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The Market Commentary

April 2026

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1 Executive Summary

The US economy is cooling under the combination of cyclical factors, Administration mismanagement and war inflation. Until the Iran war wraps up markets will be volatile, prosperity elusive and the President's party under pressure. Overall the war is progressing well for the US-Israeli coalition. But the level of hysteria is remarkably high.

2 Geopolitics

2.1 Coalescing of the Conflicts

Certain interactions have emerged between the wars is Ukraine and Iran. Russia is apparently providing Iran with high quality intelligence to improve its targeting of US forces and Gulf state infrastructure. This move is basically a *quid pro quo* for intelligence support the US provides Ukraine. There is a concern that Iran's missile and drone attacks will deplete stocks of interceptor missiles. This would mean fewer interceptors for Ukraine and/or inadequate supplies for the Iranian war. Russia is apparently increasing its missile attacks in Ukraine to put added strain on interceptors. However there are countermeasures. US and Israeli forces are concentrating fire on Iranian missile launchers and stock piles. By the ninth day of the war they had reduced Iran's volume of fire to one-tenth of its initial rate and the number of active launchers to about 100. Interceptor missiles are not a cost effective defense against drones. Ukraine has, however, built considerable expertise and effectiveness in countering Russian drone which in fact are derived from Iranian designs. The Gulf states are purchasing anti–drone technology from Ukraine. That there was not better pre-war preparation in this area is probably due to the Trump administration's ambiguous relationship with Ukraine.

There is concern China could provide advanced weaponry to Iran to secure field tests of how effective US countermeasures are. So far this has not happened. China's foreign minister has given a speech about the need to control the flames of war spreading. It remains to be seen if this actual policy or just political posturing. China's attitude towards Iran is ambivalent. China has a significant Muslim minority population which it has rather badly oppressed. This fact has not stood in the way of warm relations with Pakistan, but Iran is more of a firebrand. On the other hand the enemy of my rival is a natural candidate for friendship. Finally an unstable country run by zealots may act erratically and involve one in unforeseen complications. China has preferred to keep relations with Iran on a commercial basis - buying its oil and selling it chemicals from which Iran can manufacture rocket fuel. But so far outright arming of Iran is a step China has held back from.

China is certainly correct about spreading flames of war however. Iran itself has attacked nine countries in the region (see cover.) Its proxies in Iraq are stirring the country to something between civil disorder and civil war. In Lebanon Hezbollah has attacked Israel bring a full Israeli air and ground assault down upon portions of the country. The effected states, joined by Egypt and Turkey, have called upon Iran to desist troubling its neighbors. Turkey has seen itself attacked rather than heeded. Saudi Arabia has warned it will join the war if Iran continues attacking it. Pakistan has a mutual defense treaty with Saudi Arabia. It has thanked Saudi Arabia for its restraint in not immediately activating this pact. Pakistan is currently leading the diplomatic initiative to cool the conflict. China appears to be backing Pakistan in this effort.

2.2 Iran War

Since our mid-month report little has changed. Ali Larijani was killed by a leadership strike. The new Supreme Ayatollah appears more seriously wounded than at first believed as no current video or audio recording of him has been released. Iran is apparently being run by a junta of four IRGC commanders and the Speaker of Parliament - himself a former IRGC commander. Our assessment is that the clerical regime is finished and Iran has entered into a period of military rule. For the moment this is an IRGC dominated government, but we expect continuing Coalition strikes will eventually bring to power a less ideological junta. This junta hopefully make peace and start Iran down a path of normalization not dissimilar from that being traveled by Syria.

On the battlefield the Iranians are gating the Straits of Hormuz and their hot heads have announced the intention for this to be a permanent arrangement. That would be completely unacceptable to the US, the Gulf States and the Europeans. Trump asked the UK and France to assist the US with their advanced anti-mine technology in restoring freedom of navigation to the Straits. They rebuffed the first request, which in fact was premature. However, Iran lobbed some missiles towards the British base on Diego Garcia. The attack was ineffectual but it gave the UK cover for revisiting its earlier decisions. Foolishly, Iran claimed its missiles could reach Paris - a claim not likely to encourage a blase attitude towards Iran's nuclear ambitions at the Quai d'Orsay. In fact, Iran is now nakedly exhibiting its ambition to become a world great power. It is seeking strategic nuclear arms, asserting control over 20% of the world oil trade, maintaining fifth columns in four neighboring countries and attacking five others in an attempt to force them out of their alliance with the United States and into dependence on itself.

