XPS Group

February 2026

Investment News

Our market round-up and news affecting UK investments

The Dollar dips and the precious metal rally falters

Month in brief

US involvement in Venezuela, Greenland and Iran keep global tensions on a knife edge

Emerging markets soar off the back of a US Dollar drop

Precious metals dip off as Trump nominates a new Fed Chair

Japan's long-term borrowing costs rise in the build up to a snap election

Aggregate DB funding levels climb higher

President Trump's erratic policymaking left the US Dollar – the global economy's dominant currency – losing further ground. A precious metals rally came to an abrupt halt after Trump announced Kevin Warsh as his Federal Reserve Chair nomination, widely regarded as a safe pick.

After a military operation to extract the Venezuelan President, Donald Trump has intensified pressure on Denmark over control of Greenland, in a bid to increase national security for the US. Tensions peaked when Trump initially refused to rule out a military takeover of Greenland. Threats translated into tariffs imposed on NATO countries that opposed his ambitions, but by the end of the month the threat of tariffs was removed altogether. An American warship has also been deployed close to Iranian waters after a violent crackdown of protests that erupted in Iran amidst a wealth of economic issues for the country. Brent crude oil rose 4% to around $70 a barrel as the month came to a close.

The US Dollar has subsequently slipped to a four-year low, causing investors to rotate out of US stocks and look elsewhere for higher returns. Emerging market equities benefitted, outperforming developed markets in Sterling terms. The end of US exceptionalism has been widely debated in recent months, and the record highs of precious metals have only strengthened the argument. A mounting sense of unpredictability and concern over President Trump's actions had sent investors piling into gold, silver and copper, continuing well into January. Gold topped out at $5,600 per troy ounce in January but news of the President's nomination for the next Federal Reserve (Fed) Chair sent gold prices falling back by 11% in a single day. Silver and platinum also fell 26% and 18% respectively. However, even with these losses, given the gains early in the month, all three metals ended the month higher than they started it.

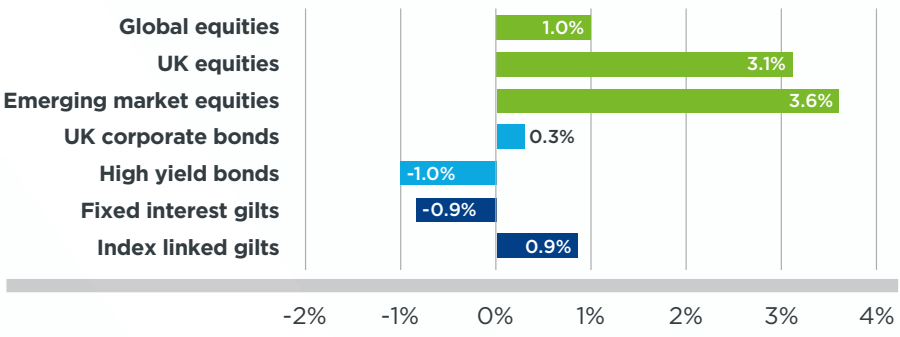
Click to watch Hannah's two-minute video.

