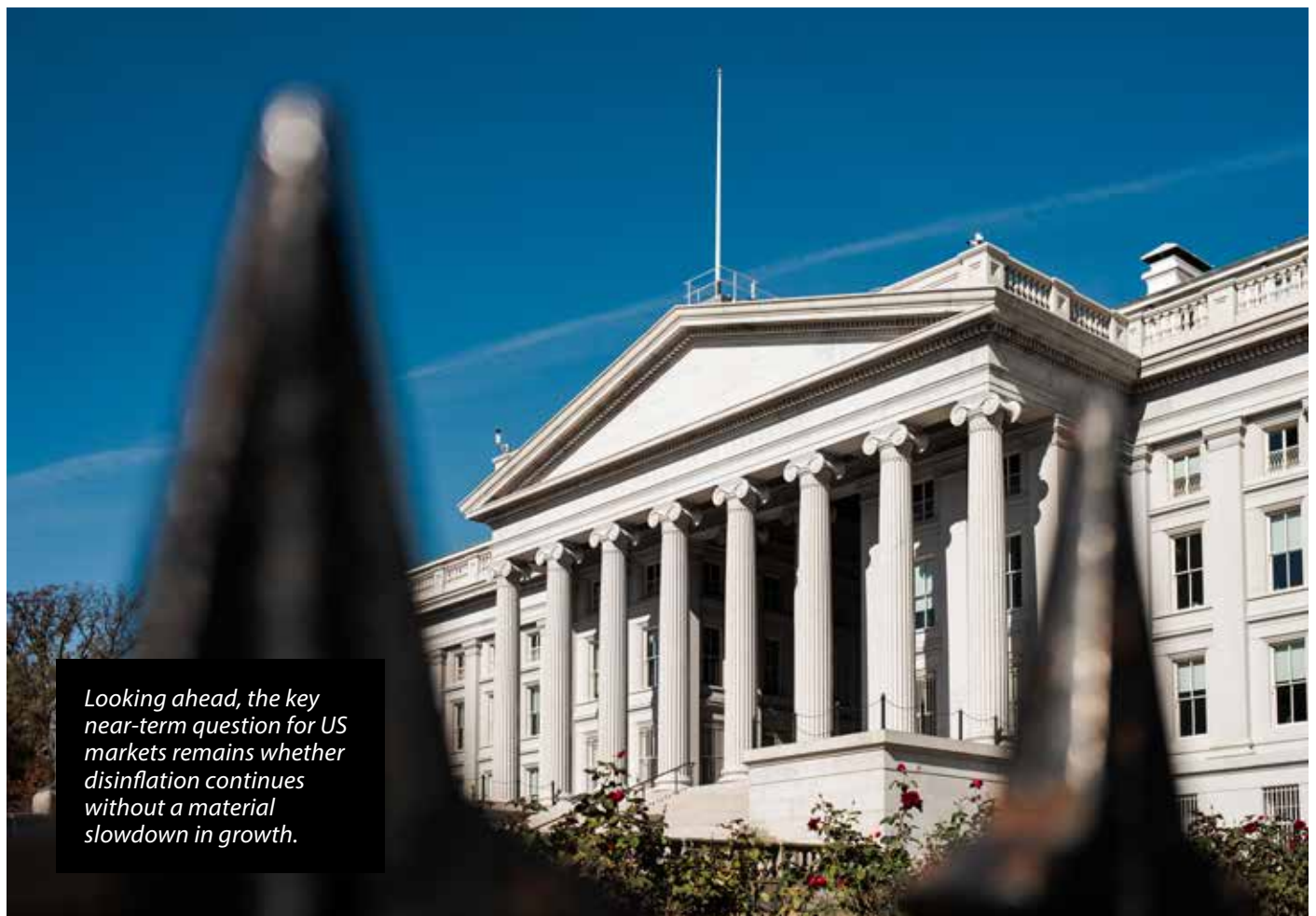
Bond markets reflected this evolving outlook. Treasury yields moved in response to inflation surprises and shifts in expectations about the timing of rate cuts. As inflation moderated, yields tended to drift lower, supporting equity valuations and easing financial conditions marginally.

Geopolitical and domestic events

Political and geopolitical developments caused intermittent volatility throughout the period. Investors remained attentive to trade policy headlines, including concerns about tariffs and their potential impact on inflation and corporate margins.

Geopolitical tensions also remained in focus, particularly where they could affect energy prices and inflation expectations. Market commentary in late February and early March highlighted the risk that sustained conflict could add inflationary pressure through oil and shipping disruptions, complicating the timing of monetary easing.

Looking ahead, the key near-term question for US markets remains whether disinflation continues without a material slowdown in growth. If that balance holds, the foundation for risk assets remains supportive. If inflation re-accelerates or growth weakens sharply, markets are likely to remain more volatile, with leadership more defensive.



Looking ahead, the key near-term question for US markets remains whether disinflation continues without a material slowdown in growth.

JAPAN

Japan began 2026 with equity markets near multi-decade highs, supported by resilient corporate earnings, ongoing governance reform, and steady inflows of foreign capital. Between December and February, sentiment remained constructive, although volatility increased at times due to currency movements and global risk repricing.

