New York Life Investments'
Global Market Strategy team
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## Macro Pulse for February 8

- The U.S. tech equity selloff continues, reflecting clear shifts in investors looking to the application of AI, not just the infrastructure behind it. Up to now, capex supported conviction in the AI boom; today, investors are demanding immediate monetization of AI capabilities to justify hyperscalers' capex plans. At the same time, software companies are increasingly seen as potential victims, not beneficiaries. We are most focused on how hyperscalers are using their core (non-AI) profits, and we have high conviction that ongoing capex *supports* conviction in the long-term AI investment view.
- The U.S. dollar is seeing a breather from geopolitical headlines, but Japan's general election, along with this week's negotiations around Russia-Ukraine, Iran's nuclear program, and the Munich Security conference all may spur further headlines. See our geopolitics research for our conviction in the shifting geopolitical order, and how it informs allocation choices.
- Upcoming jobs and inflation reports for January, delayed by the partial government shutdown, now inform the debate around the potential policy path of a Warsh-led Fed. We believe markets are likely to continue taking the nomination in stride as long as inflation remains benign.

## Macro Pulse: Reading the Signals – A Noisy Start to 2026

**Our latest monthly Macro Pulse report for February is now available. We summarize the key changes to the market environment and our team's view here.**

A month into the year, investors are searching for signal amid plenty of market noise. The list of challenges has grown, but supportive growth narratives have been enough to keep risk appetite intact.

**What's happened**

January began with U.S. markets leaning into the resumption of Fed easing and a more supportive U.S. policy backdrop. Together, these forces have supported a broadening in market performance, though earnings momentum remains concentrated in U.S. large cap tech.

Geopolitical risk is also a more direct market input. The new U.S. National Security Strategy puts supply chain resilience and resource competition closer to the center of policy, and similar dynamics are playing out globally. Abroad, political uncertainty in Japan, the UK, and France has kept upward pressure on government bond yields and sharpened the focus on policy credibility. In private markets, lower rates are beginning to revive deal flow and M&A.

**What's next?**

Our base case remains constructive over the next six months. We expect modest Fed easing and targeted liquidity support to keep capital markets supported, while a broadly pro-growth U.S. fiscal policy into the midterms should help corporates maintain profitability and limit a sustained rise in layoffs. Though the market has been focused on the immediate winners and losers around AI, we believe that over the next few quarters, earnings growth will be rewarded, and will likely remain strongest in the AI theme, keeping financial conditions loose.

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Outside the U.S., we see a neutral-to-constructive policy mix across Europe, and China, while Japan's general election, BOJ normalization, and episodic FX intervention keep rates and the yen more volatile. Even with a slowly shifting geopolitical backdrop, we expect U.S. assets to remain dominant in global portfolios, but with a growing incentive to diversify regionally and by asset class. Lower rates should also support a broader recovery in private markets activity, with improving exits and a gradually healthier dealmaking flywheel.

**Mapping the risk landscape**

While U.S. markets were already facing a number of challenges, including high valuations and concentrated earnings growth, 2026 has brought new ones. The landscape has expanded to include heightened scrutiny of Fed independence, as well as legal uncertainty around tariff implementation ahead of a closely watched Supreme Court ruling. Globally, concerns about geopolitical risk and a rapid pace of policy change make currency volatility, including and beyond the U.S. dollar, more likely.

However, the primary risk to our base case view is the cycle itself: U.S. economic overheating. A more pronounced reacceleration of inflation could force a less accommodative Fed path than markets expect, raise the stakes of Fed independence concerns, and tighten financial conditions. We're also keeping an eye on the labor market, where a fragile "low hire, low fire" equilibrium could flip into higher layoffs if margin pressure and tariff-related uncertainty intensify, weighing on consumer activity.

**Portfolio strategy**

The biggest challenge for investors remains where to deploy new capital. In this environment, we continue to emphasize two disciplines that were underpaid in the "lower for longer" era: **diversification** and **quality**. We believe the themes below can help investors separate signal from noise amid a shifting risk landscape.

**Diversifying our allocation in 2026**

| | |
|---|---|
| **AI and policy-driven uplift** | • Moderately risk-on across asset classes<br>• Closing underweights to small cap (now neutral)<br>• Maintaining large-cap U.S. tech exposure (neutral to a market-weight benchmark)<br>• Bull steepener effect prominent in Treasuries, barring long rates risks (in which case we'd expect a bear steepener) |
| **Global transitions are costly** | • Inflation is sticky; reacceleration would be a policy "brake"<br>• Building commodity satellites (gold, precious metals industrial metals) sourced from equity sleeves<br>• Slightly hawkish in our U.S. Fed view<br>• Expect a rangebound but headline-sensitive U.S. dollar, with episodic swings on policy and geopolitical shocks |
| **New deployments used to diversify** | • Using new cash to balance overall exposure, bringing underweights in value, ex-U.S. exposure, and small cap back to neutral<br>• Junk may outperform in brief moments: look past this and stay in quality<br>• For qualified investors, using resilient mid-market private credit and equity |

Opinions of New York Life Investments Global Market Strategy, February 2026.

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