

February 17, 2026

SaaS-sy start to the year....

The year began with a sell-off in Software-as-a-Service (SaaS) stocks, as several companies experienced sharp declines. This move was not driven by near-term earnings misses or valuation compression. Instead, investors began to question whether some business models will continue to exist in an increasingly AI-driven landscape. A growing number of SaaS offerings are now being perceived as features or tools that can be replicated by AI platforms. The past few months have highlighted just how rapid the pace of AI driven change has been, and it is likely to continue reshaping business models in a meaningful way going forward. Meanwhile, geopolitical developments including renewed uncertainty in the Middle East added an additional layer of caution to investor sentiment, contributing to an increase in oil prices.

Numbers Behind the Narrative

The macro environment remained generally supportive of a soft-landing scenario. Inflation came in a bit lower than expected, with CPI rising 0.2% MoM and 2.4% YoY, while core CPI increased 0.3% MoM and 2.5% YoY. Energy and vehicle prices helped keep headline inflation in check, but services inflation stayed elevated. Growth indicators showed signs of picking up, especially in manufacturing, with the ISM Manufacturing PMI returning to expansion at 52.6, its first reading above 50 in a year - driven by a rebound in new orders. The latest data indicated reduced immediate downside growth risks.

Meanwhile, the US labor market continues to show mixed signals. Nonfarm payrolls increased by 130k in January, well above expectations of 65k, while the unemployment rate declined to 4.3% from 4.4%, suggesting conditions are stabilizing. That said, it is premature to draw firm conclusions from a single month's data, particularly given the history of sizable revisions. Hiring trends remain uneven across sectors, and recent benchmark revisions significantly lowered prior job growth, reinforcing the view that underlying labor demand has been softer than previously suggested. Wage growth has moderated but remains supportive, with average hourly earnings up 0.4% MoM and 3.7% YoY – largely in line with market expectations. Overall, the data points to a labor market that is no longer tight but not breaking either – it is broadly consistent with slower growth, gradually easing inflation pressures, and a Federal Reserve that can afford to remain patient.

Central Bank Watch

Against this backdrop, the Federal Reserve kept its target range unchanged at 3.50% to 3.75% at the January meeting, reiterating a patient and data dependent approach. While two members dissented in favor of a cut, the broader committee remains inclined towards an extended pause, particularly as activity surveys improve. Attention has shifted to Fed leadership after Donald Trump nominated Kevin Warsh as the next Chair. Warsh is seen as relatively dovish on rates but more skeptical of balance sheet expansion, potentially reviving debate around quantitative tightening and term premium dynamics rather than signaling a materially tighter policy stance. US rates markets have oscillated between pricing 2 to 3 cuts in 2026 and currently imply around ~2.5 cuts by year end, with the first full cut expected around mid year. The US yield curve drifted modestly higher in January, with benchmark tenors rising by 3-7bps over the month; the 5-year closed at 3.79% while the 10-year ended at 4.24%.

#1 MENA Asset Manager investing in Asian G3 bonds for 2025 by The Asset Magazine

Quote of the Month

“The four most dangerous words in investing are: ‘This time it’s different.’”

— Sir John Templeton

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Globally, policy divergence has become more apparent in recent months. The ECB is likely to remain on hold through 2026, though structural deflationary forces persist, while the BoE may ultimately need to deliver between 1 to 2 rate cuts in 2026. In contrast, the Bank of Japan stands out within a broader global easing bias. Markets expect additional rate hikes from the BoJ, potentially lifting policy rates from 0.75% to 1.25%. Following Japan’s election outcome and the victory of Sanae Takaichi, expectations of a more expansionary fiscal stance could add upward pressure on JGB yields, reinforcing the effects of ongoing policy normalization. Shifting yield differentials may increasingly influence Japanese investor allocation decisions in the year ahead.

The Final Word

Overall, January delivered a constructive but more complex macro environment. Inflation has moderated, growth has stabilized, and labor markets remain resilient enough to delay aggressive policy easing. The broader risk backdrop was stable, with the notable exception of SaaS stocks, which bore the brunt of the AI-driven repricing. The S&P 500 gained 1.45% in January, while the MSCI EM significantly outperformed, delivering a return of 8.85%. The US Dollar Index (DXY) declined 1.91% over the month, extending its broader weakness following a 9.37% decline in 2025. In credit markets, global emerging market (EM) USD bonds were broadly stable. High yield spreads continued to grind tighter by 10-15bps, while investment grade spreads widened modestly by 2-4bps; however, total returns were partially offset by a 3-7bps sell-off in US Treasuries. The JPM EM Bond Index gained 0.56% during the month, whereas the JPM Asia IG and the JPM MECI GCC Index declined 0.07% and 0.26%, respectively.

Credit spreads remain near multi-decade tight, leaving limited room for error. We maintain a constructive stance on USD fixed income with a focus on carry generation, while remaining disciplined in our credit selection process amidst an uncertain macro environment. Geopolitical developments remain a key risk, underscoring the importance of selective positioning and active risk management.

FI Conventional Portfolio

A diversified portfolio of USD denominated securities, primarily Investment grade, both in the Middle East & North Africa (MENA) region and globally. The portfolio aims to achieve a steady level of interest income with moderate capital appreciation.

BBB+
Avg. Portfolio Rating

3.74
Modified Duration

5.03%
Yield to Maturity

Managed Account Performance – January 31, 2026

	1M	3M	6M	1Y	3Y	5Y	ITD
FI Conventional Portfolio	0.48%	1.32%	3.84%	8.05%	22.06%	20.00%	103.84%
Benchmark¹	0.25%	0.92%	3.63%	7.55%	19.03%	9.33%	74.67%

Global Sukuk Fund

A US Dollar denominated Shariah compliant open-ended fund that that will invest in a diversified portfolio of Sukuks globally. The Fund aims to achieve a high level of income with moderate capital growth. The fund pays a semi-annual dividend.

BBB+
Avg. Portfolio Rating

3.93
Modified Duration

5.16%
Yield to Maturity

Managed Account Performance – January 31, 2026

	1M	3M	6M	1Y	ITD
Sukuk Fund²	0.02%	0.76%	3.39%	7.27%	8.46%
Benchmark³	0.02%	0.38%	2.83%	7.05%	7.74%

Notes: The QIC Global Sukuk Fund is managed by QIC Islamic Asset Management LLC, an affiliate company of QIC Asset Management LLC (company registration no. 00602), which is also authorized and regulated by the Qatar Financial Centre Regulatory Authority (QFCRA). (1) *Blended benchmark- Pre 2023: JPM MECI GCC (ICADGCTR) Index (60%) & JPM Asia (JACIGTR) Index (20%) & US Bloomberg Aggregate (LBUSTRUU) Index (20%), 2023 onwards the benchmark is changed to reflect a change in the mandate and duration requirements of the portfolio: Bloomberg Eurodollar Global Aggregate (I02953US) Index (35%), Bloomberg EM USD Aggregate 1-3 (I12885US) Index (25%), Bloomberg EM USD Aggregate EMEA (I13292US) Index (20%), Bloomberg Intermediate US Aggregate (LC08TRUU) Index (20%).(2) Assumes reinvestment of dividends. (3)Dow Jones Sukuk Total Return ex-Reinvestment DJSUKTXR Index

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