Such extraordinary ambition is being exhibited at a time of astonishing weakness. Iran has lost its air force, navy and most of its missile force. It has lost about 15% of its senior leadership and every day it loses another 1/2%. It is incapable of stopping that leadership erosion and somewhere around a 40% loss it will no longer have the capacity to run a central national government. That literally puts the regime on a death watch with maybe six weeks left to go. Internally the regime is hated by the populace and the regular army is a long standing rival of the IRGC. At some point we expect the regular army will push the smaller IRGC aside. At that point their rank and file may well be massacred by the infuriated public. Fear of that outcome is what keeps the IRGC clinging to power and to failed policies in our judgment.

The US is mulling over what to do about the Straits. One possibility is to do nothing and wait for the regime to collapse and for this issue to be settled with the successor regime. Another possibility would be imposition of a naval blockade in the Gulf of Oman, telling Iran that if it will not respect freedom of navigation in the Gulf then its cargoes will have no access to the high seas. A third option is to have the Marines seize Kharg Island which hosts the Iranian's oil terminal and use it as a bargaining chip. A fourth possibility is to force the Straits directly with military action. Doing so would be an interesting tactical problem. It turns out the Iranian population in the region gets its water from desalination plants which air power can take offline easily enough. So depopulating the region and turning it into a free fire zone is quite possible. Every armchair admiral has an opinion about this project. It is necessary to distinguish taking control of the Straits for a temporary period from permanently asserting control over the Straits against opposition. The first project is considerably more doable than the second, and so we come back to the first idea that this issue gets settled as part of the ultimate peace deal. So the US mulls, slowly assembles troops and most likely distracts the Iranian government with feints and misdirection.

Much psychological warfare is going on in Iran. The regime murdered a popular young athlete for having participated in the January riots. The regime has been calling people up and telling them it is watching their internet activity. For its part, Mossad has been calling low level security personnel and telling them their name is on a list. In this atmosphere of intense paranoia we think it will be easy for Mossad to frame regime members as traitors and thus trigger a good deal of self destruction in the regime.

Iran would have us believe we are watching the birth of a great power and the end of American empire. We see instead the death throes of a tyrannical regime deeply out of touch with the wider world.

We also see a change in the art of warfare. During the long running war on terror the United States perfected the art of combining precision strikes (often delivered by drones) with the targeting information from massive computer based intelligence operations. The result is the ability to kill specific enemies while leaving their environment mostly unharmed. This capability is now being deployed at unprecedented scale. It is destroying the nervous system of the Iranian state with the same lethality as nerve gas destroying the nervous system of an individual soldier. Pundits fill the press with assertions that air power never wins wars. They base this conventional opinion mainly on World War II experience. In that war air power leveled cities but only killed an occasional general, mostly by chance. In this war Iran's cities are hardly touched but its political and military leadership is being inexorably removed from the board. It is something new in the ancient art of war and it will be interesting to see what it can achieve.

2.3 Israel and its Enemies

So far, Gaza is not getting drawn into the Iran war. Hezbollah is in fierce combat with Israel and constituting a substantially larger threat than Iran. Israel's main focus, however, is Iran. It likely figures it can slowly push Hezbollah back for now, and then after Iran collapses Israel can decisively crush Hezbollah. The Houthis have re-entered the fight with obvious reluctance. They lobbed a token missile or two at Israel, but so far have not interfered with shipping in the Red Sea. They perhaps consider that the US Navy is in no mood to deal with additional annoyances, and would probably prefer to simply level them rather than engage in a long running game of tit-for-tat as they did last year. Iran's militia clients in Iraq are fully engaged in the war, but they are focused on the United States and largely leaving Israel alone.

