



STERLING AND GILTS STABILISE AS STARMER DOES ENOUGH TO FEND OFF CALLS TO QUIT

This week has been a difficult one for prime minister Keir Starmer as speculation over his future weighed on sterling and UK gilts. By sacking his chief of staff, head of communications and head of the civil service, he appears to have done enough to hold on to his job for now, and gilts recovered. However, his survival appears to have as much to do with the lack of a serious challenger within the Labour party as to any decisive action on his part. Gilts found further support from disappointing GDP data as the economy grew just 0.1% in the final quarter of 2025, reinforcing the case for further rate cuts from the Bank of England.

Investors, meanwhile, continue to single out potential losers from the rise of low-cost AI services. Last week the focus fell on accounting, publishing, and advertising companies; this week it shifted to wealth managers. The rise of AI-driven alternatives raises questions about how incumbent businesses plan to adapt, but also how AI firms position themselves as these incumbent businesses are some of their largest customers.

THE MARKETS THIS WEEK

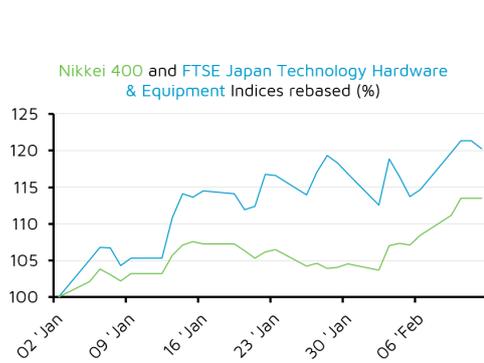
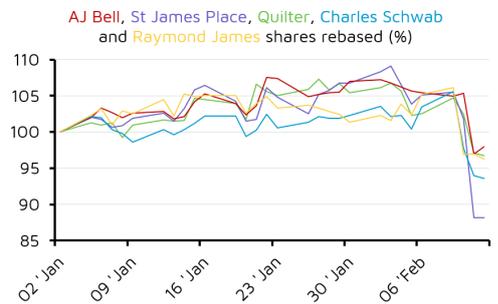
FTSE 100	S&P 500	Nikkei 225	STOXX 600	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Copper	GBP USD
+1.13%	+0.14%	+3.94%	+1.01%	-0.67%	-0.07%	-0.09%	-0.85%	+1.95	-1.50%	+0.33%

AI: NEW TOOLS SCUTTLE WEALTH MANAGERS AND BROKERAGES



UK and US wealth management stocks fell sharply after US fintech Altruist unveiled an AI-powered tax-planning tool capable of building personalised client strategies in minutes. St James's Place led the decline, dropping more than 16.4%, while AJ Bell lost 8%. Quilter and Aberdeen Group each fell over 6%. The contagion spread across Europe, hitting Julius Baer, UBS and Amundi. The sell-off followed a similar rout in US brokerages, where Charles Schwab fell 10%, Raymond James lost 7% and Morgan Stanley shed 4% — wiping out year-to-date gains for several of those names.

The episode fits a broader pattern of AI disrupting existing industries as software stocks were hammered just days earlier following Anthropic's launch of new business tools, and insurance brokers sold off after OpenAI announced a ChatGPT integration. Meanwhile, Schroders has accepted a buyout offer from US asset manager Nuveen. The deal values Schroders at £9.9bn representing a premium of around 30% to the pre-offer share price.



JAPAN: LANDSLIDE ELECTION VICTORY BRINGS FURTHER EQUITY GAINS

Japanese markets gained after prime minister Sanae Takaichi secured a huge election victory. The Liberal Democratic Party regained control of the lower house of parliament in its largest win since the Second World War. Stocks rallied ahead of Sunday's vote as opinion polls indicated Takaichi was heading for a decisive victory, raising expectations that she would face little parliamentary opposition to her economic stimulus plans. Markets extended their gains this week as investors priced in faster economic growth from planned tax cuts and greater investment in defence and technology companies.

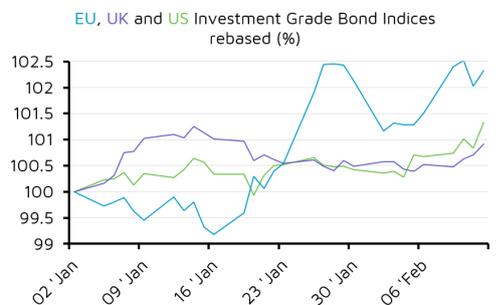
Japanese government bond yields have risen steadily since Takaichi took office and pushed higher still when she called the election, as investors grew concerned that her spending plans would widen an already large fiscal deficit. Bonds rallied after the vote, however, as she pledged to fund tax cuts without additional government borrowing and committed to reducing Japan's debt as a proportion of GDP.

BONDS: GOOGLE RAISES \$32BN CREDIT ACROSS THE GLOBE



Alphabet has raised roughly \$32bn in debt, anchored by a \$20bn US dollar offering and a debut sterling sale that included a rare 100-year bond. Google sold bonds in multiple currencies, including 3.1bn in Swiss francs. Demand was strong, the shortest tranche priced at just 0.27 percentage points over Treasuries, well inside initial guidance, while the century bond attracted orders of nearly ten times the amount on offer. The multi-currency approach was a deliberate effort to diversify the buyer base given the sheer scale of funding needed — Alphabet plans to spend up to \$185bn on capital expenditure this year, roughly double last year's figure, as it builds out AI infrastructure around its Gemini assistant.

Alphabet's deal is part of a broader wave. The five major hyperscalers issued \$121bn in US corporate bonds last year alone, and Morgan Stanley estimates that figure could reach \$400bn in 2026, driving overall investment-grade issuance to a record \$2.25tr.



Data sourced from FE Analytics

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