The broader narrative remains one of gradual structural improvement. Unlike previous cycles, driven largely by currency weakness, the current equity strength is underpinned by profitability, capital discipline, and improved shareholder returns. While global growth concerns have occasionally influenced export-sensitive sectors, domestic corporate reform continues to provide a meaningful tailwind.

Japanese equities continue to attract foreign inflows

Japanese equities continued to attract strong foreign inflows, with the Nikkei 225 rising 5.9% and the TOPIX gaining 4.6% in January. Foreign investor participation remained elevated, with net purchases of Japanese equities totalling ¥1.2 trillion during the month, driven by interest in financials, industrial automation, and semiconductor-related names. These sectors benefited from global capital expenditure linked to artificial intelligence and advanced manufacturing, with companies such as Fanuc and Tokyo Electron posting gains of 7.3% and 6.8%, respectively.

Earnings releases through the winter months broadly met expectations, with 68% of companies in the TOPIX reporting results in line with or above consensus. Export-oriented firms remained sensitive to currency fluctuations, particularly movements in the yen, which

strengthened to ¥128.5 against the US dollar in mid-January before retreating to ¥131.2 by month-end. This temporary yen strength put pressure on major exporters such as Toyota and Sony, which saw modest declines of 1.2% and 0.8%, respectively. However, broader market participation improved as domestic-facing companies, such as retail and real estate, gained traction, with the retail sector rising 3.5% in January.

Corporate governance reform remains a defining feature of the Japanese equity story. Share buybacks reached a record ¥2.8 trillion in January, while dividend payouts increased by 12% year

over year, reflecting sustained pressure from the Tokyo Stock Exchange to improve capital efficiency. These initiatives have bolstered investor confidence, with the TOPIX now trading at a forward price-to-earnings (P/E) ratio of 14.2x, above its 10-year average of 12.8x.

Market breadth has widened compared with earlier phases of the rally. Small- and mid-cap stocks, as measured by the TSE Mothers Index, rose 6.1% in January, suggesting improving domestic sentiment rather than purely externally driven performance. This broader participation highlights growing confidence in Japan's economic recovery and structural reforms.



While concerns about global growth have occasionally affected export-sensitive sectors, ongoing domestic corporate reform remains a significant tailwind.

Inflation and interest rates

Inflation in Japan remained above the Bank of Japan's long-standing 2% target during the period, though price pressures showed signs of stabilising. Headline CPI remained in the mid-2 % range, supported by food and energy, while core measures reflected gradual wage pass-through.

The Bank of Japan kept its short-term policy rate at negative 0.1% during this period and continued to manage its yield curve control framework flexibly. Despite ongoing speculation about eventual policy normalisation, policymakers have remained cautious. Governor Ueda reiterated that sustained wage growth and durable demand conditions would be necessary before any significant tightening.

Japanese government bond yields fluctuated modestly in response to global rate movements but remained relatively contained. The 10-year JGB yield traded within a narrow band,

reflecting continued central bank presence in the bond market.

The key policy question heading into the second quarter remains whether wage negotiations in the spring will support a more durable inflation cycle. Markets are increasingly attentive to labour agreements, which could shape expectations of any adjustment to ultra-loose monetary settings later in the year.

Geopolitical and domestic events

Japan's political environment remained stable through early 2026, providing a steady backdrop for markets. Policy emphasis continued to centre on economic competitiveness, digital transformation, and supply chain resilience.

Government support for semiconductor manufacturing and investment in advanced technologies remained a strategic priority. Domestic manufacturing

