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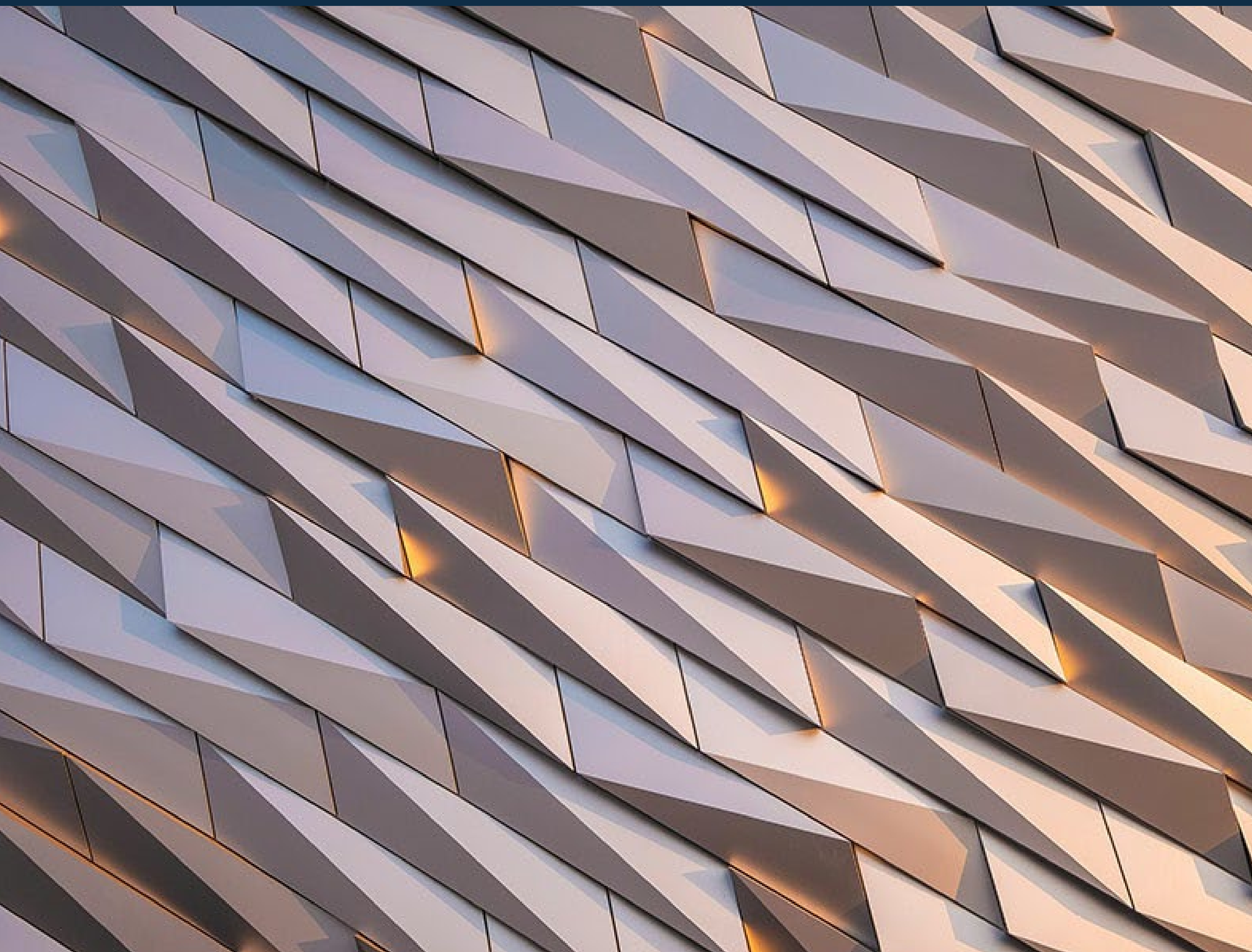
Atlas Monthly Equity Navigator

FEBRUARY 2026



Rotation Redux

January has started with a bang, and the rotation theme remains very strong. Technology stocks—especially software companies—are suffering, while value companies are leading the markets. This month witnessed an acceleration of the trends that defined the latter half of 2025, as capital continued flowing away from expensive US technology names into value-oriented sectors, non-US equities, and cyclical themes.

