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## Weekly Market Report For 23 – 27 February 20266



# Overview

- Markets swing amid Middle East tensions and growing concerns over AI technology.
- Middle East tensions drive oil prices higher.
- OPEC+ raises output to ease supply pressures.
- U.S. stocks slip despite Nvidia reports strong earnings.
- Japanese and Chinese markets rise on policy support and improving investor sentiment.
- Thai stocks rebound on foreign inflows, strong exports, and a policy rate cut to support growth.

# Market Brief

**U.S. equities fell last week** as mounting concerns over AI driven disruption, uncertainty surrounding tax and trade policy, and rising geopolitical tensions in the Middle East weighed on investor sentiment.

### Middle East tensions

- The U.S. and Israel launched major coordinated strikes on Iran over the weekend, hitting key cities and targeting nuclear infrastructure, in what Washington described as a sweeping operation to eliminate threats from Tehran and reshape the country's leadership structure.

- The weekend strikes resulted in the death of Iran's Supreme Leader Ayatollah Ali Khamenei and several senior officials. Oil prices initially spiked roughly 10% following the attacks before paring gains to about 4% the next morning, reflecting market expectations that the escalation may not be prolonged - even as President Trump signaled the operation could last three to four weeks.

- A key risk to monitor is the mounting pressure on global oil supply as tanker traffic slows sharply in the Strait of Hormuz. The de facto blockade has pushed up freight rates and war risk insurance premiums.

- At the same time, OPEC+ agreed to raise output by 206,000 barrels per day starting in April, a move aimed at easing concerns that crude prices could climb too sharply amid mounting geopolitical risks.

**U.S. stocks retreated after analysts warned that rapid advances in artificial intelligence could disrupt multiple industries**, triggering a selloff in major technology names. The market briefly stabilized ahead of Nvidia's earnings, but shares fell after the results. Meanwhile, AI developer Anthropic unveiled new tools for sectors including finance, HR and design - designed to augment, rather than replace, existing workflows - helping ease concerns that AI could overly erode revenues at traditional software firms.

### Nvidia earnings

- Revenue jumped 73% from a year earlier, topping analyst expectations, with forecasts pointing to continued strength as demand for advanced processors and enterprise AI adoption remains robust.

- However, Nvidia shares fell about 5%, signaling that investors had already priced in a highly optimistic outlook, and the post earnings pullback weighed on broader market sentiment.

### U.S. economic data

- U.S. consumer confidence improved in February, with The Conference Board index rising to 91.2, reflecting brighter views on the economic outlook and labor market conditions.

- Producer prices rose more than expected in January, with the PPI up 0.5% from the prior month and core CPI advancing 0.7%.

- The data signal that inflationary pressures remain persistent, particularly in the services sector, which could influence the Federal Reserve's path for future interest rate decisions.

**Japanese equities extended their rally**, with the Nikkei 225 climbing about 3.6% and the TOPIX up roughly 3.4%, supported by optimism over government policy and a weaker yen that continues to bolster exporters. BOJ Governor Kazuo Ueda signaled that the central bank may consider raising interest rates if economic and inflation conditions align with forecasts, as Japan's latest CPI rose 1.8% from a year earlier, pointing to a gradual tightening path ahead.

**Chinese equities advanced after the Lunar New Year holiday**, buoyed by improving sentiment ahead of the country's annual economic policy meetings.

- The CSI 300 rose around 1%, while the Shanghai Composite gained roughly 2% and Hong Kong's Hang Seng Index advanced about 0.8%.

- Chinese New Year travel data painted a mixed picture, with tourist numbers rising 5.7% from a year earlier and total spending climbing to 803 billion yuan, though spending per trip edged slightly lower.

- On the policy front, the People's Bank of China lowered the foreign exchange risk reserve ratio for forward transactions to slow the yuan's appreciation, reaffirming its commitment to keeping the currency at an appropriate and stable level.

**Thai equities rallied**, with the SET Index climbing 3.3% as robust foreign inflows, resilient export data, and a 25bps policy rate cut to 1% by the BOT to bolster economic recovery and easing debt burdens for SMEs and households.

**Key focus this week** will be the escalating conflict in the Middle East and its potential impact on global oil prices.

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