

InCred Global Wealth

Market Outlook: Volatility is back - but the regime isn't broken

February 2026

InCred Insights

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As of early February 2026, global markets have experienced a sharp resurgence in volatility after a prolonged period of relative calm. The past week, in particular, has been uncomfortable for investors: technology equities sold off abruptly, precious metals retraced meaningfully, and correlations briefly rose across assets that are not normally closely linked.

Episodes like this naturally provoke anxiety. When markets move quickly and across multiple asset classes at once, the instinctive reaction is to ask whether something fundamental has changed - whether a deeper break has occurred beneath the surface.

Our starting point this month is deliberately measured. **Volatility has returned, but the underlying market regime has not broken.** What we have seen looks far more like a violent repricing driven by positioning, concentration, and liquidity dynamics than the start of a new macro or financial crisis. That distinction matters, because it should shape investor behaviour.

This Outlook is therefore framed around the **questions we are hearing most often from clients**, and how we are thinking about them. The overriding message is consistent throughout: periods like this are not solved by reaction or retreat, but by staying invested, remaining diversified, and managing risk with discipline.

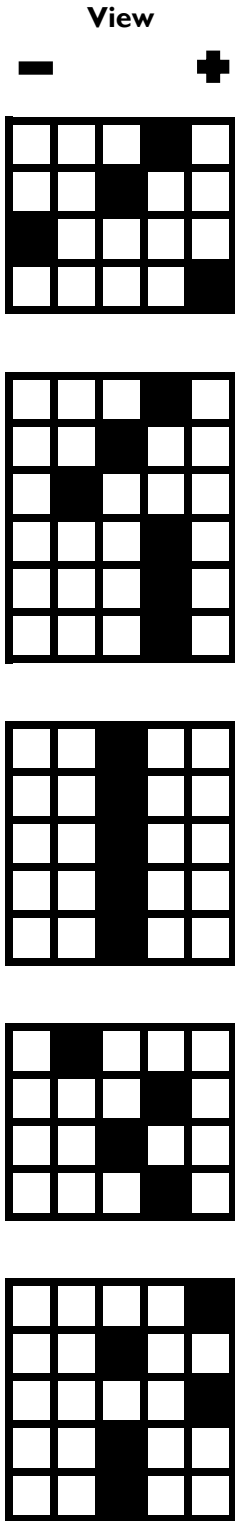
What actually broke last week - fundamentals, or market structure?

The first question investors ask in moments of turbulence is whether something has *broken*.

From our perspective, last week's moves were driven far more by **market structure than by a sudden deterioration in fundamentals**.

Several features support this interpretation. The speed of the sell-off was extreme, with large price moves occurring over hours rather than weeks. Assets with very different economic drivers moved together at moments of stress - a classic signal that liquidity, not information, was the binding constraint. And the largest drawdowns were concentrated in areas where positioning had become crowded and concentration risk had quietly accumulated.

To anchor this episode in concrete terms, gold retraced roughly **10–15% from its recent peak** before stabilising, while equity volatility measures moved back toward their **one-year averages**, rather than into levels typically associated with crisis regimes. These are not trivial moves, but they are also not the market behaviour usually associated with systemic breakdown.



A genuine regime break, in our framework, would require clear evidence of sustained labour-market deterioration or a tightening of financial conditions severe enough to feed back into real economic activity - neither of which is evident at present.

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What do earnings tell us about underlying resilience?

Importantly, the earnings backdrop does not currently support a narrative of fundamental breakdown.

As of early February, fourth-quarter reporting shows S&P 500 earnings growing at roughly **13% year-on-year**, marking a fifth consecutive quarter of double-digit growth if confirmed. Around **three-quarters of companies** have beaten both earnings and revenue expectations, broadly in line with long-term norms. Profit margins remain elevated, and earnings revisions have moved **higher rather than lower** since year-end. Forward guidance for early 2026, while cautious, is not consistent with an imminent earnings recession. Before concluding that volatility reflects economic deterioration, it is worth grounding the discussion in the most recent earnings data:

		Q4 2025 sales growth				Q4 2025 earnings growth			
S&P 500 sector	**Number of companies reported**	**Number of companies with positive sales growth**	**Number of companies with flat sales growth**	**Number of companies with negative sales growth**	**Average sales growth year-on-year**	**Number of companies with positive earnings growth**	**Number of companies with flat earnings growth**	**Number of companies with negative earnings growth**	**Average earnings growth year-on-year**
All companies	**301 / 501**	**248**	**5**	**48**	**9.3%**	**222**	**4**	**73**	**13.6%**
Materials	15 / 27	11	0	4	4.2%	9	0	6	27.7%
Industrials	57 / 74	43	1	13	8.2%	42	0	15	38.3%
Consumer Staples	20 / 36	13	0	7	6.3%	11	1	8	1.4%
Technology	36 / 64	32	0	4	16.3%	31	0	4	23.8%
Consumer Discretionary	22 / 48	16	0	6	7.1%	13	1	8	0.8%
Communications	15 / 26	14	0	1	11.9%	9	0	6	5.1%
Financials	67 / 80	62	1	4	10.4%	61	1	5	18.9%
Health Care	38 / 61	35	1	2	11.0%	27	0	10	-0.3%
Utilities	5 / 31	5	0	0	15.9%	4	0	1	7.9%
Real Estate	16 / 31	13	0	3	0.8%	9	1	6	-6.7%
Energy	10 / 23	4	2	4	-1.5%	6	0	4	5.7%

Figure 1: Q4 2025 S&P 500 sales and earnings growth
Data as at 10 February 2026
Source: Bloomberg

This does not eliminate risk - growth remains uneven and concentrated across sectors and companies - but it reinforces our view that recent volatility reflects **repricing and positioning dynamics**, rather than a collapse in underlying corporate profitability.

Over the past decade, volatility has risen many times, but sustained deterioration in forward earnings has been rare. The key distinction has been whether financial stress feeds through into profit expectations - something not yet visible in the current data:

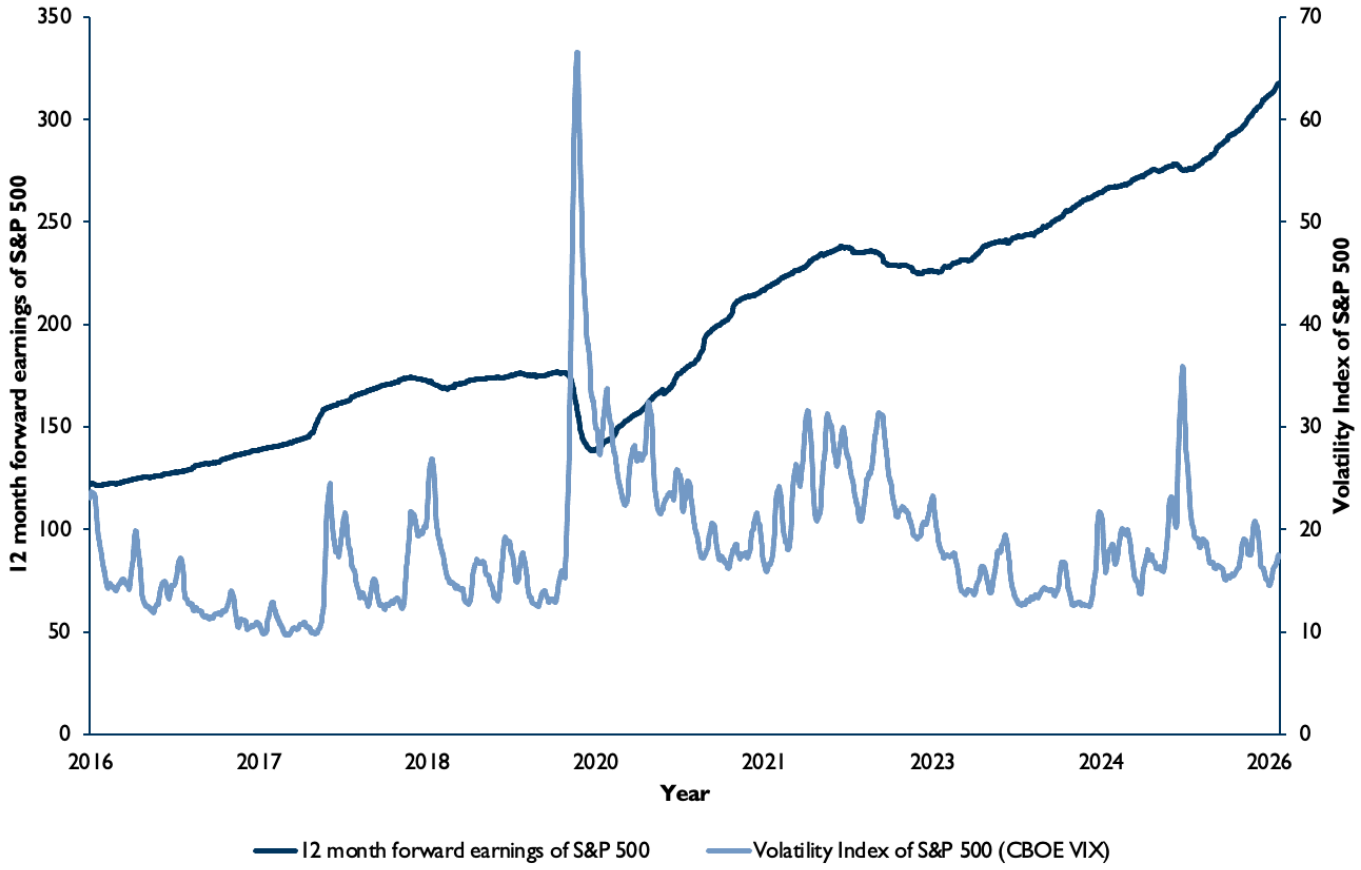


Figure 2: Relationship between S&P 500 forward earnings and volatility since 2016
Source: Bloomberg

Is the AI trade over - or just growing up?

Technology - and AI-related exposures in particular - sat at the centre of last week's turbulence. Unsurprisingly, many investors are now asking whether the AI narrative has run its course.

Our view is that the AI trade is not over, but it is maturing - and maturation is rarely smooth.

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Over the past year, markets rewarded AI exposure largely on the basis of capability, scale, and strategic positioning. That phase was always going to end. We are now entering a phase where investors are more focused on **returns on invested capital, capital intensity, cost curves, and cash-flow conversion**.

This transition does not diminish the importance of AI as a structural force. It does, however, change how markets discriminate between winners and losers. The relevant fault line is no longer "AI versus non-AI", but **who ultimately captures economic value versus who absorbs cost**.

This shift also exposes a portfolio risk that had been underappreciated: **theme concentration masquerading as diversification**. Owning multiple assets tied to the same dominant narrative does not provide resilience if they respond identically under stress. Last week was a reminder that concentration can build quietly during strong markets, only to reveal itself abruptly when volatility returns.

Where this differentiation becomes clearer, we are prepared to reduce exposure to areas where capital intensity and competitive dynamics undermine returns, while reallocating toward parts of the ecosystem with more durable economics. For the last nine months, we have urged investment across the full technology value chain and we maintain that view – see our latest report: *"AI is scaling faster than the power system built to support it"*.

Finally, although S&P 500 index leadership has appeared narrow at times, sector-level performance over the past twelve months reveals a more diversified return environment than the headlines imply:

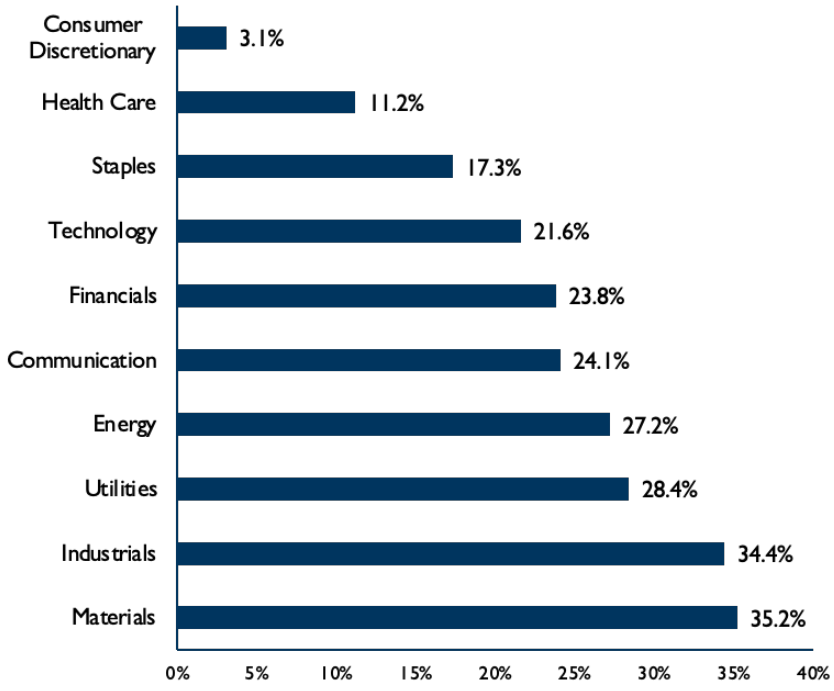


Figure 3: 12 month share price performance across the S&P 500
Source: Bloomberg

Why did gold, precious metals and Bitcoin fall when they're meant to hedge chaos?

