



FactSet, as at 20 January 2026. MSCI All Country World Index constituents' index total returns in USD, from 1 January to 31 December 2025.



US except-ionalism

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What this chart shows

Over half of the countries within the MSCI All Country World Index hit all time high returns in 2025. The US was not among them—in fact, it fell into the bottom quartile of the 48 countries listed.

A 17% annual return is still strong, but the drop is notable given that US equities outperformed key markets such as Europe, Japan, the UK and Emerging Markets in six of the past seven years (in USD terms). Tumbling to 12th place marks a sharp drop, especially at a time when President Donald Trump continues to promote the “Make America Great Again” narrative. Meanwhile, many regions are demonstrating that they are managing - or even benefiting from - the challenges posed by the United States, such as tariff increases.

Why is it important

One year of underperformance does not signal a structural shift, but it raises two questions:

1. Is US exceptionalism fading?
2. How long can non-US markets continue to outperform?

Of course, no one has the answers, but we can explore some key factors. Since Trump announced major tariff increases, countries outside the US have been making new trade agreements amongst themselves, boosting trade outside of the US. Trade with the US has unsurprisingly declined, putting the region at a relative disadvantage.

Consumer sentiment in the US is poor as the public are concerned about the cost of living due to sticky inflation, job security due to artificial intelligence (AI) displacement, and the general state of the economy. Conversely, investor sentiment remains resilient, and US assets continue to experience healthy inflows. Focusing on technology - where performance has been exceptional, especially among US mega cap names - sentiment remains broadly positive but is becoming more mixed as investors try to identify long term AI winners and losers. As a result, this will likely continue to drive volatility across the sector, with top performers like Oracle sliding from elevated levels as questions arise around spending plans and sustained market dominance.

Turning our attention to valuations, the US market sits well-ahead of other regions, predominantly due to its heavy mega cap tech weighting. Other regions, such as Europe, offer exposure to unloved areas of the market exhibiting solid fundamentals. Banks, for example, have traded at depressed valuations for years but exhibit strong balance sheets following a period of heightened regulation, which has recently been relaxed, and this opens up an opportunity which we have already begun to see reflected in share prices.

As we navigate the course of markets in 2026, we continue to be underweight and selective within US equities, in favour of other regions where we see more upside potential.

The US-Israel strikes on Iran, including the killing of its supreme leader, have sharply escalated conflict and energy risks, provoking global condemnation, fears of wider war, and increased volatility in oil markets and financial conditions.



US

- » The United States, alongside Israel, has launched major air and missile strikes on Iran since 28 Feb 2026, including the confirmed killing of Iran's Supreme Leader Ayatollah Ali Khamenei, with Iran retaliating against US bases and regional allies, raising fears of a wider Middle East conflict.
- » US -Israel strikes on Iran sharply increased geopolitical risk, pushing oil prices higher and raising concerns about inflation and global energy supply disruptions.
- » The International Monetary Fund warned about rising US deficits and urged fiscal consolidation as debt risks continue to grow.
- » Markets turned more volatile as investors moved into Treasuries while reassessing the outlook for Federal Reserve rate cuts amid geopolitical shocks and persistent inflation risks.



UK

- » Prime Minister Keir Starmer and UK diplomats have condemned Iranian strikes across the region, called for de-escalation and a negotiated solution, and reiterated that Iran must never be allowed to develop nuclear weapons.
- » UK Defence Secretary John Healey said the US must explain the legal basis for its strikes on Iran and stressed Britain is not taking part in offensive action, while confirming that the UK has allowed US use of British bases for limited defensive strikes to protect its forces and allies in the region.
- » Governments are preparing repatriation and evacuation plans for citizens stranded in Dubai and across the UAE, highlighting the scale of travel disruption and the risk that Gulf aviation and business hubs remain constrained if the conflict escalates.
- » A Green Party by-election win increased political pressure on Prime Minister Keir Starmer, signalling shifting domestic political dynamics.



Europe

- » The European Commission and European Council leaders described the developments in Iran as "greatly concerning" and urged all parties to exercise maximum restraint, protect civilians, respect international law, and avoid further escalation.
- » The EU's top diplomat Kaja Kallas and EU leadership have stressed that diplomatic channels should be pursued with regional partners, including Arab states, to prevent the conflict from widening and to prioritise negotiations and deescalation.
- » The EU has begun provisional implementation of a major trade deal with the Mercosur bloc of South America (Brazil, Argentina, Paraguay, Uruguay), creating one of the world's largest free-trade zones despite pushback from farmers and environmentalists.
- » Danish prime minister Mette Frederiksen has announced general election on 24 March, campaigning on a wealth tax and European unity after a boost in polls linked to Arctic/Greenland geopolitics.