2.4 Russo-Ukrainian War

Reports of war crimes make it clear that the Russian army is transforming into a criminal organization. More than 200,000 war crime cases have been filed - most involve targeting/killing of civilians. Deliberate targeting of civilian infrastructure - especially power plants and hospitals - are charged. Reports indicate 95% of Ukrainian POWs are tortured by their captors and hundreds have been murdered. Russia has institutionalized kidnapping Ukrainian youth, indoctrinating them and inducting them into the military to fight their mother country. It is attempting to change the demographic makeup of occupied territories. Battlefield commanders have embraced the practice of relieving raw recruits of their induction bonus by offering them the choice of payment or immediate assignment to a suicide assault. Higher command appears to be operating the logistic system for personal profit. The world is well on its way to facing the first nuclear armed mafia.

Ukraine launched a successful drone swarm attack on the Russian naval base at Novorossiysk. Some 200 drones were used. The main result was destruction of the radars on three of Russia's strongest warships. This will take them out of the fight until replacement systems are installed.

Ukraine took advantage of the disruption of Russia's communication net by shutting off of Starlink access to launch a counter-offensive. Besides gaining ground, it appears to have slowed the launch of Russia's planned spring–summer offensive. That, however, now appears to be gaining momentum. It is broadly expected Russia will seek to move forward in the central part of the front.

Russia's economy had been in serious trouble before the Iran war broke out. That war has near doubled the price of crude oil and has brought Russia some release of economic pressure. However the Europeans continue impounding Russia's shadow fleet of tankers. Putin had a meeting with prominent oligarchs to ask for voluntary contributions to the State's coffers. Given Putin's predilection for the defenestration those who disappoint him, the oligarchs may have wondered how voluntary these contributions actually were.

Overall Russia's rate of advance has slowed from a crawling pace to a near stop. Its recruitment rate is currently below its casualty rate. Russia is selectively introducing forced mobilization to bridge the gap. Russia propagandists have grown shriller and even less tethered to reality in response to these circumstances.

2.5 China

Over the past three years President Xi Jinping has relieved approximately 100 Chinese generals of command, including major figures who were part of his personal power base. Concern abut the direction in which the Russian military is evolving appears to have impressed on Xi the necessity of rooting out corruption and ensuring party loyalty.

China appears to have reduced its dress rehearsals for a Taiwan invasion. Recognition that rebuilding the corps of generals will require some delay in the invasion has perhaps caused China to back-burner this issue for the moment. The summit between Xi and Trump planned for early April has been postponed at Trump's request.

2.6 Venezuela and Cuba

US blockade of Cuba's fuel supplies is causing dire problems on the island. There are no developments of note in Venezuela.

3 Domestic Politics

3.1 The President's Cabinet

Trump has decided to redeploy Kristi Noem from Secretary of Homeland Security to a diplomatic assignment in Latin America. This is an interesting selection of a second career given the number of people she has deported to the region. We found Noem a stand out in the Trump cabinet for high scores in both incompetence and abrasiveness. Rather than a diplomatic job, we would have thought an assignment helping New York City with its rat problem might have been a better tasking for her skill set. There her trigger happy nature and skill at chasing away unwelcome visitors might have made her positively popular.

At the time of her departure Noem's net disapproval rating had touched 24. But several other cabinet members are in plus 20 territory. Congress was sufficiently disturbed by the Attorney General's (Pam Bondi's) previous appearance they have subpoenaed her to come back to testify under oath. Secretary of War Hegseth made himself no friends complaining that fallen soldiers got too much attention. Only the lesser talents of the entertainment industry fret about the dead stealing their scenes. The Secretary of Labor has a more personal problem - allegations of sexual assault have led to her husband being banned from entering the headquarters of the Labor Department. Finally Commerce Secretary Luttnick's musings about Epstein's alleged entrapment schemes left people wondering if some personal experiences informed these musings. If he were not otherwise engaged, Trump would probably be busy canning Cabinet Secretaries. Having staffed up with bantam weights he can be assured of a fully stocked shooting gallery at all times.

3.2 The Endless Scandal

The latest trove of Epstein documents has added Bill Gates to the victim list. Gates's marital indiscretions provided Epstein with material which he held on to for about eight years until the Gates marriage was in a thoroughly rocky place. He then sought reciprocation from Gates for the favor he was doing him by keeping this material under wraps. In other words he black mailed Gates. The reciprocation he sought was access. Gates, however, had the good judgment not to be drawn further into Epstein's net. His marriage ended calmly three years later and the subsequent unwind of his and his wife's joint charitable work also went smoothly and in a nondestructive fashion. Was Gates caught up in an intelligence agency honey pot operation? It is quite possible. Was Epstein deep in the operation or just an opportunist who happened by? It could be either and no doubt far more brain cells have been kept busy pondering this than the matter warrants.