Hannah McCann
Investment Associate



Emerging market equities outperformed global equity markets in January

One month to 31 January 2026

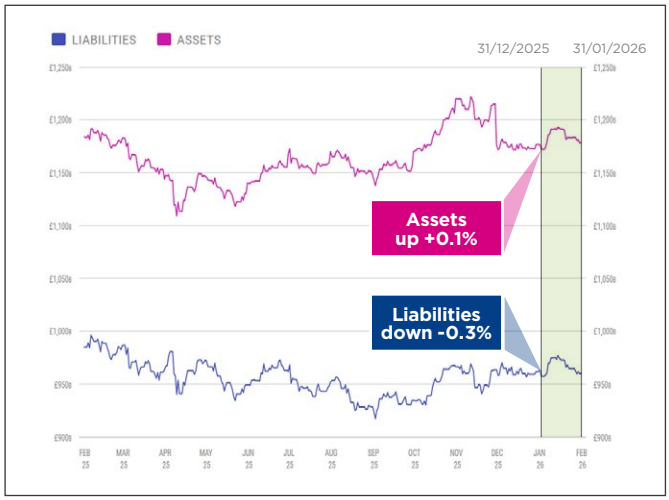


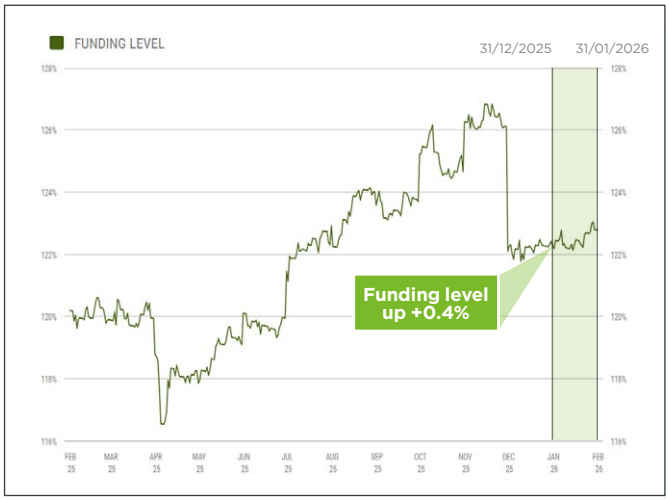
The nomination of Kevin Warsh as Federal Reserve Chair has been perceived by markets to be a relatively safe choice. His hawkish views help to temper concerns that the central bank will inherit a Trump stooge. The nomination comes after incumbent Chair, Jerome Powell, revealed in January that he had been subpoenaed by the US Department of Justice, accused of misleading Congress over renovations of the Fed headquarters. The action against him was met with widespread disdain from US politicians and other Central Bank leaders. The Fed held borrowing costs at a range of 3.5% to 3.75% in January, signalling a "wait and see" approach given improving jobs market data and economic growth. Markets continue to price in two quarter point rate cuts in 2026, beginning in the summer.

Long term government borrowing costs rose to 4% for the first time in Japan, ahead of the snap election in early February. With the victory now confirmed for Prime Minister Takaichi, she will be able to implement her $135bn fiscal spending plan alongside her freeze on food tax. Yield rises reflect investor concerns over fears of high government debt.

Corporate bond issuance in the US saw its busiest week since the Covid-19 pandemic in January, amounting to $95bn across 55 investment grade bond deals in the first week of the new year. Increased appetite for AI spending and a wave of mergers have been the main drivers. Investment grade credit spreads in the US are now at their lowest level since 1998 – just 0.7% higher than US government debt. UK credit spreads also remain incredibly tight. In contrast, high yield spreads stepped up towards the end of the month leading to negative performance. Long dated nominal gilt yields rose slightly over the month, as did long term UK inflation expectations, leading to a slight fall in real yields over the month. The UK government published the draft Leasehold and Commonhold Reform Bill which proposes a cap on residential ground rents. This represents a significant likely loss of ground rent income and will materially affect the value of these UK property investments.

The aggregate funding level of UK DB pension schemes on low risk basis continues to be resilient. Positive performance for growth assets combined with rising yields offset the effect of rising inflation expectations over January.





Source: XPS DB:UK https://www.xpsgroup.com/what-we-do/technology-and-trackers/xps-dbuk-tracker/

The charts above are based on data from The Pensions Regulator, the PPF 7800 Index and the XPS data pool. The assumptions used in the UK:DB long-term target basis include a discount interest rate of gilt yields plus 0.5%. The assumed asset allocation is 16.9% equities, 20.0% corporate bonds, 6.9% multi-asset, 5.1% property, 3.8% private markets and 47.3% in liability driven investment (LDI) with the LDI overlay providing a 60% hedge on inflation and interest rates.

Find out more

To discuss any of the issues covered in this edition, please get in touch with **Hannah McCann**. Alternatively, please speak to your usual XPS contact.