The focus has been on AI, where worries regarding disruption have led to a meltdown in software companies. As the earnings season took off, another focus has been on the capital expenditure of hyperscalers in the US this year. Simultaneously, a cyclical pickup in the global economy has been a focal point, especially strong in Asia, though there are also signs of a robust pickup in Europe and the US.

Strong moves in precious metals, gold, and silver characterized early January, though a downturn toward month-end raised concerns about overbought levels. The rotation in markets has accelerated dramatically since the end of last year, particularly evident in non-US equities gaining against US equities, value stocks gaining against growth stocks, and resource themes having a strong start to the year.

1. Software Under Pressure & Other AI Worries
   - Softening software: The most striking development has been the sharp correction in software companies amid growing concerns over the developments in AI creating massive disruption risks to the sector. This uncertainty triggered significant selling pressure across the software sector, with high-multiple growth names experiencing the steepest declines.
   - Over-investment worries: As hyperscalers revealed their 2026 capital expenditure plans during earnings season, questions intensified about whether AI infrastructure spending would generate corresponding returns.
2. Global Cyclical Recovery
   - Economic indicators point to an accelerating cyclical upswing across major regions. Asia leads this recovery, showing particularly robust momentum. Europe and the US are also demonstrating strengthening economic activity, supporting the rotation into cyclical and value-oriented investments. This broad-based improvement marks a significant shift from the narrow, technology-led growth of recent years.
3. Metals Strength & Volatility
   - January opened with powerful rallies in gold, silver, and industrial metals, reflecting both the cyclical recovery narrative and concerns about inflation. However, late-month pullbacks raised questions about whether these assets had become overbought in the near term, even as longer-term fundamentals remain supportive.
4. Accelerating Rotation
   - The rotation themes that emerged in late 2025 accelerated dramatically in January. Non-US equities continued outperforming US markets, value stocks extended gains against growth, and traditional industries led performance. This represents a fundamental reordering of market leadership away from the US technology concentration that dominated in prior years.

Global Equity Performance

United States

- US markets posted modest gains but significantly underperformed international peers in January. Technology and Financial sectors declined as investors rotated away from expensive growth names. Energy outperformed, while traditional value sectors like Materials and Industrials also led returns. The market's narrow leadership has broadened dramatically, though at the expense of former winners.

Europe

- European markets extended their strong relative performance from 2025. Technology went against the global flow in Europe due to standout performance in semiconductor-related stocks. Industrials and Materials benefited from Germany's infrastructure spending and early positioning for Ukraine reconstruction. Besides Momentum, Value continued as the dominant factor, significantly outperforming both growth and quality strategies.

Emerging Markets

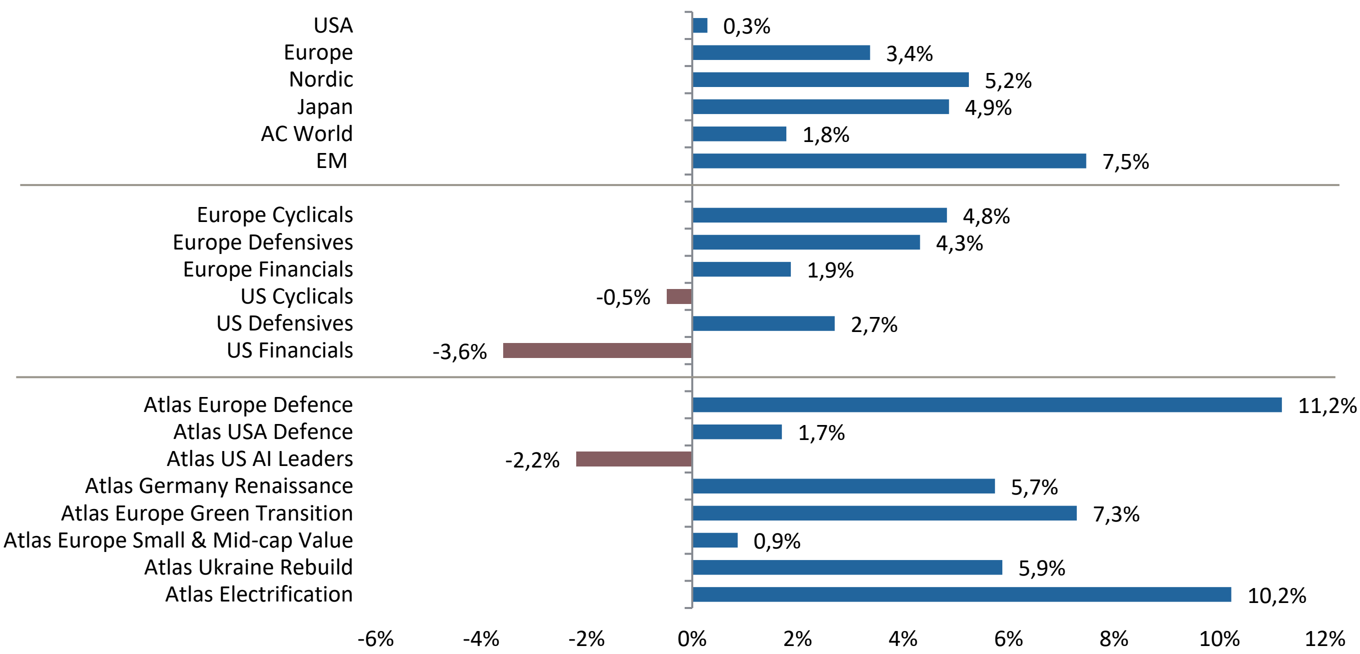
- Asian markets led global performance in January, driven by the cyclical economic recovery and continued rotation away from expensive US equities. Emerging Markets broadly outperformed as the dollar remained under pressure and valuations appeared increasingly attractive. Technology and Materials sectors drove returns, while Value as a factor outperformed slightly in the region.

