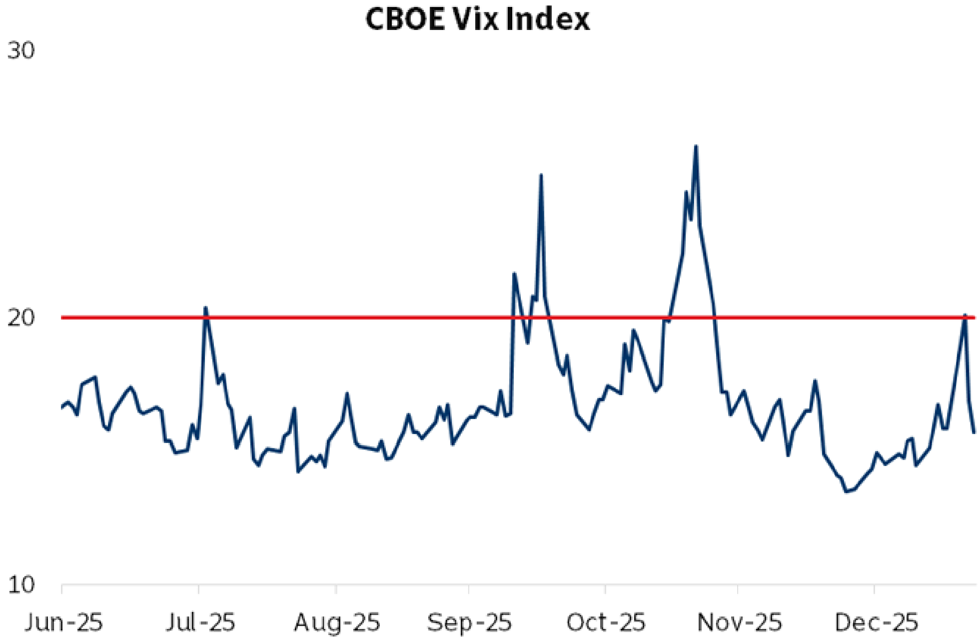
Global Matters Weekly

26 Jan 2026

# Nothing to see here

## Gabby Byron




Source: Momentum Global Investment Management, Bloomberg Finance L.P. Data to 22 January 2026.

### What this chart shows

This chart shows movements in the Cboe Volatility Index (VIX), often referred to as the market's "fear gauge". The VIX measures expected volatility in US equities over the next 30 days and tends to rise when investors seek protection against near-term uncertainty. During periods of heightened risk aversion, the index typically moves above 20 – a level commonly associated with a shift towards "risk-off" behaviour. Over the past week, the index briefly pushed above this threshold following a sharp escalation in geopolitical headlines. These included renewed US tariff threats tied to Greenland, rising concerns around transatlantic trade relations and renewed scrutiny of the Federal Reserve's independence. US equities recorded their sharpest daily decline since October, but the increase in volatility proved short-lived. As rhetoric softened and no immediate policy action followed, markets stabilised and the VIX retreated back towards recent averages.

### Why this is important

Recent market moves have followed a familiar pattern. Strong policy rhetoric initially triggers a brief risk-off reaction, but that move is quickly reversed when investors judge that the likelihood of concrete action is low. This has underpinned the so-called "TACO trade" – the belief that aggressive language is often followed by a partial retreat once resistance emerges.

That dynamic was evident this week, reflected in a swift rebound in equities, a modest recovery in the dollar and a pullback in volatility, suggesting that investors treated the episode as a short-lived shock rather than a change in the broader market narrative.

This episode highlights the importance of diversification in an environment where political headlines are playing a larger role in driving short-term market moves. While risk assets can recover quickly once tensions ease, periods like this reinforce the value of diversification and downside protection when uncertainty rises.

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