

Economic and market update

With Bob Cunneen,
Senior Economist



Key events in February 2026

- Global shares delivered mild gains in February which was primarily driven by rising European share prices. American and Asian share markets provided mixed results.
- US share prices edged down from their historic highs set in January. Whilst optimism on Artificial Intelligence 'AI' and strong corporate profit results remain supportive for Wall Street, President Trump's tariffs provided turbulence after the US Supreme Court ruled against their legitimacy. President Trump responded with an immediate 10% global tariff that could rise to 15%. The threat of US military action against Iran was also a concern that led to a sharp rise in global oil prices.
- European shares made strong gains with business surveys showing solid growth prospects and inflation remaining low.
- Chinese shares disappointed with investors taking profits after a strong rally over recent months. Concerns over China's subdued retail spending and the weak residential property market appear to be reviving.
- Japan's share market surged to historic highs with the new government pledging tax relief for consumers.
- Australian Shares made strong gains driven by Materials which benefitted from rising gold, metal and oil prices and Financials with the large banks results beating expectations.
- Australia's economic data has been mixed with strong job gains but softer household spending. The key issue remains high inflation. Headline consumer inflation came in at 3.8% in the year to January. This may lead to another Reserve Bank interest rate hike after February's move to raise the cash rate to 3.85%.

Asset class summary

Asset class returns in Australian dollars – periods to 28 February 2026

	CYTD %	1 month %	3 months %	1 year %	3 years pa %	5 years pa %	10 years pa %
Australian shares	5.7	3.9	7.1	16.4	12.1	10.6	10.7
Global shares (hedged)	3.9	1.4	4.7	21.4	19.6	11.5	12.4
Global shares (unhedged)	-2.4	-0.4	-3.0	8.4	18.5	13.6	13.0
Emerging markets (unhedged)	7.5	3.7	8.8	30.9	19.3	8.1	10.7
Australian property securities	-5.9	-3.3	-4.1	5.1	9.6	9.0	7.1
Global property securities (hedged)	10.1	7.1	8.6	14.3	8.0	4.4	4.4
Global listed infrastructure (hedged)	11.8	8.3	9.5	21.5	12.4	9.6	8.4
Australian bonds	1.1	0.9	0.5	3.1	3.6	0.6	1.9
Global bonds (hedged)	1.6	1.4	1.4	4.5	4.4	0.2	1.8
Global high yield bonds (hedged)	0.9	0.4	1.5	7.0	7.8	3.1	5.5
Australian inflation-linked bonds	1.3	0.9	0.2	3.9	4.2	2.8	2.8
Cash	0.6	0.3	0.9	3.8	4.1	2.8	2.1
AUD/USD	6.9	1.7	8.7	14.6	1.9	-1.6	0.0

Past performance is not a reliable indicator of future performance.

Sources: Australian shares – S&P/ASX 300 Total Return Index; Global shares (hedged) – MSCI All Countries World (A\$ hedged, Net); Global shares (unhedged) – MSCI All Countries World in A\$ (Net); Emerging markets – MSCI Emerging Markets in A\$ (Net); Australian property securities – S&P/ASX 300 A-REIT Accumulation Index; Global property securities – FTSE EPRA/NAREIT Developed (A\$ hedged, Net); Global listed infrastructure – FTSE Global Core Infrastructure 50/50 (Hedged \$A); Australian bonds – Bloomberg AusBond Composite 0+ Yr Index; Global bonds (A\$ hedged) – Barclays Global Aggregate (A\$ hedged, Gross); Global high yield bonds (A\$ hedged) – Barclays US High Yield Ba/B Cash Pay x Financials (\$A Hedged); Australian inflation-linked bonds – Bloomberg AusBond Inflation Government 0+ Yr Index; Cash – Bloomberg AusBond Bank Bill Index; AUD/USD – WM/Reuters Daily (4 pm GMT).

Key events in global markets over the last three months to February 2026

Global shares (hedged) have delivered a strong 4.7% return for the quarter. However, the Australian dollar's sharp rise against foreign currencies has reduced global shares (unhedged) to a -3.0% return.

Optimism on Artificial Intelligence (AI) prospects and lower US interest rates have been key drivers of rising share prices. Whilst Wall Street's benchmark S&P 500 Index made historic highs in January, the quarterly return was 0.6% in local currency terms. Investors have also drawn comfort from the US central bank cutting interest rates by 0.75% in the past year given a slowdown in jobs growth and milder inflation outcomes.

