



## Global Markets

### Resilient Growth amid Rising Geopolitical Tensions

Global markets remained broadly resilient in February despite increasing geopolitical tensions and policy uncertainty. Economic data continued to support the soft-landing narrative, with business surveys indicating a gradual recovery in global activity while inflation pressures continued to moderate across major economies. However, the escalating conflict in the Arabian Gulf, particularly rising tensions involving Iran and the strategic Strait of Hormuz, emerged as a key new source of volatility toward the end of the month. Against this backdrop, developed market equities delivered modest gains overall, although performance diverged across regions as leadership broadened beyond US mega-cap technology.

### Rotation Reshapes Equity Market Leadership

Equity market dynamics shifted meaningfully as investors reassessed the sustainability of valuations in large technology companies linked to artificial intelligence spending. The S&P 500 declined modestly during February while non-US and emerging markets outperformed, supported by stronger commodity exposure and a rotation toward cyclical sectors such as materials, utilities and energy. Small-cap stocks also performed well, reflecting improving domestic growth expectations and reduced concentration risk within global indices. This broadening of market leadership is likely to remain an important theme for 2026 as investors increasingly focus on earnings growth rather than valuation expansion.

### Bonds Gain as Geopolitics Drive Commodity Volatility

Fixed income markets delivered positive returns during February as falling bond yields reflected increased demand for safe-haven assets amid rising geopolitical risks. Commodity markets remained volatile, with precious metals rebounding and energy prices strengthening toward month-end as tensions escalated in the Middle East. The growing geopolitical risk premium in energy markets highlights the importance of regional developments for global financial conditions.



## Regional Markets

### Saudi Equities Correct amid Global and Regional Volatility

Saudi equities reversed part of their strong start to the year, with the Tadawul All Share Index declining 5.9% in February to close at 10,709. Market liquidity also softened, with traded value declining to SAR 87.1bn from SAR 100bn in January. The decline was broad-based across sectors, reflecting global risk aversion and profit-taking following January's rally. Despite the correction, foreign investor participation continued to rise, with qualified foreign investor ownership increasing to 11.96% of the market's free float, highlighting sustained international interest in Saudi equities.

### Strong Fundamentals Face Rising Geopolitical Risks

Saudi Arabia's domestic fundamentals remain resilient, supported by contained inflation, solid consumer spending and continued credit growth. However, the regional environment has become significantly more uncertain following the escalation of military conflict involving Iran at the end of February. The disruption to shipping through the Strait of Hormuz, a corridor that normally carries around 20% of global oil supply, has pushed oil prices higher and increased global market volatility. While higher energy prices may support GCC fiscal revenues in the short term, the risk of prolonged disruption to trade flows and further regional escalation could weigh on global growth and investor sentiment, suggesting continued market volatility in the near term.





## Global Market Indices

Global Data: As End Of: 27-Feb-26

Saudi Market Data: As End Of: 28-Feb-26

Region/sector	Index	Quote	MTD (%)	YTD (%)	1Y (%)	2Y (%)	3Y (%)	5Y (%)	10Y (%)	2023 (%)	2024 (%)	2025 (%)
World	DJIM World TR	13,533.46	0.7	3.9	24.7	17.6	21.1	10.9	14.0	27.0	18.0	19.4
Developed	DJIDEV TR	7,747.68	0.3	3.2	24.0	17.1	21.5	12.0	14.4	29.4	18.5	19.2
Emerging Markets	DJIEMG TR	7,071.93	3.8	10.2	31.3	22.8	17.2	2.1	10.4	6.4	13.3	21.8
Saudi	TASI	10,709.04	(5.9)	2.1	(12.5)	(7.9)	2.0	3.2	5.8	14.2	0.6	(12.8)
NAREIT	All REITS TR	3,687.94	6.8	11.2	19.0	14.8	9.8	4.7	5.6	9.8	1.6	11.0
GSCI	All Commodities	610.90	2.1	11.4	9.0	4.3	1.9	5.1	7.4	(12.2)	2.6	(0.2)
Currencies	Euro	1.18	(0.3)	0.6	13.6	4.4	3.6	(0.4)	0.8	3.1	(6.2)	13.4
	Yen	156.05	(0.8)	0.4	(4.0)	(1.8)	(4.4)	(7.3)	(3.1)	(7.0)	(10.3)	0.3
	GBP	1.35	(1.5)	0.1	7.0	3.1	3.8	3.4	2.6	5.4	(1.7)	7.7

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