INDOSUEZ WEALTH MANAGEMENT

12 February 2026

AI, Fed, Metals: What Next for These 3 Markets Movers?

You might not have felt it with the S&P 500 flirting with all-time highs, but the beginning of 2026 has been marked by considerable turbulence across financial markets. In recent weeks, far more stocks than usual have been making unusually large one-day moves, indicating a notable rise in cross-sectional volatility. This note takes a closer look at three events that have caught our eye: (1) concerns over potential disruptions from artificial intelligence (AI) within tech itself; (2) the appointment of Kevin Warsh and what it means for the Federal Reserve's (Fed) independence; (3) the sharp corrections in precious metals following the sensational and extended rally earlier in the year. We offer a detailed analysis for each of these developments and explain how they will continue to shape the financial landscape throughout the year.

1. THE SEARCH FOR AI WINNERS AND LOSERS

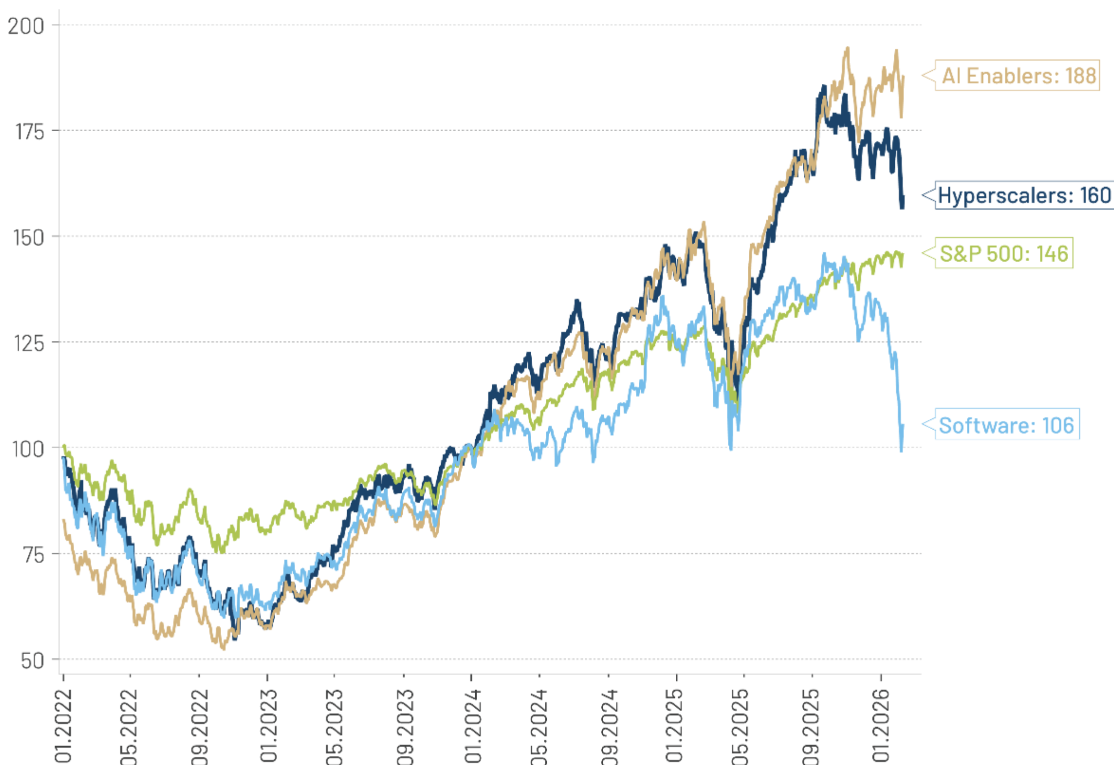
Software companies are currently facing significant pressure, a situation that has intensified following the release of mixed Q4 2025 results across the tech sector. While companies like ServiceNow, SAP, and Microsoft reported fundamentally solid results, their growth rates came in marginally below expectations, and, crucially, showed no near-term acceleration. In today's market environment, this lack of acceleration has been enough to trigger a broad sell-off in software stocks, with large-cap names experiencing declines of more than 10%. This reaction reflects not just company-specific fundamentals, but also a changed market structure: many trading volumes are now driven by index funds, hedge funds, and retail investors, all of whom tend to react mechanically to negative price action, amplifying downside moves and reducing the presence of natural contrarian buyers.

At the same time, the launch of Anthropic's new Cowork platform, with its suite of plugins enabling Claude to perform a wider range of tasks across finance, sales, marketing, and legal, has heightened concerns about the disruptive potential of AI. The market is grappling with the narrative that generative AI could pose an existential threat to traditional enterprise software. However, this view is overly simplistic. While AI has made impressive strides, especially in automating certain tasks, the core systems of record used by enterprises—such as those provided by ServiceNow, SAP, and others—remain deeply embedded, with high switching costs and critical roles in daily operations. These platforms are not easily displaced, and, in many cases, AI is more likely to enhance their value than undermine it.

It is important to note that the current sell-off appears to be driven more by flow and correlation dynamics than by a fundamental reassessment of individual companies. The market is conflating the natural maturation of software growth with structural obsolescence, a distinction that is not supported by underlying business performance. As AI adoption continues, it is expected to be layered on top of existing software, enhancing rather than replacing enterprise platforms. Over time, as uncertainty clears and fundamentals reassert themselves, the gap between current valuations and intrinsic value should narrow, offering opportunities for patient investors.

From an allocation perspective, the recent AI-driven sell-off highlights the importance of maintaining diversification across asset classes and regions in 2026.

Chart 1: US equities: AI trade dispersion (100=31.12.2023)



Source: Macrobond, Indosuez Wealth Management, as of 9.02.2026.

2. A NEW FED CHAIR, BUT UNCHANGED MONETARY POLICY EXPECTATIONS

Kevin Warsh will succeed Jerome Powell as Chairman of the Fed, starting in June 2026. Warsh, who previously served as a Fed member from 2006 to 2011, is seen as a credible choice, which has helped reassure markets about the Fed's independence. Since his appointment was announced on 30 January 2026, US interest rates have remained relatively stable, and the dollar has rebounded from its mid-January lows.

Warsh was initially known for his hawkish stance during the 2008 financial crisis, when he frequently highlighted inflationary risks despite a weakening US economy. However, in recent years, his views have shifted, and he has adopted a more dovish approach, now supporting continued rate cuts by the Fed as he emphasises the disinflationary effects of productivity gains driven by AI. At the same time, Kevin Warsh has been a vocal critic of the Fed's asset purchase programmes, arguing that the central bank's balance sheet is too large and that monetary policy should focus more on interest rates. He also advocates for better coordination between the Fed's asset purchases and US Treasury issuance policies.

Despite Kevin Warsh's appointment, our expectations for the Fed's upcoming decisions remain largely unchanged. As highlighted in our latest Monthly House View, productivity gains from AI are likely to have long-term disinflationary effects by boosting the economy's productive capacity. However, these supply-side benefits should take time to materialise. In the short-term, increased investment and wealth effects associated with new technologies are likely to drive demand higher which is already putting upward pressure on commodity prices. These investments also require significant financing, which could push the economy's equilibrium interest rate higher and limit the Fed's ability to cut rates further.

Kevin Warsh's stated intention to reduce the size of the Fed's balance sheet—which has already declined from 9 trillion dollars to 6.5 trillion dollars since 2022—could, if implemented, put upward pressure on long-term interest rates. This would run counter to the US administration's preference for lower rates.

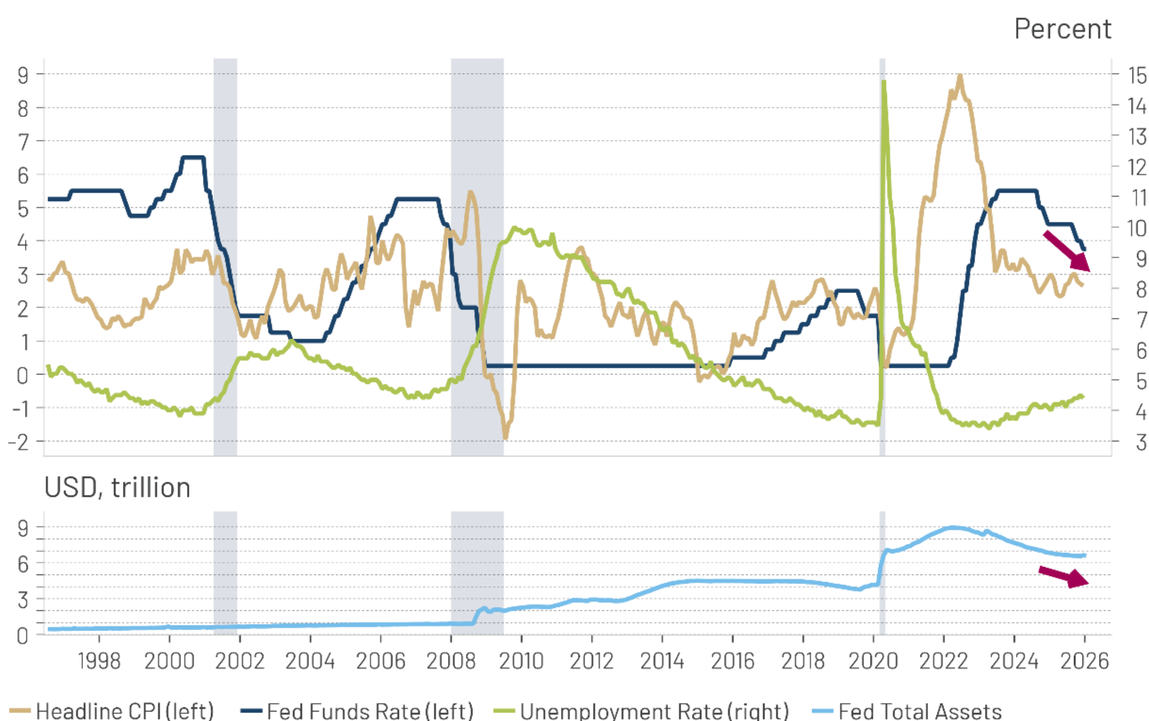
Moreover, it is unclear whether there would be consensus within the Fed for such a move in the near-term, especially since the central bank adopted a more accommodative stance on its balance sheet in December 2025 in response to emerging signs of funding stress.

Crucially, monetary policy decisions at the Fed are made by a 12-member committee, and Kevin Warsh will be replacing Stephen Miran, a close Trump adviser who was notably extremely dovish during his brief tenure, arguing for 150 basis points in rate cuts. As a result, Warsh's arrival does not significantly shift the balance of the Federal Open Market Committee (FOMC), and we continue to expect that monetary policy will be guided by economic data rather than political considerations.

Given the current backdrop of robust US growth, a stabilising labour market, and inflation expected to slow but remain above the 2% target, we believe the Fed is well positioned to pause and should only cut rates once more, aiming to normalise policy at a 3.5% rate during 2026.

Finally, ongoing legal proceedings involving Jerome Powell and Lisa Cook do pose risks to the Fed's independence. Nevertheless, institutional safeguards remain strong: the Senate Banking Committee can block Warsh's appointment if Jerome Powell is dismissed, and the Supreme Court has shown vigilance in protecting the Fed's independence during the recent Lisa Cook hearings.

Chart 2: Kevin Warsh argues for lower rates on AI productivity and reduced Fed balance sheet



Source: Macrobond, Fed, US Bureau of Labor Statistics (BLS), Indosuez Wealth Management (2026).

3. METALS MARKETS SHIFTING GEARS

Let's step back for a moment. Gold has traditionally been sensitive to interest-rate expectations, as lower real yields reduce the opportunity cost of holding a non-yielding asset. In recent years, however, this relationship has weakened, with gold reacting less to near-term rate moves and more to geopolitical risks, central-bank demand, fiscal concerns, and reduced policy visibility.

