# Monthly Market Commentary

## February 2026

doddwealthcare.co.uk

## Uncertainty's antidote – rational decision making

The start of 2026 has seen a continued bout of volatility despite a largely positive backdrop for risky assets like shares. Geopolitical concerns and fears surrounding central bank independence caused investors to seek the presumed protection of precious metals. Rising prices attracted speculators, which caused the price of gold and silver to skyrocket over January before rapidly dropping back, a reminder that gold is a high risk asset class for investors. US President Trump eventually nominated Kevin Warsh, a former member of the Federal Reserve Board and a perceived safe pair of hands to the chairman's post, which set off an exodus from precious metals and commodities more broadly. This is because investors consider it less likely the Federal Reserve will struggle to contain inflation. Precious metals can rise when investors fear higher inflationary pressures.

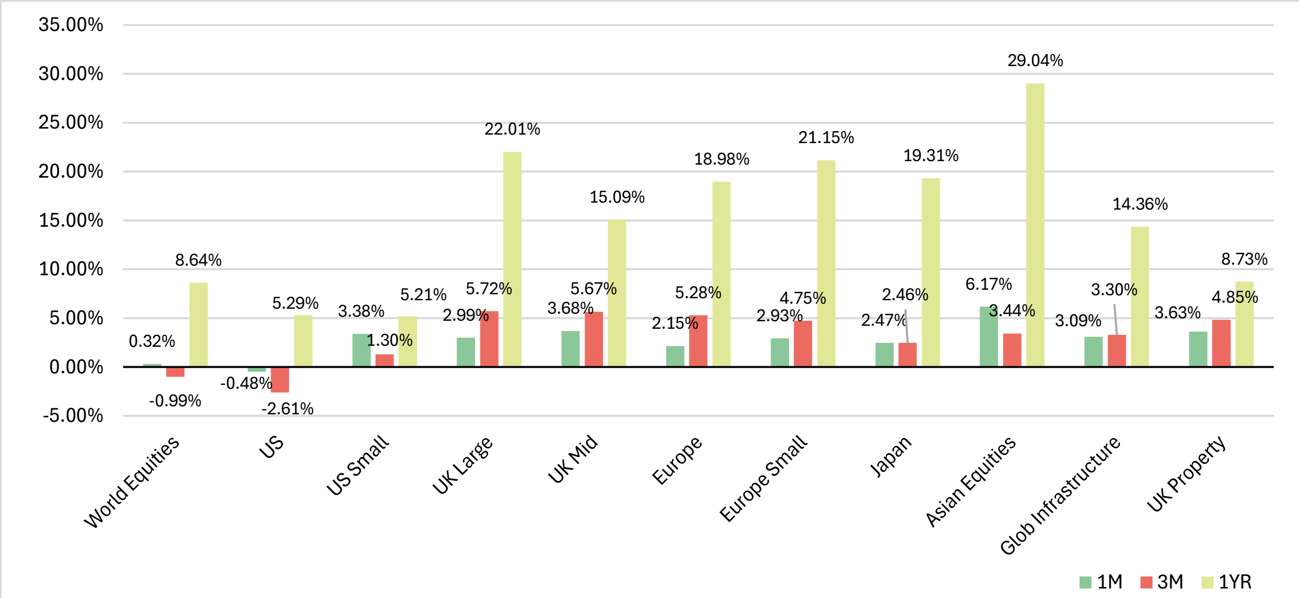
In terms of data on the broader economy investors have seen a deluge of data, most of which has been benign to positive. Inflation pressures continue to moderate although there is evidence of a weakening jobs market. Countering this, however, is robust US GDP growth (driven by capital and consumer spending) and, most recently, a pickup in manufacturing activity. Manufacturing has been in recessionary territory for three years, and a turn in activity is a notable positive. Historically, manufacturing has been a leading economic indicator of better economic activity. While it is too early to conclude that we are past the worst in the manufacturing sector, we may be seeing the first flowers of hope after a long winter.

On the earnings front, we are more than a third of the way through earnings season. Earnings are up 12% year-over-year, marking the 5th consecutive quarter of double-digit earnings growth. At the sector level, eight of the eleven sectors are reporting year-over-year growth, led by the Information Technology, Industrials, and Communication Services sectors. Earnings growth is underpinned by revenue expansion and improving margins in a broader set of sectors.

