



Monthly Market Insights

February 2026

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Key takeaways:

- The S&P 500 gained 1.37% in January despite weak performance from the technology sector. The Russell 2000 returned 5.31% reflecting improving market breadth.¹
- Geopolitical risk remains elevated as the US captured Venezuelan President Maduro and tensions over Greenland strained US-EU relations. While recent flare-ups have been resolved quickly, the frequency of new geopolitical events warrants caution.
- President Trump nominated Kevin Warsh to succeed Federal Reserve ("Fed") Chair Jerome Powell, although the confirmation faces potential obstacles that could extend uncertainty over the trajectory of monetary policy.

January proved volatile but ultimately constructive for equity markets, with leadership shifting meaningfully beneath the surface. The S&P 500 index closed the month higher by 1.37%, although the headline figure masks a notable rotation away from mega-cap technology stocks.² The equal-weighted S&P 500 index outperformed its cap-weighted counterpart, returning 3.28% as its less concentrated composition proved beneficial. Technology, which has led the current bull market, was a notable laggard, declining -1.69%.³ Small caps emerged as the month's leaders, with the Russell 2000 returning a robust 5.31%, consistent with the broadening theme we have highlighted in recent months.⁴ Persistent dollar weakness provided an additional boost to international equities, with the MSCI ACWI ex-US index gaining 5.94%.⁵ The confluence of currency depreciation and reignited geopolitical tensions set the stage for an explosive month in precious metals. Gold surged 13.64% and silver advanced 18.50%, with both reaching all-time highs during the month.

Geopolitics developments dominated headlines from the outset. On January 3rd, President Trump authorized "Operation Absolute Resolve," a tactical military strike in Caracas that culminated in the capture of Venezuelan President Nicolás Maduro and his wife, Cilia Flores. US special forces transported the pair to New York City, where they now face narco-terrorism and drug trafficking charges.⁶ The operation elicited a sharply divided international response. Maduro has long been viewed as a dictator by Western governments, with most international organizations asserting that his regime has failed to respect democratic norms. The UN estimates that eight million Venezuelans have fled their homeland since 2014, creating one of the largest refugee crises in modern history.⁷ Yet the seizure of a sitting head of state by US forces remains unprecedented, and the action drew condemnations from Maduro's allies alongside expressions of concern from some international leaders over the broader implications for sovereignty. Markets absorbed the news with relative calm, as oil prices experienced only modest volatility while investors assessed the implications for Venezuelan crude production.

1. Bloomberg.

2. Id.

3. Id.

4. Id.

5. Id.

6. Intarasuwan, Kiki. "Ousted Venezuelan President Maduro Arraigned in U.S. Court; Trump Threatens Other Nations." CBS News, CBS Interactive, 6 Jan. 2026, www.cbsnews.com/live-updates/venezuela-trump-maduro-charges/.

7. "Venezuela Crisis Explained." USA for UNHCR, 17 Apr. 2024, www.unrefugees.org/news/venezuela-crisis-explained/. Accessed 3 Feb. 2026.

Europe witnessed its own geopolitical turbulence. President Trump opened the month with renewed rhetoric regarding a US acquisition of Greenland. The threats of seizing territory from a NATO ally provoked immediate backlash from European officials. Several nations mobilized troops to the island as a preemptive measure.⁸ The situation reached a constructive resolution when President Trump and NATO Secretary General Mark Rutte announced a framework agreement at the World Economic Forum in Davos, ending Trump's threatened tariffs on European goods and defusing the risk of military escalation.⁹ We view geopolitical risk as a genuine threat to the current rally. While recent flare-ups have been resolved quickly, the growing frequency of such issues is concerning. Markets have proven resilient thus far, but it may only take one failed negotiation to trigger a more severe repricing of risk assets.

Currency markets reflected the shifting geopolitical environment. The US dollar extended its slide in January, with the Dollar Index falling -1.15%.¹⁰ Intramonth, the index breached 96 for the first time since early 2022.¹¹ This persistent weakness, combined with elevated geopolitical uncertainty, has created a supportive environment for precious metals, one that may have reached a temporary climax in January. Gold at one point traded up over 30% for the month, while silver went parabolic, surging nearly 70% intramonth.¹² As we noted in our annual outlook, the fundamental backdrop for store-of-value assets remains compelling. However, as often occurs in markets, sustained strength can lead to excess speculation. Both metals finished January in positive territory, but the month's final days brought a dramatic reversal. Silver collapsed 30% from its peak while gold retreated 10% from its highs.¹³ We continue to view the structural tailwinds for gold as durable, but the recent price action suggests that certain market participants overextended themselves.