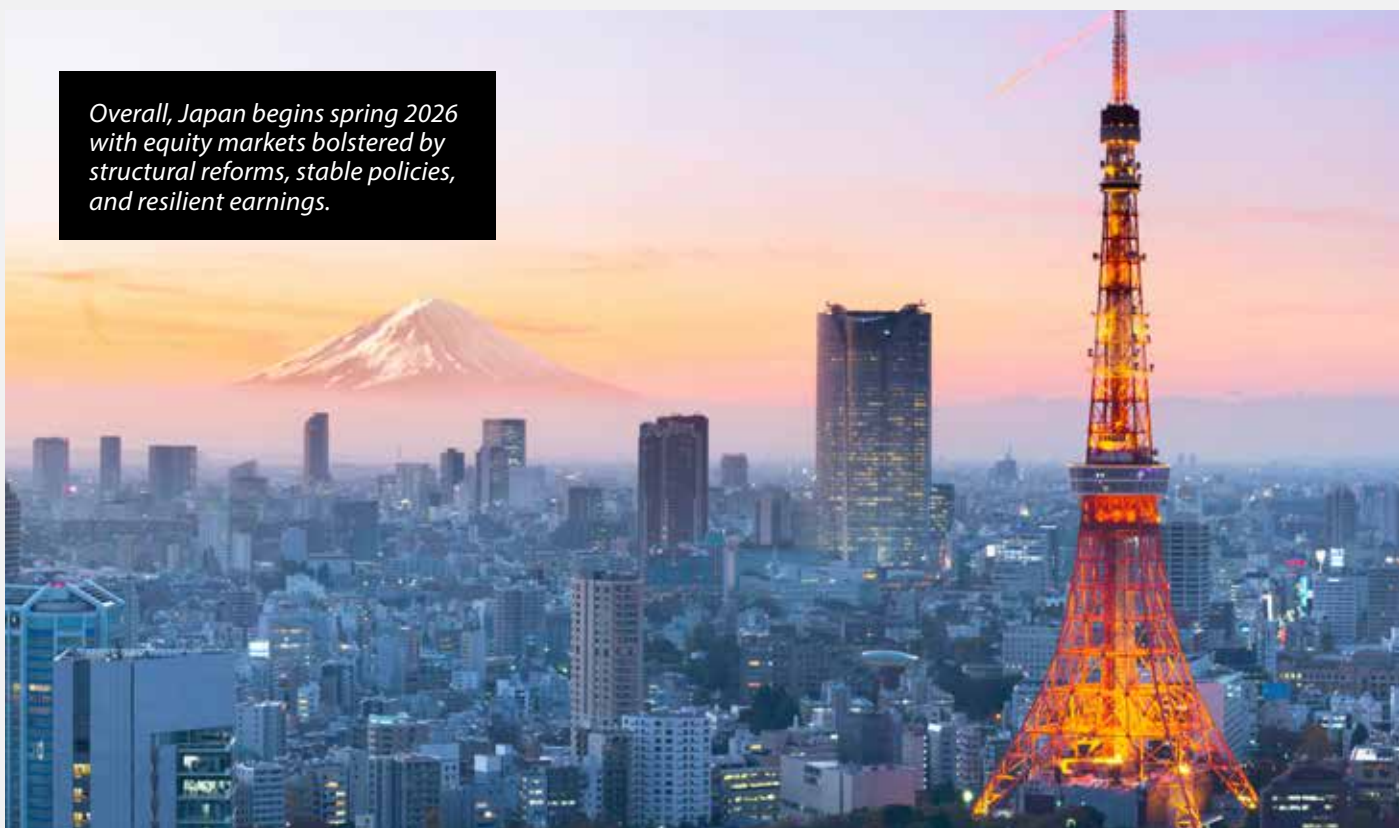
capacity expansion continued, partly in response to global supply chain diversification efforts.

Geopolitical tensions across the Asia-Pacific region remained a watchpoint, particularly in relation to US-China trade dynamics. However, Japan has so far avoided direct disruption, benefiting instead from its role as a strategic manufacturing hub.

Foreign direct investment flows remained supportive, and multinational corporations continued to expand operations in Japan, reinforcing its role in regional production networks.

Overall, Japan enters spring 2026 with equity markets supported by structural reform, stable policy, and resilient earnings. While currency volatility and global growth trends may cause short-term fluctuations, the longer-term domestic transformation narrative remains intact.

Overall, Japan begins spring 2026 with equity markets bolstered by structural reforms, stable policies, and resilient earnings.



ASIA (EX JAPAN)

Asia ex-Japan entered 2026 with improving momentum, supported by a softer US dollar, resilient global demand for technology components, and selective policy support across major economies. From December through February, equity markets across North Asia led regional gains, while Southeast Asian markets saw more mixed performance.

Investor appetite strengthened in January as global risk sentiment improved. However, performance remained uneven across countries, reflecting domestic policy conditions, inflation trends, and exposure to global trade dynamics. The region continues to balance structural growth opportunities with sensitivity to US monetary policy and commodity prices.

Technology leadership drives regional performance

Technology-heavy markets such as South Korea and Taiwan

remained among the strongest performers through January, with the KOSPI rising 7.2% and the TAIEX gaining 6.8%. Semiconductor manufacturers, including TSMC and Samsung Electronics, posted strong gains of 8.5% and 7.9%, respectively, driven by sustained demand for artificial intelligence infrastructure, cloud computing expansion, and advanced chip fabrication. Earnings updates from major chipmakers reinforced confidence in forward-looking capital expenditure cycles, with TSMC reporting a 15% year-over-year increase in Q4 revenue.

Taiwan's equity market continued to attract foreign inflows, with foreign investors' net purchases totalling \$3.2 billion in January. This was supported by robust export data, as Taiwan's exports rose 9.1% year-over-year in December, and by stable domestic conditions. South Korea also benefited from improved global demand and easing bond

yields, with the 10-year Korean Treasury yield falling to 3.1% from 3.3% in December, which supported growth-sensitive sectors such as technology and consumer discretionary.

Chinese equities delivered a more nuanced performance. The Shanghai Composite rose 1.4% in January, stabilising after volatility in late 2025, supported by targeted fiscal measures and liquidity injections from the People's Bank of China, which cut the reserve requirement ratio by 25 basis points. However, investor confidence remained cautious, particularly regarding the property sector, where new home sales fell 8.3% year-on-year in December, and domestic consumption trends, with retail sales growing by just 2.5% year-on-year. Hong Kong-listed equities experienced bouts of volatility, with the Hang Seng Index declining 0.9% in January as global investors reassessed China's growth trajectory.