Asian share markets delivered impressive performances. Korea and Taiwan returned 72.3% and 31.9% respectively in local currency terms. Japan's share market delivered a 16.4% return even with Japan's central bank raising interest rates in December. Chinese shares returned -2.6% after a strong rally in the previous six months.

Global bonds (hedged) delivered a solid 1.4% quarterly return. Concerns over persistent government budget deficits and rising Japanese interest rates countered the benefit of the US central bank lowering interest rates in December. Australian bonds delivered a positive 0.5% quarterly return.

Key events in Australia over the last three months to February 2026

Australian shares delivered a very strong 7.1% return for the quarter. The Materials sector was the key positive contributor with an exceptionally strong 27.2% return on the back of rising gold and metal prices.

Given their acute sensitivity to the risk of rising interest rates, there were strong returns in the Financial sector (11.1%). The Health Care sector proved frail with a -17.5% return and the Information Technology sector was a major disappointment with a sharp negative return of -23.2%, given Wisetech and Xero's poor performances.

Australia's economy is experiencing improved consumer spending, solid jobs growth and a stable unemployment rate around 4.1%. However, consumer inflation is proving troubling at 3.8% in the year to January. Financial markets are now pricing in another interest rate increase this year by the central bank to reduce price pressures.

Global prospects

Global share markets are also challenged by considerable global political risks with the Middle East erupting into conflict following the joint US-Israel air and missile strikes on Iran and the potential threat to global oil prices and supply. For further details please refer to: [The Middle East erupts again: Market reactions, economic consequences, and portfolio implications](#)

Enthusiasm for AI and technology have been the key factors supporting rising global share prices in the past year. Lower global inflation has also allowed central banks to selectively cut interest rates which has also been favourable. Typically, a lower interest rate environment can boost corporate profits and thereby share prices.

Investors have generally taken the view that US President Trump's agenda for tariffs is 'more bark than bite'. However, this remains a contentious political and trade issue after the US Supreme Court struck down the tariffs and then President Trump reinstated them at 10% with a threat to go to 15%. While Europe and Japan have already agreed to a 15% tariff with President Trump last year, China and the US are still negotiating.

Australia's economic prospects are vulnerable to political tensions between China and the US. Given China is the key export destination for approximately 30% of Australian exports, the relationship between Beijing and Washington is critical to Australia's national income and security. Tensions over tariffs or Taiwan would be a major challenge to Australia's economy and share market prospects.

Australian consumers are also still challenged by persistent inflation. The Federal Government's recent termination of electricity rebates as well as persistent price pressures in food, health and housing suggest that the 'Cost of Living crisis' is a continuing challenge. Australia's central bank is expected to raise interest rates this year to reduce inflation which will add to the current burden of borrowers.

Given these complex and significant risks, investors should maintain a disciplined and diversified strategy.

Important information

This communication is provided by MLC Investments Limited (ABN 30 002 641 661, AFSL 230705) (MLC), part of the Insignia Financial Group of companies (comprising Insignia Financial Ltd, ABN 49 100 103 722 and its related bodies corporate) ('Insignia Financial Group'). An investment with MLC does not represent a deposit or liability of, and is not guaranteed by, the Insignia Financial Group.

This information may constitute general advice. It has been prepared without taking account of an investor's objectives, financial situation or needs and because of that an investor should, before acting on the advice, consider the appropriateness of the advice having regard to their personal objectives, financial situation, and needs.

Past performance is not a reliable indicator of future performance. Share market returns are all in local currency.

Any opinions expressed in this communication constitute our judgement at the time of issue and are subject to change. We believe that the information contained in this communication is correct and that any estimates, opinions, conclusions or recommendations are held or made as at the time of compilation. However, no warranty is made as to their accuracy or reliability (which may change without notice), or other information contained in this communication.

This information is directed to and prepared for Australian residents only.

MLC may use the services of any member of the Insignia Financial Group where it makes good business sense to do so and will benefit customers. Amounts paid for these services are always negotiated on an arm's length basis. MLC relies on third parties to provide certain information and is not responsible for its accuracy, nor is MLC liable for any loss arising from a person relying on information provided by third parties.

Bloomberg Finance L.P. and its affiliates (collectively, "Bloomberg") do not approve or endorse any information included in this material and disclaim all liability for any loss or damage of any kind arising out of the use of all or any part of this material.

The funds referred to herein is not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds.