Market Recap

Sabancı University Investment Society

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February 2026

Executive Summary

- **February was shaped by geopolitics and rate uncertainty.** Sticky inflation concerns, cautious central banks, and higher energy prices defined the month.
- **Leadership rotated away from growth.** US technology underperformed, while defensives, energy, and financials held up better in a more cautious market tape.
- **Türkiye remained highly sensitive to domestic policy and FX dynamics.** The CBRT's smaller-than-expected rate cut and continued lira weakness kept local assets reactive to both liquidity conditions and global risk sentiment.

I. Global Macro Environment

1. **Monetary Policy:** Major central banks remained cautious in February. The **Federal Reserve** kept the fed funds target range at **3.50%-3.75%**, while the **ECB** held the deposit facility rate at **2.00%**. In Türkiye, the **CBRT** cut its policy rate by **100 bps to 37.0%**, a smaller move than the market had anticipated.

2. **Geopolitics:** Risk sentiment weakened as tensions involving **Iran** escalated during the month, pushing energy prices higher and reviving concerns around inflation and supply-side pressure.

3. **Currency Performance:** The Turkish lira continued to weaken, with **USD/TRY** ending the month near **43.89**. **EUR/USD** stayed relatively stable around **1.18-1.19**, while the **DXY** posted its first monthly gain since October 2025.

II. Equities Performance

- **US Indices:** The **S&P 500** slipped **0.87%** in February, while the **Nasdaq-100** fell **3.38%** as mega-cap growth corrected. The **Russell 2000** gained **0.22%**, suggesting the month favored lower-duration and more cyclical exposure.

- **Turkish Indices:** The **BIST 100** ended the month at **13,879**, down roughly **3.14%** despite a late rebound. The **BIST 30** proved more resilient, posting a **0.86%** monthly gain.

- **Market Sentiment:** The **VIX** spiked to **22.45** mid-month before easing to around **19.85**. Volatility finished below the peak, but still high enough to keep positioning cautious.

III. US Industry Performance

Industry	Monthly Return	Key Macro Catalyst
Technology	-7.0% to -9.9%	AI capex fatigue; valuation compression in software and semis
Financials	+2.6%	Value rotation; resilient credit quality and stable margins
Energy	+2.6%	Geopolitical risk premium; higher crude and gas prices
Healthcare	+0.81%	Defensive demand; preference for stable earnings visibility
Industrials	+1.20%	Firm manufacturing orders; rotation into cyclical value
Cons. Discretionary	-7.0%	Higher fuel costs and softer spending expectations

Takeaway: February's sector tape pointed to a clear de-risking pattern: investors moved away from duration-heavy growth and toward businesses with pricing power, cash-flow visibility, and inflation resilience.

IV. Turkish Industry Performance

Industry	Monthly Return	Local Market Driver
Banking	-6.75%	Asymmetric corridor impact; CBRT liquidity policy
Industrials	+0.28%	Export resilience; selective support from domestic demand
Conglomerates	-2.60%	NAV discounts; dividend focus in large holdings
Energy/Refining	+0.20%	Relative resilience despite weaker spot electricity prices
Telecom	-4.22%	Regulatory concerns offset by inflation-linked pricing power
Aviation	-1.44%	Heavy turnover and profit-taking in THYAO

Takeaway: In Türkiye, sector dispersion was driven less by a broad risk-on bid and more by policy expectations, liquidity conditions, and stock-specific positioning.

V. Digital Assets

- **Large Caps:** Bitcoin traded with elevated volatility, ending late February near **$68,574**. Ethereum also faced pressure as network costs rose during the initial geopolitical shock.

- **Sector Rotation:** Higher-beta areas of crypto, especially AI-linked tokens, saw steep drawdowns as capital rotated toward larger Layer 1 ecosystems such as **Solana** and **Avalanche**.

- **Macro Link:** February reinforced that digital assets are still trading as liquidity-sensitive risk assets. When macro stress rises, speculative narratives tend to get hit first.

VI. Our Read

- **Consensus View:** Markets still lean toward a soft-landing story supported by eventual rate cuts and stable growth.

- **Why We're Less Comfortable:** February's price action suggested the market was becoming less comfortable with that view. Higher energy prices can slow disinflation just as growth expectations soften, which is exactly the mix that makes central banks less willing to ease aggressively.

- **Positioning Implication:** That backdrop still argues for value over long-duration growth. Until energy markets calm and inflation pressure fades, rate-sensitive tech may remain fragile. For Türkiye, the **BIST 100**'s ability to hold the **13,600** region remains an important confidence test.

VII. The Month Ahead

- **What to Watch:** March inflation prints, central-bank forward guidance, and the next **CBRT** meeting.

- **Why It Matters:** If inflation stays sticky while energy remains firm, markets may have to cut back expectations for aggressive easing. That would likely extend the recent rotation away from high-beta growth and toward defensives, value, and commodity-linked exposure.

Key Indicators: WTI crude, the **DXY**, and **USD/TRY** remain the clearest cross-asset signals for March.

VIII. Sources & Data References

- Central Bank of the Republic of Türkiye (CBRT) - Monetary Policy Committee decision statements and market data releases.
- Federal Reserve Board - FOMC meeting materials and H.15 Selected Interest Rates.
- European Central Bank - monetary policy decision, 5 February 2026.
- Borsa İstanbul (BIST) - index, sector, and trading data.
- Reuters and Al Jazeera - reporting on Middle East developments and energy-market implications.
- CoinGlass and Glassnode - digital asset market and on-chain data.

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End of Report
— Thank you for reading. See you next month.