MARKET REVIEW

Southeast Asian markets showed mixed results. Thailand's SET Index rose 2.7%, supported by a tourism recovery, with international arrivals up 18% month-over-month in December. Meanwhile, Indonesia's JCI fell 1.5%, weighed down by declining commodity prices, including a 4.2% drop in coal prices. Malaysia's FBM KLCI also declined 0.8%, reflecting weaker demand for palm oil and other exports. Economies exposed to manufacturing supply chains, such as Vietnam, saw a gradual recovery, with the VN-Index gaining 3.4% in January, supported by improving export orders.

Inflation and interest rates

Inflation trends across the region remained varied but generally manageable. In South Korea, inflation moderated relative to late-2025 levels, easing pressure on policymakers. In Taiwan, inflation remained comparatively subdued, reflecting stable domestic demand and contained wage pressures.

India continued to experience higher headline inflation relative to North Asia, though within its central bank's tolerance band. Policymakers maintained a cautious stance, keeping benchmark rates unchanged while monitoring food and fuel price movements.

Regional central banks broadly adopted a neutral or steady policy approach through the period. With the US Federal Reserve holding rates steady and global inflation showing signs of moderation, capital flows into Asia improved in January. Bond yields across several Asian economies drifted lower, supporting equity valuations and easing financial conditions.

Currency stability also played a constructive role. The softer US dollar provided relief to

emerging Asian currencies, easing external financing pressures and supporting foreign investor participation.

Geopolitical and domestic developments


Trade policy and geopolitical developments continued to shape sentiment across Asia. While US-China relations remain complex, the tone has stabilised compared with earlier periods of heightened tariff escalation. Incremental easing of certain trade restrictions supported export-oriented sectors.

China continued to prioritise technological self-sufficiency and infrastructure investment. Policy measures to support advanced manufacturing and clean energy provided targeted support to specific industries, although broader consumer confidence remains a watchpoint.

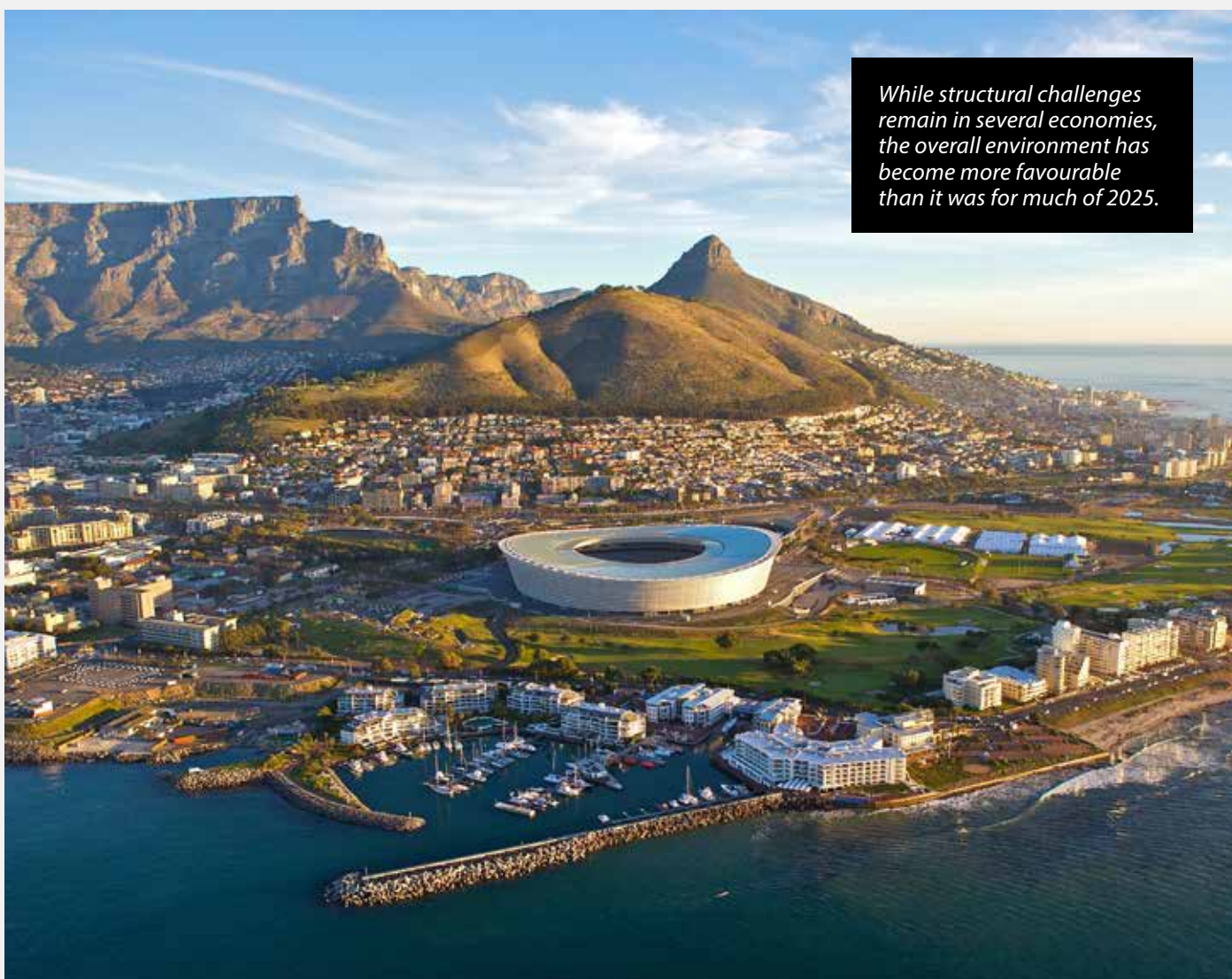
Across Southeast Asia, governments focused on diversifying supply chains and attracting foreign direct investment. Infrastructure projects and digital economy initiatives remain central to long-term growth strategies.

