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Market Snapshot

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The UK's political troubles seemed to ebb over the course of the week, with Keir Starmer's cabinet colleagues rallying to support the troubled Prime Minister. This helped stabilise the UK government bond market, with the 10-year yield falling back below 4.5%. Sterling was also relatively steady.

Fourth-quarter GDP figures gave little cause for cheer. The UK economy expanded just 0.1% in the final three months of 2025, and 0.1% in December. Nevertheless, the annual figure of 1.3% growth overall in 2025 is higher than the 1.1% recorded in 2024 and there was encouraging growth in the manufacturing sector.

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The FTSE 100 remained untroubled by the dramas in Whitehall and the UK's lacklustre growth. It continued to outpace many of its international peers, including the technology-heavy S&P 500. The announcement of a £9.9bn takeover of FTSE 100 asset manager Schroders by American group Nuveen also buoyed performance over the week.

The FTSE 100 was +0.5% over the week by mid-session on Friday, with the more UK-focused FTSE 250 trading +0.7%.

On Wall Street, the technology megacaps continued their spell of relative weakness as investors digested their extensive spending plans. The technology heavy Nasdaq slightly underperformed the broader S&P 500, with Apple, Meta and Amazon all experiencing a tougher week. Weakness even extended to companies viewed as artificial intelligence (AI) beneficiaries: AI focused mobile app development firm AppLovin fell more than 18% after reporting its results on Thursday.

There were ongoing problems in the software industry as investors fretted about the impact of AI. Last week, this pressure hit many UK data companies, including RELX, Experian and LSEG. This week, UK wealth managers were caught up in the weakness after US based wealth manager Altruist launched an AI tool. RELX pushed back, saying it was "inconceivable" that AI could replicate its software.

Global politics

The White House was surprisingly quiet on the international stage. A noteworthy moment was the House of Representatives voting to rescind US President Donald Trump's tariffs on Canadian goods, as six Republican lawyers teamed up with Democrats. However, the vote would need to be approved by the US Senate and then approved by Trump, so is unlikely to proceed further.

Tariffs remain a significant source of revenue for the US government. Collections surged in January, with the US raising \$30 billion in customs duties. Nevertheless, the US is still waiting for the Supreme Court's decision on whether the tariffs need to go through Congress. In an apparent acknowledgement of the impact of tariffs on US citizens, President Trump said he would be scaling back some tariffs on steel and aluminium goods.

In Japan, Sanae Takaichi won a significant majority in the country's general election and with it, a ringing endorsement of her expansionist economic policies. Takaichi won a landslide 316 seats out of a possible 465 in parliament's lower house. Markets rallied in the hope that she will "spend for growth" as she has promised. The Nikkei is now up approximately 15% for the year-to-date, with particular strength in areas seen as likely beneficiaries of her spending plans – like AI, semiconductors and defence. There is some concern that her plans, which include a ¥5trn cut to sales tax, will raise borrowing costs for an already-indebted nation. Long-dated Japanese government bonds and the yen were volatile in the weeks running up to the election. The Prime Minister has been keen to reassure markets that her policies will be proactive, but responsible.

In Europe, the European Commission announced plans to deepen the European Union's single market, making it easier for companies to collaborate within the EU. The Commission will look to push ahead with the capital markets union, completing phase one of the Savings and Investment Union by June.

Economics

While it is difficult to make a compelling case for the UK economy, this week showed there were signs of life. Although the economy was still lacklustre in the final quarter of 2025, rising just 0.1%, surveys suggest that uncertainty ahead of the late budget may have weighed on spending and investment decisions. The figure for the full year 2025 – 1.3% – was reasonable and puts the UK ahead of most of its European peers.

The pattern of the seasonal data raised some recurring concerns about the way the ONS is collecting and analysing information. The report showed economic growth to be fastest in the first quarter and second-fastest in the second quarter, while tailing off in the third and fourth quarters. According to Reuters, this pattern has been the same every year since 2022. Economists are concerned there may be a problem with the way the ONS is adjusting the numbers to account of seasonal effects

Nevertheless, it shows an encouraging revival in the manufacturing sector. This supports recent PMI data, which showed stronger export demand, a stable domestic outlook, and a lift from customer restocking. There were also signs that consumer confidence is picking up. Growth in retail spending more than doubled from December to January as shoppers waited for the January sales before splashing out. The value of retail sales increased at an annual rate of 2.7% in January, up from 1.2% in December, according to data from the British Retail Consortium. Helen Dickinson, chief executive of the British Retail Consortium, said "A drab December gave way to a brighter January".

