Monthly Macro Insights — February 2026

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The global economy enters 2026 navigating an unusual mix of resilience and structural tension, reflecting the enduring capacity of firms and households to absorb shocks. The key question is how long headwinds from shifting trade policies, geopolitical uncertainty, and weakening labour markets can continue to be offset by tailwinds from surging business investment and ongoing fiscal and monetary support.

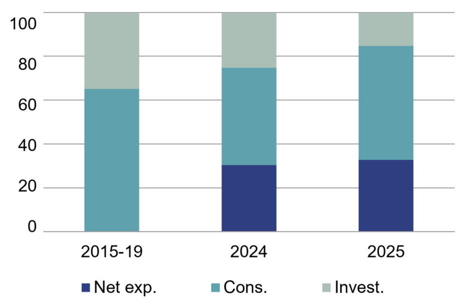
Sanguine outlook amid high risks

The apparent steadiness of the macroeconomic picture masks competing forces. The global trade environment remains fragile, with protectionist actions and industrial policies continuing to generate uncertainty. Yet technology related capital expenditure – particularly in artificial intelligence, semiconductors, and cloud infrastructure – remains a powerful engine of global momentum.

Regionally, momentum and sources of resilience remain distinctly uneven. The US economy has been the epicentre of this technological boom, which has fuelled business investment, but also consumption through wealth effects. China's record USD 1.2tr trade surplus[1] capped a year in which external demand offset persistent domestic weakness. Despite a sharp drop in shipments to the US last year, net exports contributed the most to GDP growth since 1997 as Chinese firms expanded market shares in other regions.

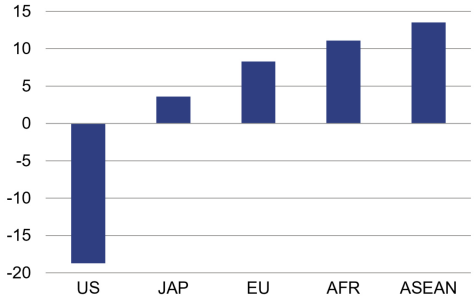
Although eurozone growth surprised to the upside, it was heavily concentrated in two countries – Ireland and Spain – and, unlike the US or parts of Asia, the region has captured only a limited share of the global technology investment boom. That said, the consensus view is that the fiscal policy in major economies such as Germany is expected to support activity and may help narrow the growth differential with the US.

China – Contribution to GDP growth
in % of total



Source : Macrobond, Rothschild & Co Asset Management, January 2026

China – Exports 2025
in %, y/y, according to the destination



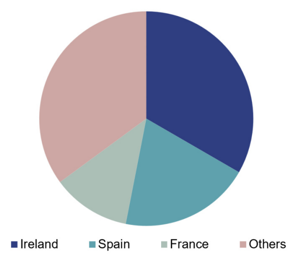
Source : BofA, Rothschild & Co Asset Management, January 2026

However, resilient global growth has been accompanied by a slowdown in employment to a pace that has historically preceded recessions. This decoupling places the global expansion at a cyclically sensitive juncture. On the one hand, weakening labour demand combined with sticky inflation is a recipe for a squeeze in household purchasing power, which would weigh heavily on activity. On the other hand, solid wealth gains and access to credit could prolong consumer resilience, in turn supporting business sentiment and hiring, thus gradually closing the gap. For now, most investors remain convinced that the latter scenario will prevail.

Meanwhile, an abrupt correction in AI linked equity valuations – due to a reassessment of productivity expectations – represents a particularly salient tail risk, given the heavy concentration of capex and valuations in a small set of firms and sectors. Renewed geopolitical tensions and trade fragmentation add further layers of fragility.

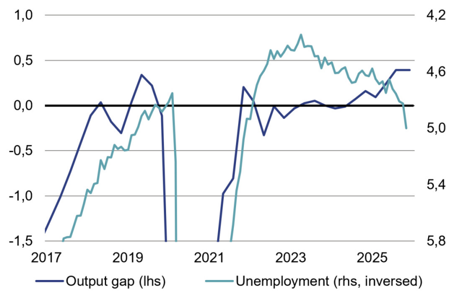
Overall, investors expect the world economy in 2026 to neither boom nor falter, but rather adapt. Beneath the resilience lies a global system in transition, shaped by technological acceleration, shifting geopolitical alliances, evolving policy doctrines, and rising political constraints.