Although geopolitical tensions persist across the Asia-Pacific region, markets have shown resilience. Investors are increasingly distinguishing between short-term volatility and longer-term structural growth themes, particularly in digital infrastructure, renewable energy, and regional manufacturing hubs.

Overall, Asia ex-Japan enters the second quarter of 2026 with improving investor sentiment, robust technology demand, and broadly stable monetary conditions. Performance remains country-specific, but structural growth drivers continue to support the region's medium-term outlook.



Although geopolitical tensions persist across the Asia-Pacific region, markets have shown resilience.



While structural challenges remain in several economies, the overall environment has become more favourable than it was for much of 2025.

EMERGING MARKETS

Emerging markets outperformed their developed-market peers in January, supported by a weaker US dollar, strengthening capital inflows, and sustained demand for AI-related supply chain components across North Asia. From December through February, overall performance across emerging economies remained positive, although regional dispersion was pronounced.

While structural challenges persist in several economies, the broader environment has

become more constructive than it was for much of 2025. A steadier Federal Reserve stance and easing inflation across developed markets have reduced external financing pressure, creating more favourable conditions for emerging market equities and bonds.

Equity performance led by North Asia and selective Latin American strength

North Asian emerging markets continued to benefit from global demand for technology, with


Taiwan's TAIEX rising 6.8% and South Korea's KOSPI gaining 7.2% in January. Semiconductor and hardware exporters, such as TSMC and Samsung Electronics, maintained earnings momentum, with TSMC reporting a 15% year-over-year increase in Q4 revenue and Samsung Electronics posting a 9% rise in operating profit. This reinforced confidence in the resilience of supply chains and capital-expenditure cycles, particularly in advanced chip fabrication and AI infrastructure.

MARKET REVIEW

China's equity markets showed tentative stabilisation, with the Shanghai Composite rising 1.4% in January. Targeted fiscal measures, including a \$150 billion infrastructure spending package, and liquidity injections from the People's Bank of China, which cut the reserve requirement ratio by 25 basis points, supported the industrial and technology sectors. However, domestic consumption remained uneven, with retail sales rising just 2.5% year-over-year in December. The restructuring of the property sector continued to weigh on sentiment, as new home sales fell 8.3% year-over-year. Investors remained selective, favouring state-supported industries such as renewable energy and export-oriented firms, while avoiding domestically exposed consumer names.

In Latin America, performance improved in January as commodity prices stabilised and foreign inflows returned. Brazil's Bovespa Index rose 3.9%, supported by firmer metal prices, including a 4.5% increase in iron ore prices, and steady trade relations with the United States. Mexico's IPC Index gained 2.7%, driven by strong manufacturing exports, which grew 6.2% year-over-year in December. Fiscal discipline remained a central theme in investor assessments, particularly in Brazil, where the government maintained its primary budget surplus target of 1.5% of GDP, helping to restore confidence after earlier volatility.

Emerging Europe and parts of Africa experienced more varied outcomes. South Africa's JSE All Share Index rose 4.1%, supported by firm precious metal prices, with gold reaching \$5,000 per ounce in January. This bolstered mining equities, including AngloGold Ashanti and Sibanye Stillwater, which gained 6.3% and 5.8%, respectively. In contrast, other frontier markets remained sensitive



Overall, emerging markets enter the second quarter of 2026 with improved liquidity, a more stable external funding environment, and selective equity opportunities.

to domestic political developments and currency pressures. For example, Nigeria's NGX All-Share Index fell 1.2% in January, reflecting concerns over upcoming elections and naira depreciation.

Inflation and interest rates

Monetary policy conditions across emerging markets became more balanced over the period. As US rate expectations stabilised, local central banks were able to maintain a cautious but steady stance.

Inflation trends varied across regions. In Latin America, inflation remained elevated in some economies but showed signs of peaking. Brazil's price pressures moderated compared with previous months, allowing policymakers to avoid further tightening. Mexico maintained a disciplined monetary policy, helping to anchor currency stability.

In Asia, inflation generally remained contained. China's inflation remained subdued, reflecting moderate domestic demand, while India's inflation remained within policy tolerance levels despite food price volatility.



Bond markets across emerging economies benefited from narrower sovereign spreads and improved investor risk appetite. Hard-currency debt saw moderate spread compression, while local-currency bonds were supported by stronger domestic currencies and reduced external financing stress.