3.3 The Midterms

The Democrats sense a landslide coming their way in the midterms and are feeling good about that. However, their anti-war sentiment, which at times verges on the embrace of a national enemy, could wrong foot them with the electorate if the war turns favorable for Trump.

3.4 The Supreme Court

The birth right citizenship case came up for oral argument before the Supreme Court. Trump signaled his interest by attending the Solicitor General's defense of his executive order. This appears to be the first time in our history in which a President has so acted. Nevertheless, the Court is expected to rule 7-2 against the President's order and its judgment could be as brief as "precedent is affirmed as written; the order is vacated."

With his tariff and deportation policies failing at the Court and the economy sputtering, Trump is likely to come to see the Iranian war as the key component of his legacy. We think he will surprise hostile observers by his dogged pursuit of victory.

4 The Economy

Oil prices have been bouncing between $100 to$120 per barrels, up from the $60-$70 range before the war. All major nations have handsome strategic oil stockpiles and can ride out the supply disruption from the Gulf. But third world countries are much less well protected and face serious hardship. At a minimum the war is cooling the global economy and giving a boost to inflation worldwide. Besides oil, supplies of fertilizer and helium are also impacted. Both are oil by products. Fertilizer of course impacts world food supply and thus leads to higher inflation and greater poverty. Helium supply effects chip makers.

The US economy specifically is probably headed for a recession. For the moment this looks to be a sectorial ("rolling") recession rather than a general slowdown. The jobs report came in unexpectedly weak. It showed a loss of 93,000 jobs which was 150,000 jobs below expectation. The price of gasoline has soared which crowds out working class discretionary spending and ultimately feeds into higher costs of food and other goods. There is concern about an overextended under regulated private credit sector. However the administration is busy reducing prudential regulations. You might think they intend to bail out high flying operators by selling bad paper to the rubes. Gentle reader if you get a call from an intelligent young man who would like to explain private credit funds to you now would be a cyclically good moment to pass.

The stock market is nervous. Leadership had rotated out of a fully priced tech sector into more traditional sectors before the war broke out. Now it bounces around with every twitch of war reporting. The Pentagon has had a paucity of briefings which has meant most of the reporting is shaggy dog incidents and pundit opinion arguing fixed positions. Gold has dropped unexpectedly. Apparently the Turkish Central Bank was a heavy seller - probably raising currency reserves to cushion war impacts to the economy. Trump's nominee to replace Powell as Chairmen of the Federal Reserve in May has had his confirmation process stalled by an Epstein question. The Justice Department told the relevant District Court that its case against Powell was meritless.

The AI sector continues very hot. Outsiders find it difficult to assess what is going on. This leads to a lot of capital concentrating in brand name plays that look overpriced, while many sound opportunities struggle to attract capital. We published last week a short research note providing our analysis of a systemic risk in AI investment portfolios. We think much of the AI investment by the core AI companies is being driven by the thought that just one or two scale ups is all that is required to achieve the break through to artificial general intelligence (AGI.) While not impossible, we suspect new ideas will be required to achieve this objective. It makes a big difference. If new ideas are needed then possibly a firm can get a dominant position in AGI - which would be incredibly lucrative. On the other hand, if simple scaling suffices then AGI will be an oligopoly initially and a commodity eventually. Exciting times!

Table 1: Market Performance to March 31, 2026

Asset Group	Asset Class	6-month trend	3-month return	1-month return
Equity	US Large Cap	rising	-6.29%	-5.12%
	...Large Cap Growth	rising	-8.23%	-5.30%
	...Large Cap Value	rising	-0.43%	-4.93%
	...Growth – Value	falling	-7.80%	-0.37%
	US Mid/Small Cap	rising	0.91%	-5.19%
	Intl Developed	rising	1.15%	-7.73%
	Intl Emerging	rising	3.80%	-8.95%
Fixed Income	Treasury 3-7 year	flat	-0.63%	-1.80%
	Treasury 7-10 year	flat	-0.75%	-2.06%
	TIPS	flat	0.41%	-1.36%
	Municipal	flat	-0.90%	-2.54%
	Investment Grade	flat	-1.09%	-2.46%
	Medium Grade	flat	-1.33%	-1.38%
	Preferred	flat	-2.07%	-3.68%
	REIT	rising	3.72%	-6.41%
Commodity	Euro	rising	-0.85%	-1.69%
	Gold	rising	8.27%	-10.97%
	Crude Oil	flat	73.10%	45.16%

5 The Capital Markets

War news dominated capital market action in March (table on next page.). All assets except oil fell. In the equity group, international and in particular international emerging were the weakest sectors. US equity sectors by contrast trimmed only modestly. Fixed income also was down with credit sensitive and high duration sectors effected the most. TIPS were comparatively strong indicating the market's concern about inflation. The Euro was weak. Gold fell substantially - most likely in response to sales by the Turkish Central Bank. Crude oil rose 45%, briefly touching prices last seen at the start of the Russian invasion of Ukraine. Wild talk about widespread destruction of middle eastern oilfields fuels chatter about prices going to 200. We are skeptical. If anything the war will remind buyers that oil is an expensive fuel with unreliable supply. This should accelerate transition to green energy above all else. We see this as a good moment to lighten commitments in the oil sector.

6 Advice

The Iran war is a major war with potentially grave outcomes for all parties. We expect the Coalition to prevail but perhaps more slowly than the economy would wish. Prosperity will be elusive until this matter wraps up. We expect the Republicans to take a shellacking at the midterm election. But that is still some distance off. Overall our assessment remains cautious. Specifically we advise readers to

1. Approach investing with an emphasis on capital preservation rather than capital enhancement.

2. Maintain robust liquidity. Be prepared to commit some of that liquidity should a panic create a buying opportunity.

3. Emphasize high quality assets (those with clear pricing models and good retention of liquidity even in troubled markets.)

4. Ensure real assets can handle any likely economic downturn.

5. Once the core position has been fortified one may consider growth initiatives, but these should be kept very well diversified in terms of the growth drivers.

6. Short term speculation on war news should be actively avoided. War news in particular tends to strongly fuel emotional rather than rational decision making. Such speculations are best left to professionals who are somewhat hardened against being carried away by emotion.

7 About Our Cover

Our cover highlights how Iran has spread the flames of war throughout the Middle East. Iran (red) was initially attacked buy the Coalition of Israel (blue) and the United States (not shown.) In response Iran commenced missile attacks on the countries shown in green. In some cases the missiles were directed at US military bases in those countries. But in other cases they were directed at important economic resources of the country in an apparent effort to punish it for its alliance with the United States. In the purple countries Iran supports militias and separatist movements that defy control by the country's legitimate government and carry on warfare at Iran's behest and against the wishes of their local government. So far Egypt has not been attacked, but in 2025 Houthi attacks on ships passing through the Suez canal caused Egypt to suffer a 70% decline in revenues from this important economic resource. That damage has not yet been repeated, but in anticipation that it likely will be we have marked Egypt in orange.

8 About Lloyd Tevis Investments, LLC

Lloyd Tevis Investments LLC is a registered investment adviser offering its services over the internet to US individual investors and their families. Our Precision Investing ™ service provides clients with highly personalized investment solutions tuned to the client's specific circumstances and objectives. We believe the strategic asset allocation decision is the key decision faced by our investors. Accordingly, our monthly commentary focuses on matters which can shape the longer term performance of asset classes. We do not time market swings or pick individual stocks. Discussion at this level of detail is made for the light which it throws on relative valuations and such discussion should not be read as an investment recommendation. Indeed, our investment focus is on maximizing diversification, careful risk budgeting and maximizing implementation efficiency. These are the proven builders of long term investment success.

In evaluating political and social developments our perspective is that of long term investors. We believe the investor's interest is best served by a stable environment in which change occurs incrementally as broadly supported policies rather than by an environment of abrupt changes and frequent U-turns driven by transient partisan advantages. Finally, our assessments should always be read as what we consider likely to occur and not as expressions of what we would like to see come about. To learn more about our firm visit us at lloydtevis.com.