Rest of the World/Asia

- » China and Russia condemned the US-Israel strikes on Iran, calling them a violation of international law and sovereignty, urging an immediate ceasefire, restraint, and a return to diplomatic negotiations to prevent further escalation and protect regional stability.
- » An oil tanker was struck near the Strait of Hormuz (off Oman) on 1 March 2026, increasing market concerns that Middle East tensions could disrupt key supply routes and potentially push crude prices up by \$10-\$20 per barrel.
- » Japan announced plans to create a CFIUS-style foreign investment screening body to strengthen economic security.
- » The People's Bank of China eased foreign exchange forward rules to temper a rapid yuan rally, aiming to balance export competitiveness with broader macroeconomic stability.

Weekly market data

Week ending 27 February 2026

Asset Class / Region	Currency	Cumulative returns			
		Week ending 27 February	Month to date	YTD 2026	12 months
Developed Markets Equities					
United States	USD	-0.4%	-0.8%	0.6%	18.4%
United Kingdom	GBP	2.2%	7.3%	10.6%	29.2%
Continental Europe	EUR	0.3%	3.5%	6.5%	14.7%
Japan	JPY	3.4%	10.5%	15.6%	47.5%
Asia Pacific (ex Japan)	USD	3.0%	6.1%	14.6%	42.6%
Australia	AUD	1.5%	4.1%	6.0%	14.8%
Global	USD	0.1%	0.7%	3.0%	22.6%
Emerging Markets Equities					
Emerging Europe	USD	0.5%	-1.5%	10.6%	53.5%
Emerging Asia	USD	3.4%	6.2%	15.0%	45.8%
Emerging Latin America	USD	-0.7%	3.8%	19.7%	69.2%
BRICs	USD	-0.9%	-2.6%	-0.1%	14.1%
China	USD	-0.8%	-5.8%	-1.3%	10.5%
MENA countries	USD	-2.0%	-2.7%	3.5%	1.4%
South Africa	USD	6.8%	9.6%	18.7%	94.0%
India	USD	-1.8%	0.2%	-4.7%	8.3%
Global emerging markets	USD	2.8%	5.5%	14.8%	46.4%
Bonds					
US Treasuries	USD	0.7%	1.9%	1.9%	5.8%
US Treasuries (inflation protected)	USD	0.6%	1.4%	1.7%	5.7%
US Corporate (investment grade)	USD	0.2%	1.2%	1.6%	7.0%
US High Yield	USD	-0.3%	0.1%	0.6%	7.0%
UK Gilts	GBP	0.9%	2.4%	2.2%	6.1%
UK Corporate (investment grade)	GBP	0.4%	1.3%	1.5%	7.1%
Euro Government Bonds	EUR	0.5%	1.4%	2.1%	2.3%
Euro Corporate (investment grade)	EUR	0.2%	0.5%	1.3%	3.3%
Euro High Yield	EUR	0.0%	0.3%	1.0%	4.5%
Global Government Bonds	USD	0.5%	1.3%	2.1%	7.0%
Global Bonds	USD	0.5%	1.2%	2.1%	9.0%
Global Convertible Bonds	USD	0.3%	1.6%	7.2%	28.8%
Emerging Market Bonds	USD	0.0%	1.4%	1.5%	11.7%

Weekly market data continued...

Asset Class / Region	Currency	Cumulative returns			
		Week ending 27 February	Month to date	YTD 2026	12 months
Property					
US Property Securities	USD	1.0%	7.9%	11.1%	8.8%
Australian Property Securities	AUD	-1.7%	-4.0%	-6.5%	-0.2%
Global Property Securities	USD	0.9%	6.7%	10.8%	19.3%
Currencies					
Euro	USD	0.3%	-0.5%	0.7%	13.5%
UK Pound Sterling	USD	-0.2%	-1.8%	0.1%	6.7%
Japanese Yen	USD	-0.7%	-1.0%	0.5%	-3.9%
Australian Dollar	USD	0.6%	2.1%	6.7%	13.9%
South African Rand	USD	0.9%	1.5%	4.2%	16.0%
Swiss Franc	USD	0.8%	0.4%	3.2%	17.0%
Chinese Yuan	USD	0.6%*	1.3%	1.9%	6.2%
Commodities & Alternatives					
Commodities	USD	1.8%	1.6%	11.6%	15.1%
Agricultural Commodities	USD	0.9%	1.9%	3.1%	-4.4%
Oil	USD	1.0%	2.5%	19.1%	-2.1%
Gold	USD	3.4%	7.9%	22.1%	83.1%

* Data as at 13 February 2026. Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

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