Geopolitical and capital flow dynamics

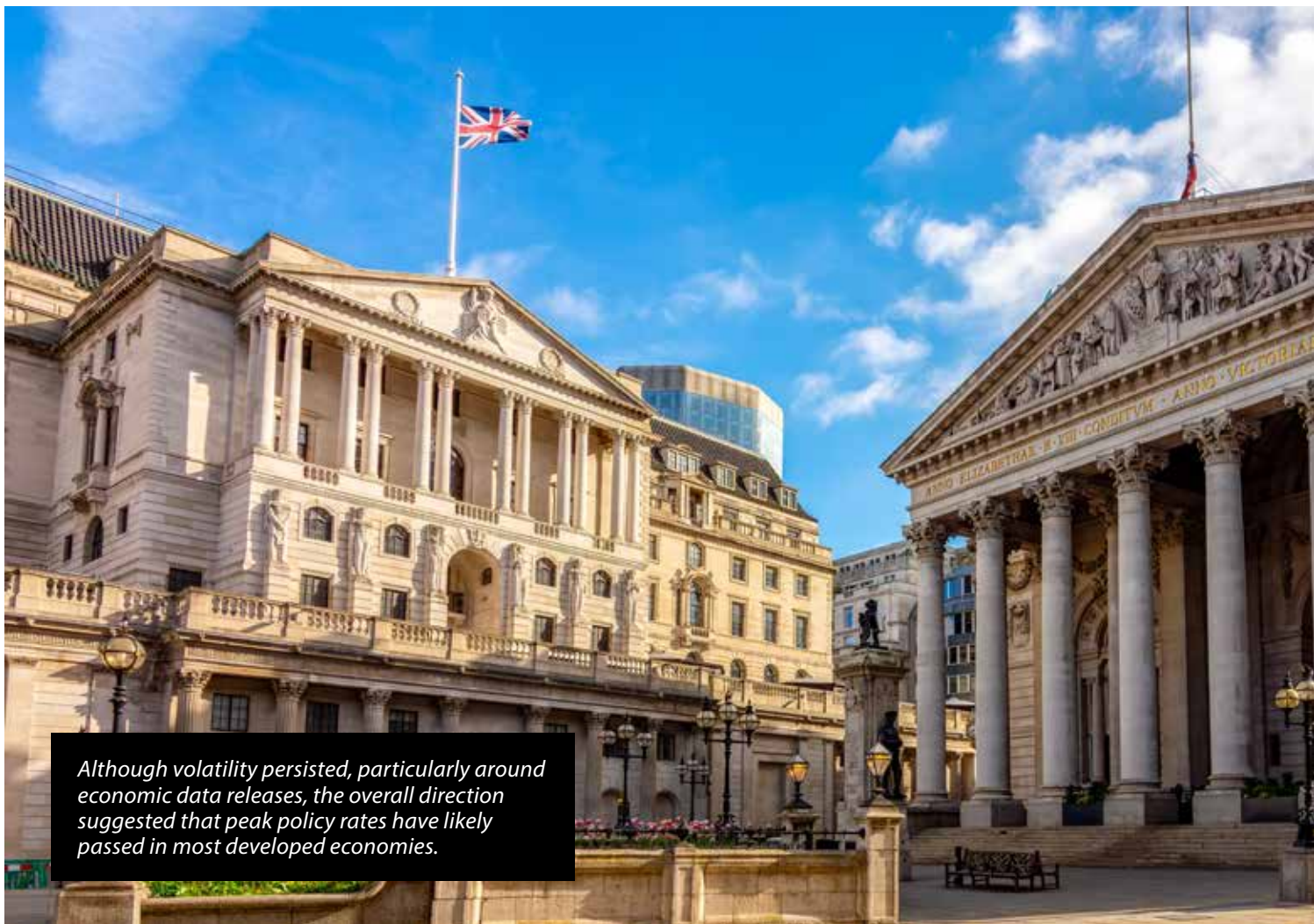
Capital flows turned more positive in January as global investors reallocated towards higher-yielding markets. A softer US dollar and reduced volatility in US Treasury yields improved the relative attractiveness of returns.

Trade dynamics remained a key consideration. North Asian exporters benefited from easing supply chain disruptions, while Latin American economies remained linked to global commodity demand. Infrastructure investment and digital transformation initiatives continued to attract long-term capital to selected emerging economies.

Geopolitical risks persist, particularly in regions undergoing political transitions or reliant on commodities. However, markets have shown resilience, distinguishing between temporary volatility and underlying structural fundamentals.

Overall, emerging markets enter the second quarter of 2026 with improved liquidity, a more stable external funding environment, and selective equity opportunities. While risks remain country-specific, the combination of moderating inflation and steadier global monetary conditions has created a more supportive backdrop than many expected at the end of last year.

GLOBAL BONDS



Although volatility persisted, particularly around economic data releases, the overall direction suggested that peak policy rates have likely passed in most developed economies.

Global bond markets entered 2026 in a more balanced position than they had been for much of 2025. From December through February, investors navigated moderating inflation and diverging central bank policies. The Federal Reserve and the Bank of England began easing, while the European Central Bank maintained a firmer stance and the Bank of Japan cautiously adjusted its yield framework. Although volatility persisted, particularly around economic data releases, the overall direction suggested that peak policy rates have likely passed in most developed economies.