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The key to understanding this lies in separating **long-term hedging properties** from **short-term trading behaviour** - and in recognising that gold, silver, and copper play **very different roles**, even though they are often grouped together.

Gold did not fall because its role as a store of value or geopolitical hedge suddenly disappeared. It fell because, in the moment of stress, it became part of the **liquidity stack**. When leverage is reduced and margins are called, investors sell what they can sell - not necessarily what they want to sell. Highly liquid assets are often the first source of cash. Gold is best understood as a **long-cycle store-of-value and diversification asset**, not a reliable short-term crash hedge - and episodes like this are precisely why we avoid relying on any single asset for protection.

The behaviour of **silver** reinforces this point rather than contradicting it. Unlike gold, silver sits uncomfortably between **monetary asset and industrial input**. In periods of market stress, that dual role can make silver more volatile than gold, as it is pulled simultaneously by de-risking dynamics and concerns about industrial demand. Recent weakness therefore reflects silver's hybrid nature, not a clean signal about inflation or monetary regimes.

Copper, meanwhile, is best read through an entirely different lens. Copper is not a hedge asset at all; it is a **growth-sensitive industrial metal**. Its recent pullback speaks more to uncertainty around the pace and composition of global growth - particularly capital expenditure cycles - than to a loss of confidence in long-term structural themes such as electrification, infrastructure investment, or energy transition. Short-term price moves in copper often say more about inventory, positioning, and timing than about long-term demand.

Taken together, the recent moves across gold, silver, and copper highlight the danger of treating commodities as a single, coherent trade. They reinforce the importance of **precision in portfolio construction**: understanding what each asset is meant to do, when it is likely to work, and - just as importantly - when it is not.

Finally, the behaviour of **Bitcoin** during the episode is best understood through the same lens. Despite its longer-term narrative as an alternative store of value, Bitcoin continues to trade primarily as a high-beta liquidity asset in periods of stress. When financial conditions tighten abruptly and leverage is reduced, it tends to move with broader risk assets rather than against them. This does not negate the longer-term case some investors make for digital assets as part of a diversified portfolio, but it reinforces the distinction between strategic narratives and short-term market behaviour - and **the importance of not relying on assets whose protective properties have yet to be consistently demonstrated across market cycles.**

Effective risk management therefore requires **diversification across hedging instruments and economic exposures**, rather than reliance on any one asset or narrative. The lesson of the past week is not that hedges failed, but that **crowded, or mis-specified hedges can behave unpredictably when liquidity is stressed**.

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Is this the start of a broader risk-off or recessionary phase?

Market turbulence often creates a sense that a recession must be imminent. At present, we do not see evidence that this is the base case.

Economic data continues to point to **moderating but resilient growth**, particularly in the US. Labour markets are softening gradually rather than collapsing. Inflation dynamics have improved, albeit unevenly. None of this precludes volatility, but it does argue against an imminent macro regime shift.

Markets do not need a recession to reprice risk. They only need **uncertainty about probabilities**. Recent moves reflect a reassessment of tail risks rather than a conviction that a downside scenario will materialise.

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We continue to monitor the indicators that would force us to change our stance - notably a sharp deterioration in labour markets or a tightening of financial conditions that feeds back into real activity. As of today, those thresholds have not been breached.

Do bonds still protect portfolios in this environment?

This question sits at the heart of portfolio construction in the post-quantitative-easing world.

Bonds still matter, but their role is more nuanced than in the past. Duration is no longer a guaranteed shock absorber. Fiscal supply, term premia, and policy credibility now play a larger role in determining bond behaviour during periods of stress.

This does not mean fixed income should be abandoned. It means that selectivity matters more than ever - by maturity, by issuer quality, and by role within the portfolio. Risk management today is less about finding a perfect hedge and more about constructing portfolios that can absorb shocks without forcing decisions at the wrong time.

At the same time, it is important to recognise that absolute yields are materially higher than they were for most of the past decade. For the first time in many years, large parts of high-quality fixed income offer the prospect of **real income** and **positive carry** without relying on further falls in yields. This changes the role of bonds from being primarily a valuation-driven hedge to being a source of return and stability in their own right - even if their short-term correlation with risk assets is less reliable than in the quantitative-easing era.

