

# A History of Volatility Episodes – Quick Take

*The recent US/Iran conflict has seen dramatic headline activity & geopolitical angst. This has been accompanied by the inevitable financial market moves. But how do the moves compare to other episodes of market volatility?*

*For all the energy doom-mongering, **the moves (so far) have actually been relatively moderate across traditional risk assets**, and our strategies have made correspondingly moderate positioning changes, performing positively.*

*Principally, we continue to advocate patience for better opportunities to come.*

### Deconstructing a Sell-off

Financial market sell-offs come in many different variants. There are some that are triggered by event(s) that are specific to the world of finance (e.g. 2010 Flash Crash) and may not receive wide media coverage.

Others that are inextricably linked or caused by front page news (e.g. Covid).

The recent volatility has definitely been in the latter camp, and actually perhaps sits in a subset where the geopolitical drama & news-flow has (so far) been greater than its effect on traditional risk asset prices.

### Measuring up

Putting some numbers to it, below is a snapshot of the moves seen in a few traditional asset classes in the recent episode:

#### US/Iran War - March 2026

Asset Class	% Move
Equities (S&P 500)	-7.8%
Credit (iTraxx Main 5yr Equity Tranche)	-4.9%
Bonds (US 10yr Treasury)	-4.0%
Volatility (VIX)	56.1%

Focussing on European IG credit where we invest, Figure 1 shows the recent spread history of the iTraxx Main 5yr Equity Tranche – you’d be forgiven for not noticing the recent blip!

Figure 1



Source: JP Morgan

## IN FOCUS – April 2026

### Why so resilient?

Figure 2 below compares the recent period to other episodes in the last 10 years, and a couple prior to that (N.B. we exclude the GFC and dot-com crash as these dwarf the others).

It's a reasonably well-trodden observation that through geopolitical crisis markets can often remain very resilient UNLESS there is a direct read-across to macroeconomic factors, e.g. inflation, supply/demand, interest rate policy.

The current situation is nuanced in terms of the timing & sequencing. After the initial shock of the conflict the market appears to be looking through the event, helped by strong earnings & buy-the-dip mentality. But this implicitly makes an early bet on no significant macroeconomic read-across, which may well be correct, but leaves little room for error, and has potential for a “boiling-a-frog” situation in months to come.

### In practice

In our probabilistic approach to risk allocation, a moderate sell-off generates an opportunity for a moderate adjustment to risk allocation & positioning.

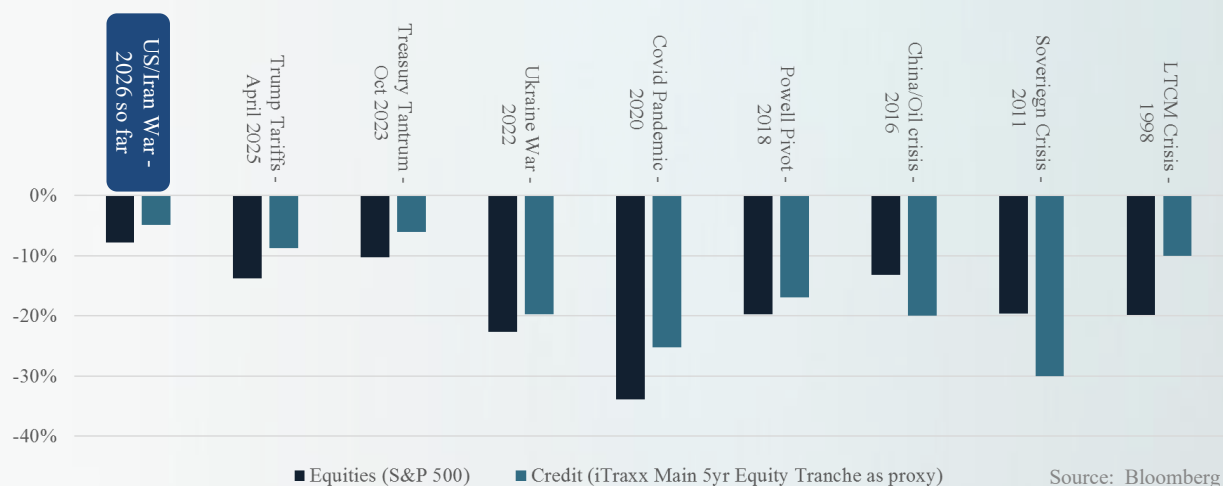
In our Active Directional strategy, we have monetised a portion of our Short position, and used the improved pricing to increase our Long side allocation. We remain slightly net Short with neutral carry in this strategy.

In our flagship Dynamic Long strategy, we came into this volatility episode deliberately underweight (15% Long), giving us the room to build the portfolio, moving up to 40% allocated.

Both strategies have performed positively through this episode, and we continue to retain dry powder with the expectation of larger opportunities ahead.

Figure 2

A Recent History of Equity & Credit Volatility



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