Themes & Styles

Equity markets started the year on a high note, but with sentiment very optimistic, a correction can be expected in Q1. Despite this near-term risk, the cyclical recovery in the global economy looks promising and especially supports value themes. These trends might accelerate further in 2026.

- Thematic opportunities:
  - European Value Themes: Continue to remain interesting, with themes like small- and mid-caps and banks offer compelling value propositions.
  - European Defence: The theme remains relevant in Europe, with continued geopolitical tensions supporting defence spending commitments across NATO countries.
  - Ukraine Rebuild: This multi-year theme maintains strong appeal as reconstruction plans gain clarity and European companies position for opportunities.
  - Manufacturing and Resources: Traditional industries remain attractive, particularly manufacturing and resource-related companies benefiting from the cyclical upswing.
  - Energy and Materials Sub-themes: Broader themes within energy and materials continue to offer opportunities, including electrification, powering AI infrastructure, and German infrastructure development.

Atlas Equity Chart of the Month: Equity market returns, euro returns, January 2026



Source: Evli Atlas Portfolio Technologies; Total returns in euros.

Key Risks & Considerations

Political and Policy Uncertainty: Risks for the rest of the year relate to the US administration and their policies, as well as geopolitical risks. The Greenland episode earlier in January demonstrated how quickly political risk can rise in the current environment. The beginning of the end of American exceptionalism in financial markets started a year ago and seems to continue in 2026.

US Dollar and Technology Vulnerability: There are still downside risks to the dollar and to US technology companies, making them look vulnerable in the short term. Worries about AI over-investment and disruption risks related to software companies add to near-term uncertainty.

Inflation and Bond Yields: Considering the cyclical strength of the economy in the US, inflation risks could rise again at some point this year. It is important to keep an eye on US bond yields, especially the US 10-year yield; if it grinds higher, it could create another risk for growth companies.

Valuation Considerations: Investment themes remain focused outside the US, especially considering the very high valuations of US equities. The valuation gap between US and non-US markets remains wide, supporting the rotation theme.

Final Thoughts

January's market action reinforced the key investment lesson from 2025: diversification across geographies, styles, and themes matters profoundly when market leadership shifts. The rotation away from expensive US technology toward value-oriented themes, non-US markets, and cyclical sectors shows no signs of exhausting itself.

While near-term sentiment appears stretched and a Q1 correction remains possible, the fundamental drivers supporting this rotation remain intact. A broadening global economic recovery, attractive valuations outside the US, and continued strength in traditional industries create a favorable backdrop for diversified portfolios.

As we move deeper into 2026, maintain conviction in themes that have demonstrated momentum—European banks, defense, Ukraine reconstruction, industrials & infrastructure, and resource-related opportunities. Simultaneously, remain vigilant about risks: elevated sentiment, policy uncertainty, inflation concerns, and the potential for further technology sector weakness.

The markets have clearly voted for broader, more diversified leadership. Position portfolios accordingly while respecting that surprises—both positive and negative—will inevitably emerge as 2026 unfolds.

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