Is this finally the moment to reduce US concentration?

Periods of stress often reignite calls to rotate aggressively away from the US. We would caution against framing this as a binary decision.

The more disciplined approach is to think in terms of **breadth, valuation dispersion, and policy cycles**, rather than geography alone. US markets remain home to many of the world's most profitable and strategically important companies. At the same time, concentration risk - both at the index level and within portfolios - is real.

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Diversification does not require abandoning the US. It requires **reducing reliance on a narrow set of outcomes**. In practice, that means broadening exposure across regions, sectors, and factors where return drivers are less synchronised.

Implications for your portfolio

While we avoid reacting tactically to short-term market moves, periods of volatility are important tests of process. In this environment, our focus is on **maintaining strategic exposure**, **managing concentration**, and **ensuring portfolios are resilient to stress**.

This means remaining invested rather than de-risking in response to volatility; rebalancing selectively where prior outperformance has increased concentration; stress-testing liquidity under more severe but plausible drawdown scenarios; and reviewing hedge construction to avoid reliance on any single protective asset. We remain prepared to add risk selectively where volatility creates valuation asymmetries, but only within a disciplined framework.

In particular, we see attractive opportunities in structured products that make the most of equity volatility and selected hedge fund strategies.

What we're watching next

Looking ahead, we remain focused on a small number of indicators that genuinely matter:

- Labour-market data, as confirmation or rejection of a growth regime shift
- Corporate guidance, particularly around capital allocation and returns
- Policy signals that influence term premia and financial conditions

We are not looking for certainty. We are looking for **evidence that would justify changing our stance**.

Final thought

Volatility has returned, and that is uncomfortable. But it is not abnormal, and it is not, by itself, a reason to abandon long-term strategy.

The regime has not broken. What has changed is that markets are once again demanding discipline, diversification, and humility.

Those are not threats to good investors. They are the conditions under which good investment processes prove their worth. **At InCred, we are here to provide disciplined stewardship through periods of volatility - helping clients stay invested, remain diversified, and make decisions grounded in long-term objectives rather than market noise.**

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About the author
Nick Perryman is Vice Chairman at InCred Global Wealth Limited and Chairman of its Investment Committee. He has over 25 years of investment and wealth management experience, holds advanced qualifications in investment management, financial planning and psychology, and was previously a managing director at UBS where he was head of its international wealth management business in London, and before that head of investment products and services. He is a doctoral researcher at Durham University and an honorary fellow of Royal Holloway, University of London. Nick is co-author of the book, "Leadership in Wealth: Mastering the opportunities of wealth in your family, firm and society"

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What our clients say about us

We are privileged to work with leading families around the world. Some have shared what working with us means to them:

"We've had a very positive experience working with the InCred team. Beyond their core investment expertise, they've added value in several important areas - from providing financial education and identifying suitable custodians, to negotiating fees and securing access to high-quality alternative investments. Their consolidated reporting across multiple institutions has been especially helpful, significantly reducing our administrative workload. We truly value the relationship."
Business owners, based in the United Arab Emirates

"Working with the InCred team has been fantastic, and more importantly a financially rewarding experience. They come up with interesting and innovative investment ideas and take the effort to meet in person to walk you through the ideas and scenarios. Also, I must compliment them for going the extra mile to ensure that I am a happy client and by responding with information that would help in the investment decision making process. "
Entrepreneur, based in the UK

"The InCred team are my strategic and trusted advisers, with a comprehensive view of my entire wealth. In addition to providing impartial and wide-ranging investment advice, they liaise with my banks and coordinate seamlessly with other service providers, including my accountants, tax advisers, and trustees. This integrated approach has simplified my life and allowed me to focus on expanding my businesses. Their professional team of investment specialists have understood my investment appetite and have made this journey rewarding, both in terms of exposure as well as profitability."
Entrepreneur, based in Africa

"I have been interacting with the team at InCred for the last few years. I have found them to be creative with investment ideas and very responsive."
Chief Executive Officer, based in the UK

"The service I have received has been excellent, very fast and with lots of information as soon as I have requested it. I am very pleased."
Investor, based in Scandinavia

"The benefit of working with InCred is not only the access to structured investment products but also the breadth of market knowledge and professional contacts that their team have. This has brought additional value to the relationship and has been invaluable to me as an investor over the years."
Business owner, based in the UK

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