Eurozone – Contribution to 2025 GDP Growth
in % of total



Source : Oxford Ecnomics, Rothschild & Co Asset Management, January 2026

World – Output gap and unemployment
in %



Source : J.P. Morgan, Rothschild & Co Asset Management, January 2026

A new Fed Chairman

At the centre of global macro financial uncertainty in early 2026 is the nomination of Kevin Warsh as the next Chair of the US Federal Reserve. His appointment by President Donald Trump, ending months of speculation, introduces significant uncertainty regarding the future direction of US monetary policy. Markets reacted with a mix of relief and apprehension, reflecting the complex duality of Warsh's recent policy views.

During his earlier tenure as a Fed Governor (2006–2011), Warsh was viewed as an inflation hawk, favouring tighter policy even during periods of sluggish growth. However, in recent public commentary he has increasingly aligned himself with the Trump administration's calls for lower interest rates, arguing that AI driven productivity gains will help contain inflationary pressures.

Warsh has also repeatedly criticized the expansion of the Fed's balance sheet and its unconventional interventions, portraying them as departures from the institution's mandate. As such, a Warsh led Fed may seek to reduce the central bank's footprint in financial markets, shifting responsibility for crisis response back toward Congress and the Treasury. While such a reorientation could reinforce institutional discipline, it may also limit the Fed's ability to respond swiftly to financial turbulence – especially in a world of high leverage, elevated asset valuations, and episodic liquidity strains.

Overall, Warsh's evolution has fuelled uncertainty: whether his leadership marks a return to more orthodox central banking or the beginning of a more politically aligned Fed will have profound implications, not only for the US but for the global economy. A more hawkish Fed could tighten global financial conditions, particularly for emerging markets sensitive to dollar liquidity and volatile capital flows. Conversely, if the new Chair prioritizes growth and aligns with the administration's push for lower rates, the disinflation effort could be jeopardized, with negative ripple effects in the bond market. Either scenario adds uncertainty to an already fragile global environment.

That said, Warsh's power is far from unlimited. Admittedly, a Fed Chair can exert significant influence over the Federal Open Market Committee (FOMC)[2] by shaping debates, framing the policy agenda, and guiding how members interpret economic data.

The Chair's public communication also helps shape expectations inside and outside the institution, subtly steering the committee's centre of gravity. Yet, despite this leadership role, the Chair ultimately holds only one vote among the twelve voting members at each meeting. FOMC decisions require consensus, and regional presidents as well as Board Governors retain full independence in their assessments. As a result, the Chair's influence is meaningful but not decisive, anchored by the committee's collective decision making structure.

US - Services inflation excluding housing
in %, core PCE

Source : Bloomberg, Rothschild & Co Asset Management, January 2026

World - Sovereign Long Term yield
in %, Bloomberg index, 10+ years

Source : Bloomberg, Rothschild & Co Asset Management, January 2026

Performance of the indices and interest rate levels

	Price as of 30/01/2026	1 month % change	2026 % change
Equity markets			
CAC 40	8 127	-0,3%	-0,3%
Euro Stoxx 50	5 948	2,7%	2,7%
S&P 500	6 939	1,4%	1,4%
Nikkei 225	53 323	5,9%	5,9%
Currencies			
EUR/USD	1,19	0,9%	0,9%
EUR/JPY	183,4	-0,3%	-0,3%

Interest rates	Level as of 30/01/2026	1 month change bp(1)	2026 change bp(1)
3 month			
Eurozone	2,00%	-11	-11
United States	3,65%	3	3
10 years			
Eurozone	2,84%	-1	-1
United States	4,24%	7	7

(1) Basis point.
Source: Bloomberg. data as of 31/01/2026. Performances in local currency.
Past performance is not a reliable indicator of future performance and is not constant over time. Index's performance is calculated on the basis of net dividend reinvested

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[1] Source: Bloomberg, January 30, 2026.
[2] Federal Open Market Committee: Fed body responsible for overseeing open market operations in the United States.

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