The US economy provided mixed signals. Retail sales were unexpectedly weak during the December holidays, showing no growth from November. This created concerns about a pullback among consumers. Consumption remains a key part of economic growth, and any weakness raises the possibility of a slowdown in the US economy. Spending had been relatively robust in the run up to November, even if surveys showed consumer confidence flagging. It seemed to support the narrative of a faltering labour market, persistent inflation, and slower wage growth.

January's jobs report showed surprising strength, with non farm payrolls rising by 130,000, far above expectations and signalling a firmer labour market. This improvement complicates the Federal Reserve's

near term stance: stronger hiring supports keeping rates steady, even as incoming Fed Chair Kevin Warsh, set to take over in May 2026, may face pressure to consider cuts.

All eyes will be on US inflation, set to be released late on Friday. So far, inflation has been the dog that didn't bark, despite expectations that tariffs could push prices higher. Economists do not believe the US is out of the woods yet – companies have stockpiled goods ahead of the tariffs, which has muted the impact. The expectation is that prices will rise 2.4% year-on-year, down from 2.7% last month.

Companies

Schroders in a £9.9bn megadeal, has agreed to a takeover by US asset manager Nuveen. The takeover will end the independence of one of the UK's oldest asset management groups and will see it disappear from the FTSE 100. Nuveen is part of the Teachers Insurance and Annuity Association of America. The combined group will have approximately \$2.5tn in assets. The Schroders business will retain its brand and its presence in London. The deal will still need shareholder approval but appears to be supported by the Schroder family, who have a 44% holding in the business.

BP said it would suspend its share buyback programme after reporting a slide in annual profits. The group also said it would accelerate its cost-cutting programme after profits dipped from \$8.9bn to \$7.5bn in 2025. It will also look to tackle its \$22bn debt pile. The company blamed the price of oil, which has fallen by around 20%, but it also took a hit from the value of its renewables business, which it wrote down by \$3.1bn.

AstraZeneca continued a raft of good news for the pharmaceutical sector, reporting an 8% increase in revenues to \$58.7bn. Cancer medications proved particularly strong, rising 14%, while respiratory and immunology medicines rose by 12%. Earnings per share rose 11%. The company also issued an upbeat outlook for the year ahead, saying it expected revenues to increase by mid-to-high single digits. It has a target to deliver \$80bn in revenue by 2030 and says it is on track.

Barclays delivered pre-tax profits of £1.9bn in the first quarter of 2025, ahead of analysts' expectations and a 12% jump over the previous year. Revenues were up 2% from the same period in 2024. Profits were fuelled by the investment bank, which saw a 7% growth in revenues, despite the company's plans to diversify its business. The bank will return £15bn to investors in the next two years.

Unilever – the consumer goods group said subdued markets had impacted the performance of its food

division, despite higher sales growth than expected in the fourth quarter. Sales were 4.2% ahead of the previous year, against expectations of 3.9% growth. The group announced a new £1.5bn buyback programme. However, chief executive Fernando Fernandez was cautious in his outlook for the 2026 financial year, saying sales growth would be between 4% and 6%.

Cisco – weak results from technology giant Cisco were part of the reason markets came under pressure this week. The group said rising memory prices had put pressure on its margins. Its shares slumped in the immediate aftermath of its results announcement. This was despite earnings coming in ahead of analysts' expectations.

McDonalds emerged as a beneficiary of cost-of-living constraints, as cash-strapped consumers have turned to its value meals in response to tighter budgets. The company's chief executive, Chris Kempczinski, said a focus on value deals had helped the company build share with lower-income consumers. Sales at established McDonald's restaurants rose 5.7% in the final quarter of the year, ahead of Wall Street expectations.

Coca-Cola reported weaker-than-expected revenue for the final quarter of 2025 but said the outlook for its drinks business was improving. The company expects to grow its revenue by 4% to 5% in the year ahead.

Anthropic – AI frontrunner Anthropic has raised \$30bn from a range of investors, including Nvidia, and the Founders Fund. The money is likely to be put towards building new data centres, and enables it to compete with rivals such as Google, Meta and OpenAI.

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