January also marked the beginning of fourth-quarter earnings season. With 33% of S&P 500 constituents having reported by month-end, results once again point to remarkable resilience of US businesses.¹⁴ Earnings growth is tracking at 11.9% year-over-year, should this pace hold, it would mark the fifth consecutive quarter of double-digit expansion. Corporate margins appear even more impressive. Fourth-quarter net profit margins currently stand at 13.2%, which would represent the highest reading since FactSet began tracking the metric in 2009.¹⁵ Technology continues to lead in both earnings growth and margin improvement, yet a pronounced divergence has emerged within the sector itself.

Software stocks endured punishing declines as concerns mount that established SaaS business models face existential risk from AI disruption. Microsoft, the sector's largest constituent, fell -11.03%, its steepest monthly loss since 2015.¹⁶ The damage was more severe elsewhere: ServiceNow, a leading automation platform, plunged -23.62%, Salesforce declined -19.86%, and Intuit, parent of TurboTax and QuickBooks, dropped -24.68%.¹⁷ The selloff reflects deepening fears that AI will fundamentally undermine traditional seat-based licensing models. Memory semiconductors told the opposite story. Micron and SanDisk surged on reports that High Bandwidth Memory shortages will persist

8. Talmazan, Yuliya. "European Troops Arrive in Greenland as Trump Throws Another Curveball." NBCNews.Com, NBCUniversal News Group, 15 Jan. 2026, www.nbcnews.com/world/greenland/european-troops-arrive-greenland-trump-throws-curveball-rcna254166.

9. Jakes, Lara, et al. "Trump Drops Tariff Threats over Greenland after Meeting with NATO Chief - The New York Times." The New York Times, 21 Jan. 2026, www.nytimes.com/2026/01/21/us/politics/trump-greenland-threats-diplomacy-force.html.

10. Bloomberg.

11. Id.

12. Id.

13. Id.

14. Butters, John. Earnings Insight. FactSet Research Systems Inc., 30 Jan. 2026, https://advantage.factset.com/hubfs/Website/Resources%20Section/Research%20Desk/Earnings%20Insight/Earnings_Insight_013026A.pdf.

15. Id.

16. Bloomberg.

17. Id.

through 2027, with SanDisk delivering an extraordinary 142.75% return for the month.¹⁸ The supply constraints have afforded memory producers substantial pricing power as they race to supply AI data centers. Although the panic in software may prove overstated, sentiment-driven selloffs can persist longer than fundamentals warrant, particularly when a compelling narrative like AI disruption takes hold. We believe that if this pressure continues, disciplined investors will find opportunities to invest in high-quality businesses at compelling valuations.

On monetary policy, January brought some clarity to the future of the Fed's leadership. President Trump nominated Kevin Warsh to succeed Jerome Powell when the current chair's term expires in May. Warsh served as a Fed Governor from 2006 to 2011 and has been a vocal critic of the central bank's post-pandemic policy framework. Though he earned a reputation as a policy hawk during his prior tenure, he is now perceived as more sympathetic to the administration's preference for lower rates. His path to confirmation, however, faces obstacles. Senator Thom Tillis has pledged to oppose any nominee until the Department of Justice concludes its ongoing probe of Chairman Powell.¹⁹ With razor-thin margins in both the Banking Committee and the Senate, this could prove a meaningful impediment. Until Warsh is confirmed, markets confront an extended period of uncertainty regarding the future trajectory of monetary policy.

Looking to February, we see a constructive yet increasingly complex environment for risk assets. Corporate earnings remain robust, and fiscal stimulus from the "One Big Beautiful Bill" should provide additional support for cyclical sectors in the months ahead. Yet the sharp divergence within technology serves as a reminder that the AI era is constantly reshuffling the deck, creating a fluid landscape of perceived winners and losers. Meanwhile, the dramatic moves in precious metals raise deeper questions about geopolitical stability and the durability of dollar hegemony.

18. Kharpal, Arjun. "Memory Chip Shortage to Last through 2027, Semiconductor Boss Says." CNBC, CNBC, 26 Jan. 2026, www.cnbc.com/2026/01/26/memory-chip-shortage-synopsys-lenovo-ai-data-centers.html.

19. Bork, Fiona. "Tillis Doubles down on Pledge to Oppose Trump Fed Nominee." The Hill, 30 Jan. 2026, thehill.com/business/5714820-warsh-nominee-tillis-opposition/.

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