Hannah McCann
Assistant Investment Consultant
hannah.mccann@xpsgroup.com
xpsgroup

Award winning

Pensions advisory

PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2025 — WINNER — Sponsor Covenant/IRM Adviser of the Year — XPS Group

PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2024 — WINNER — Actuarial/Pensions Consultancy of the Year — XPS Pensions Group

PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2024 — WINNER — Sponsor Covenant / IRM Adviser of the Year — XPS Pensions Group/Penfida

PENSIONSAge AWARDS 2024 — WINNER — SPONSOR COVENANT PROVIDER OF THE YEAR

AP AWARDS — SOFTWARE OF THE YEAR 2024

PROFESSIONAL PENSIONS 25 ANNIVERSARY UK PENSIONS AWARDS 2022 — WINNER — Actuarial/Pensions Consultancy of the Year — XPS Pensions Group

PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2021 — WINNER — Actuarial/Pensions Consultancy of the Year — XPS Pensions Group

Investment consulting

PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2023 — WINNER — Fiduciary Evaluator of the Year — XPS Pensions Group

PROFESSIONAL PENSIONS 25 ANNIVERSARY UK PENSIONS AWARDS 2022 — WINNER — Investment Consultancy of the Year — XPS Pensions Group

PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2021 — WINNER — Investment Consultancy of the Year — XPS Pensions Group

Administration

PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2023 — WINNER — Third-Party Administrator of the Year — XPS Pensions Group

PROFESSIONAL PENSIONS 25 ANNIVERSARY UK PENSIONS AWARDS 2022 — WINNER — Third-Party Administrator of the Year — XPS Pensions Group

Accredited Member — Pensions Administration Standards Association — assess | aspire | achieve

Corporate

corporate adviser awards 23 — WINNER — BEST PENSION ADVISER

Culture and Sustainability

Business Culture Awards — Winner 2025 — XPS Group — Best Medium Organisation

Business Culture Awards — Highly Commended 2025 — XPS Group — Employee Voice

Business Culture Awards — Winner 2024 — Working Environments & Practices

UK COMPANY CULTURE AWARDS 2024 WINNER — BEST DIVERSITY, EQUALITY AND INCLUSION (DEI) INITIATIVE

PROFESSIONAL PENSIONS RISING STAR AWARDS 2024 — WINNER — Organisational Award: Award for Supporting Development — XPS Group

PROFESSIONAL PENSIONS UK PENSIONS AWARDS 2023 — WINNER — Diversity & Inclusion Excellence Award — XPS Pensions Group

STEWARDSHIP CODE

disability confident LEADER

Important information: Please note the information and opinions expressed herein do not take into account the circumstances of individual pension funds and accordingly may not be representative of the circumstances affecting your fund. This note, and the work undertaken to produce it, is compliant with TAS 100, set by the Financial Reporting Council. No other TASs apply. The note has been written on the basis that decisions will not be based on its contents. Appropriate advice should be obtained before any decisions are made. The information expressed is provided in good faith and has been prepared using sources considered to be reasonable and appropriate. While information from third parties is believed to be reliable, no representations, guarantees or warranties are made as to the accuracy of information presented, and no responsibility or liability can be accepted for any error, omission or inaccuracy in respect of this. This document may also include our views and expectations, which cannot be taken as fact. The value of investments and the income from them can go down as well as up as a result of market and currency fluctuations and investors may not get back the amount invested. Past performance is not necessarily a guide to future returns. The views set out in this document are intentionally broad market views and are not intended to constitute investment advice as they do not take into account any client's particular circumstances.

Please note that all material produced by XPS Investment is directed at, and intended solely for the consideration of, professional clients within the meaning of the Financial Services and Markets Act 2000 (FSMA). Retail or other clients must not place any reliance upon the contents.

This document should not be distributed to any third parties and is not intended to, and must not be, relied upon by them. Unauthorised copying of this document is prohibited.

© XPS Investment. XPS Pensions Consulting Limited, Registered No. 2459442. XPS Investment Limited, Registered No. 6242672. XPS Pensions Limited, Registered No. 3842603. XPS Administration Limited, Registered No. 9428346. XPS Pensions (RL) Limited, Registered No. 5817049. XPS Pensions (Trigon) Limited, Registered No. 12085392. Penfida Limited Registered No. 8020393. Polaris Actuaries and Consultants Ltd, Registered No. 9640309. All registered at: Phoenix House, 1 Station Hill, Reading, RG1 1NB.

XPS Investment Limited is authorised and regulated by the Financial Conduct Authority for investment and general insurance business (FCA Register No. 528774).