Government bond yields generally drifted lower into January as inflation data surprised to the downside across several regions. However, February saw episodes of repricing as investors reassessed the pace at which central banks may begin easing. Credit markets remained resilient, supported by stable corporate balance sheets and improving risk appetite.

United States

US Treasury markets reflected shifting expectations about Federal Reserve policy. With the Fed holding its policy rate steady in the 3.5 to 3.75% range in early

2026, bond yields moved primarily in response to inflation prints and labour market data.

Ten-year Treasury yields eased into January as consumer price data indicated continued disinflation. This move supported duration-sensitive assets and contributed to improved equity sentiment. However, yields rebounded intermittently in February as investors digested resilient economic growth data and recalibrated expectations for the timing of rate cuts.

Investment-grade corporate spreads remained contained,



reflecting stable credit conditions and solid earnings performance. High-yield markets also performed steadily, with default expectations remaining moderate relative to historical averages.

Overall, the US bond market has transitioned from pricing aggressive tightening to evaluating the pace and depth of eventual easing. This shift has reduced volatility relative to 2025, though sensitivity to data remains high.

Europe

European sovereign bond markets saw modest declines in yields during January, supported by easing inflation across the Eurozone and a more measured tone from the European Central Bank. German Bund yields drifted lower as investors priced the increasing probability of policy adjustments later in 2026.

Peripheral sovereign spreads remained stable, indicating confidence in fiscal positioning across southern European economies. Market participants have not demanded significantly higher risk premiums, suggesting that systemic stress concerns remain contained.

Corporate bond markets in Europe delivered stable performance. Investment-grade spreads tightened slightly, supported by strong balance sheets and moderate refinancing needs. While growth across the bloc remains subdued, credit fundamentals have remained comparatively resilient.

UK gilts also benefited from moderating inflation and easing rate expectations. Yield movements were less volatile than in prior quarters, reinforcing perceptions that fiscal and inflation risks are more manageable than previously feared.

Japan

Japanese government bond markets remained comparatively steady during the period. The Bank of Japan maintained its ultra-accommodative stance, including its yield curve control framework, limiting upward pressure on long-term yields.

The 10-year Japanese government bond yield fluctuated within a narrow range, influenced partly by global rate movements but capped by central bank policy. Speculation around eventual policy normalisation persists, particularly given inflation remaining above the 2% target. However, policymakers have reiterated that sustainable wage growth remains a prerequisite for significant tightening.

Japanese corporate credit markets remained stable, supported by strong domestic balance sheets and consistent demand from foreign investors. Compared with other developed bond markets, Japan continues to exhibit lower volatility.

Credit markets globally

Credit markets broadly outperformed sovereign bonds during the period. As inflation trends improved and recession fears

receded, investor appetite for spread products strengthened modestly.

Global investment-grade indices delivered positive total returns through January, supported by gains in duration and tighter spreads. High-yield markets also remained firm, with spreads narrowing relative to levels seen late in 2025.

Emerging market debt benefited from improved capital flows and a softer US dollar. Sovereign spreads narrowed in several Latin American and Asian economies, reflecting stronger currency performance and reduced external funding pressures.

Precious metals delivered exceptional performance. Gold capped a remarkable 65% annual gain, marking its strongest year since 1979. In January, gold prices briefly approached the \$5,000 level, and in February, closed at \$5,368, reflecting heightened geopolitical tensions, central bank diversification, and continued investor demand for inflation hedges and safe-haven assets.

Energy markets moved in the opposite direction. Oil prices declined for a fifth consecutive month, with West Texas Intermediate crude down by nearly 20% year on year. Softer global demand expectations and improved supply conditions contributed to the decline, helping ease broader inflationary pressures.

While geopolitical risks and policy uncertainty remain part of the backdrop, the overall tone in global bond markets has shifted from defensive positioning towards cautious normalisation. The key driver in the second quarter will be confirmation that inflation continues to trend down without a sharp deterioration in growth.

Summary

Disinflation supports confidence, but vigilance remains essential

The opening months of 2026 have been characterised by cautious optimism across global financial markets. From December through February, the dominant theme has been gradual disinflation, with central banks maintaining a measured but increasingly balanced policy stance. While inflation remains above target in several regions, the overall trend has improved enough to support expectations that the next move in rates is more likely to be downward than upward.

Heightened geopolitical tensions, including renewed tariff discussions and Arctic security negotiations, triggered periods of volatility. However, markets largely absorbed these developments without sustained disruption.

Equity markets responded constructively. Developed markets, particularly the United States and parts of Europe, delivered steady gains, supported by resilient corporate earnings and easing bond yields. Japan continued to benefit from structural reform and shareholder-friendly corporate behaviour, while Asia ex-Japan and broader emerging markets

saw improving capital flows as the US dollar softened and global rate volatility declined.

Bond markets have moved from pricing aggressive tightening to assessing the timing and pace of eventual policy easing. Government bond yields moderated in several major economies, and credit markets remained stable, reflecting solid balance sheets and contained default expectations. The improved tone across fixed income has helped underpin broader asset market confidence.