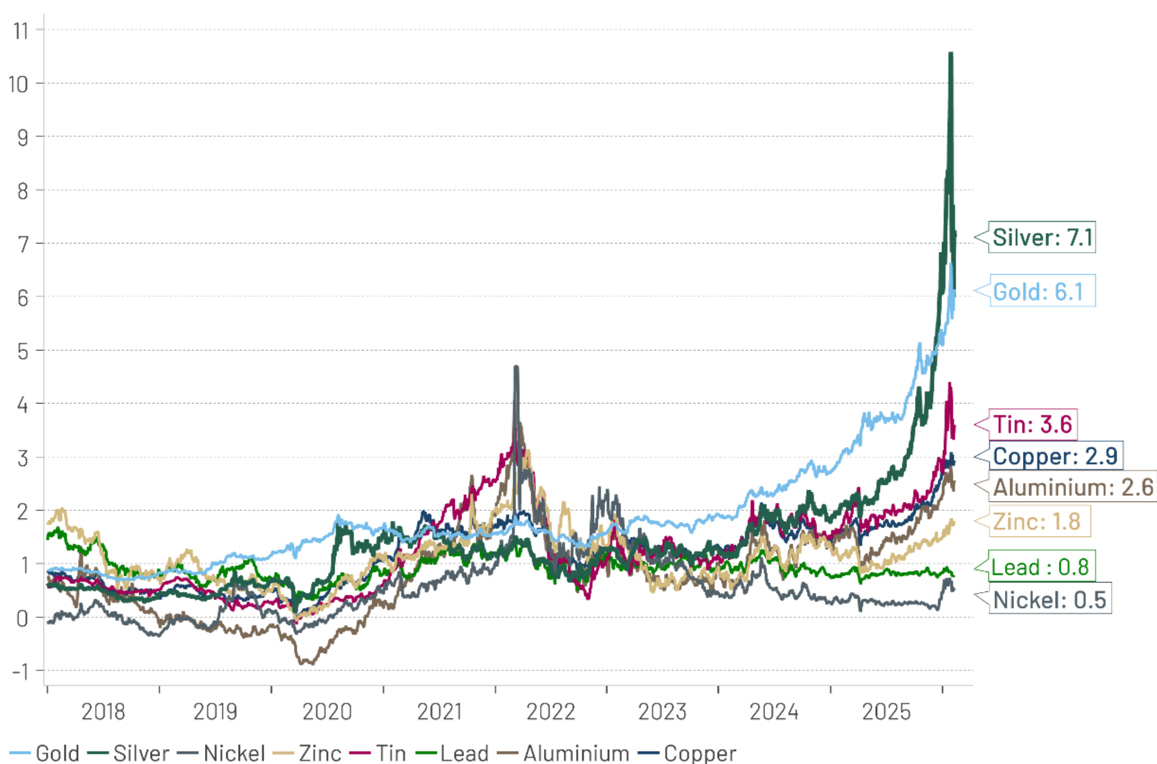
In contrast, base metals are not safe havens, but geopolitics has become a more important driver through trade fragmentation, sanctions, and resource nationalism, which increasingly affect supply chains and investment.

Interest rates influence base metals only indirectly, with prices primarily driven by economic activity, supply constraints, and strategic considerations.

Against this backdrop, last week saw a sharp correction in precious metals, with gold falling by around 10% and silver by as much as 35%. The appointment of Kevin Warsh as head of the Fed was interpreted as signalling policy continuity and a lower likelihood of aggressive rate cuts. While this reduced uncertainty somewhat, the scale of the move was driven largely by technical factors, including the rapid unwinding of speculative positions, reduced liquidity, and regulatory measures in China and the US. Silver, having become disconnected from its fundamentals, was particularly vulnerable.

Looking ahead, the medium- to long-term outlook for metals remains supported by structural drivers. Supply constraints, years of underinvestment, and demand linked to electrification, AI, infrastructure and defence spending continue to underpin base metals, while gold remains an important portfolio diversifier amid elevated geopolitical risks. Overall, while silver's recent plunge appears out of step with its fundamentals, gold's pullback looks more like a healthy pause after a strong rally. Our long-term conviction remains unchanged, with our 2026 gold target of 5'500 dollars intact, and the medium- to long-term outlook for metals prices remaining constructive. After some volatility expected around China's upcoming New Year, key elements to watch include Chinese economic growth (notably further subsidies on electrification) and any sudden shift in rate guidance or geopolitical risk.

Chart 3: Metal prices surged in recent months (Z-Scores)



Source: Macrobond, Indosuez Wealth Management as of 9.02.2026.

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