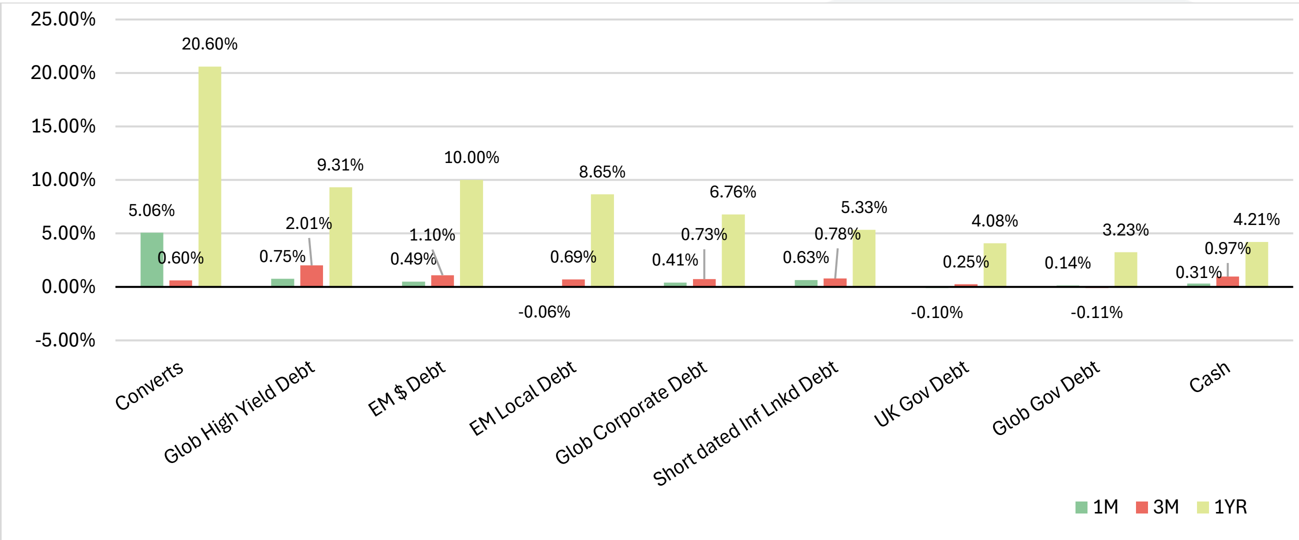
The volatility of the last year has left investors with frayed nerves and an unshakable sense of anxiety. We do not claim to know the future, but continue to see building evidence of stronger economic and corporate fundamentals as we start 2026. Corporate boards and consumers have adjusted to uncertainty through rational decision making and belt tightening. These actions normally occur during recessions. Thankfully, this time round it appears to have been driven by uncertainty.

Portfolios have continued to weather volatility well, helped by limited exposure to the highest risk sectors. Our Strategic Asset Allocation review has highlighted additional sources of diversification, which we will implement over the coming year. We are seeking to add flexibility to our bond exposures through more active funds. Macro and earnings data continue to provide a favourable backdrop for risk assets. As always, we stand ready to adjust our view and portfolios if it is warranted by the data.

## Asset Class Performance: Equities & Alternatives




## Asset class performance: Bonds & Cash




Source: Bloomberg, data to 31/01/2026 in GBP

**Past performance is not a guide to future performance**

## Digesting the data – Asset Class Performance

### Equities

US Reversal: US large-cap equities declined by -0.48% over one month and -2.61% over three months, marking a clear reversal from the period of US market exceptionalism seen previously. Non-US Markets Outperform: In contrast, non-US equity markets delivered strong positive returns, with Asian equities rising 6.17% over the month, alongside solid gains in UK large-cap equities (+2.99%) and European equities (+2.15%). Small-Cap Rotation Evident: A notable rotation into smaller companies was observed, as US small-cap equities gained 3.38% over one month, significantly outperforming US large caps, which remained under pressure. Over the three-month period, equity market momentum has remained firmly positive in the UK (+5.72%) and Europe (+5.28%), reflecting improving regional sentiment and more supportive market conditions.

### Fixed Income

Fixed income markets were led by convertible bonds, which surged +5.06% over one month, benefiting from their equity-linked convexity, despite three-month performance remaining subdued at +0.60%. Credit continued to outperform duration-sensitive assets, with high-yield bonds delivering +2.01% over three months, while government bonds edged slightly lower at -0.11%, highlighting ongoing challenges for duration as uncertainty around inflation and the future path of interest rates continues to weigh on sovereign debt.