Despite this more supportive backdrop, risks remain. Inflation in the services sector remains sticky in some regions, and wage growth remains closely monitored by policymakers. Geopolitical tensions, trade policy uncertainty, and domestic political developments could reintroduce volatility, particularly if they affect energy prices or inflation expectations.

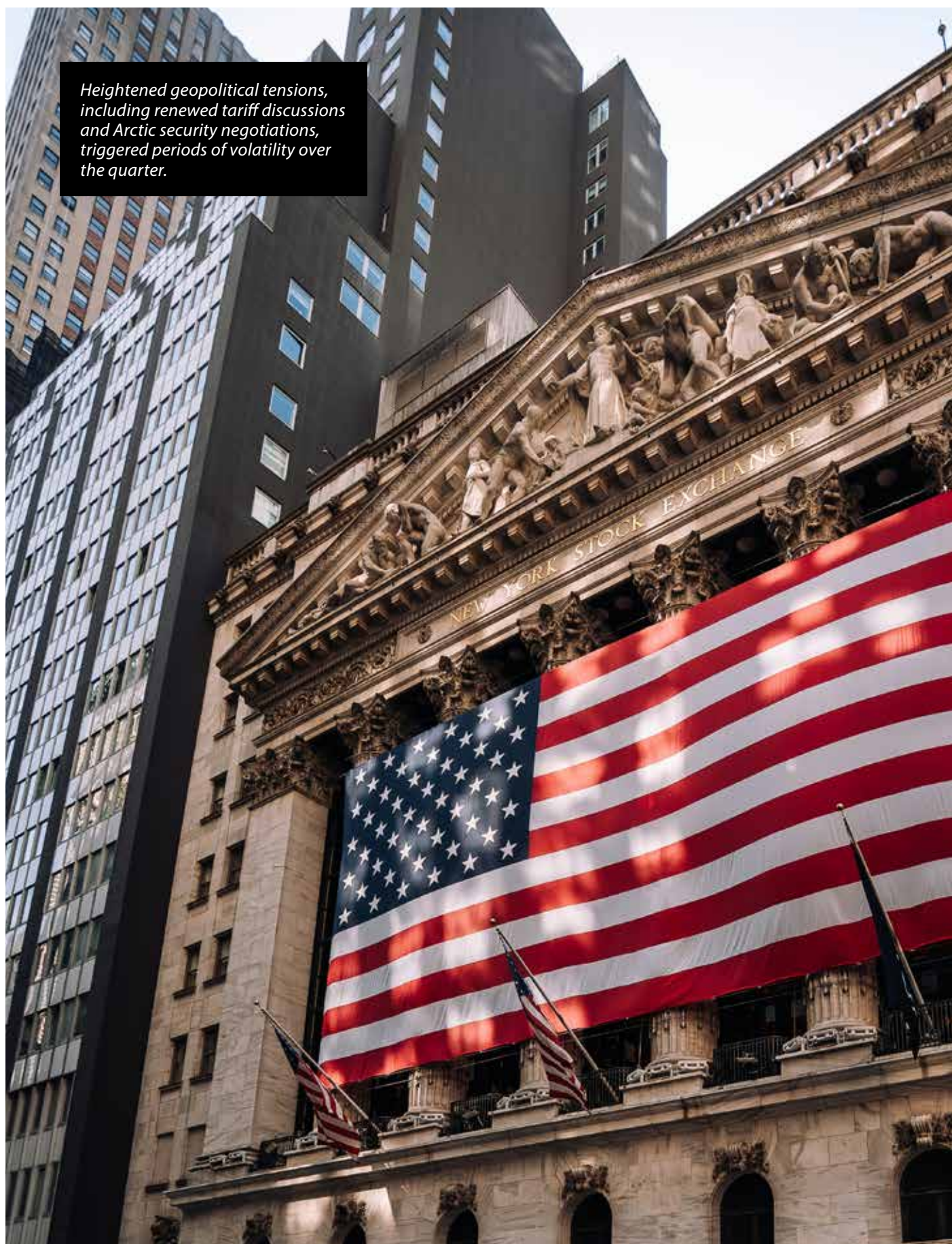
For investors, the environment now appears more balanced than at the end of 2025. The extreme inflation shocks and rapid rate increases of

recent years have given way to a phase of normalisation and policy calibration. While growth remains modest in several regions, financial markets are increasingly focused on the sustainability of earnings and the durability of disinflation.

As we move into the second quarter of 2026, attention will focus on incoming inflation data, labour market conditions, and central bank communication. Confirmation that price pressures continue to ease without a material slowdown in growth would provide a constructive foundation for risk assets. Conversely, any reacceleration in inflation or a sharp deterioration in economic activity could reintroduce volatility.

Overall, markets begin the year with improved clarity and a more stable macroeconomic backdrop. While uncertainty has not disappeared, the balance of risks appears more evenly distributed than in recent periods, enabling investors to reassess their positioning with greater confidence.

Heightened geopolitical tensions, including renewed tariff discussions and Arctic security negotiations, triggered periods of volatility over the quarter.





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