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The Market Commentary

April 2026 Third War Update

1 Latest Developments

The US declared a blockade of Iran's ports - both within and without the Persian Gulf on April 13. After a desultory attempt at blockade running failed, Iran lifted its closure of the Straits of Hormuz on April 17 on a temporary basis. The current cease-fire ends April 21 and officially the Straits are only to remain open that long. This will allow some of the 2000 ships currently stuck in the Gulf to exit. The US, however, is not yet lifting the blockade on Iranian cargoes. However, we think Iran has realized the futility of closing the Straits and is unlikely to attempt a serious closure again. Adding to Iranian discomfiture the passage money it thought it was collecting appears to have either been withheld by the shippers or embezzled by the supervising officials. In any case it seems not to have reached the government's coffers. The blockade meanwhile is costing Iran nearly a half billion dollars per day. In short closing the Straits has backfired spectacularly. It has taught the US that at no risk to itself it can impose crushing economic penalties on Iran and at the same time it has irritated the entire world with Iran. Against these detriments Iran can claim to have secured no benefits to itself.

According to Trump Iran is ready to make a deal. Trump is insisting on a total end of enrichment in Iran and all highly enriched uranium being exported. Iran has about 10 metric tons of somewhat enriched uranium of which 400-900 kilograms has been enriched to the 60% level. It is considered this uranium could be enriched to weapon grade material (90% enriched) in about a month's time and that it would suffice for at least a few nuclear devices and perhaps a dozen warheads depending on how sophisticated the warhead design is. The strategic threat of Iran's program is real and Trump is correct to hold the line on it. So far, however, Iran is trying to hold on to at least some capability in this area.

Not much discussed publicly but also a likely point of contention is Iran's support for militias in other countries. This is an area where it will be hard to verify Iranian compliance with whatever deal is struck. With active militias in five countries, Iranian support is directly responsible for inflaming the region and the US and its allies have a large interest in dealing with the problem at its source.

Iranian decision makers appear to divide into pragmatists and hardliners. Pragmatists view the policy of confrontation as a dead end and they wish to normalize relations with the outside world and rebuild the economy. The hardliners probably have a mix of viewpoints. Some genuinely believe Iran's security requires retention of plausible strategic threats. Others have worked with the foreign militias and feel the bonds of brothers in arms. Others may still hold ambitions to transform Iran into the leader of the Middle East. What the US needs to see is an Iranian leadership

turning away from confrontation from a sincere conviction that to do so is in Iran's best interest.

Iran is using the pause of the ceasefire to dig out some of its missile launchers. These were stored in underground arsenals whose access points were bombed by the US early in the conflict. Satellite photos show Iran busily clearing rubble from the access points to reach its weaponry within. If fighting renews Iran's missile capability is likely to be restored to something like a half to a third of its initial strength, up from the 10% level to which it had been reduced just before the ceasefire. US and Israeli intelligence is probably tracking policy debates within Iran closely and refining leadership strike packages accordingly.

Among commentators we are in the small minority that believes the US can win this war decisively at acceptable casualty levels in the short to mid-term horizon. The US is showing a definite preference for moving incrementally. This caution reflects learning from Iraq where the flush of victory fooled the US into more radical policies which proved unexpectedly difficult and costly. It is wise to be cautious, but incrementalism is not risk free and it is possible to fail that way just as much as by being too radical.

Trump has not yet shuffled his war team. He probably genuinely believes a diplomatic solution is close at hand and so he is deferring a shuffle. However, if fighting resumes he needs to deal with internal weaknesses swiftly. House Democrats are preparing to impeach Hegseth and a few Republicans would probably join with them to bring this about. Trump is undermining Vance - indicating concern about alternate leadership emerging for MAGA. And Trump is distracting the press with a gratuitous attack on the Pope - still red meat for his base.

Latest Addendum: After the Straits were open for one day, the IRGC closed them again. This is a highly visible fracture in Iran's ruling group - one which the Supreme Leader is apparently unable to mediate. It is likely IRGC officials who have been pocketing the ship passage money and this closure is an attempt on their part to keep that wheeze going. We think the IRGC needs to be eliminated as a power element in Iran before a peace settlement is possible. The US may well have to decide if it goes back to shooting fish in a barrel (i.e. leadership strikes) or if it tries something more in the "shock and awe" line. Given Iranian industriousness at rebuilding their missile force we think an extension of the ceasefire unlikely.

2 Advice

Hopeful about a quick diplomatic solution, equity markets have advanced and oil prices declined. Turbulence is not over however. We continue to put an emphasis

on capital preservation - as we have nearly from the beginning of Trump's term. A success in Iran will help stabilize the region and give US a better strategic position. But we remain skeptical of Trump's overall policy and wasted opportunities. We also are skeptical regarding his domestic policies. So we will be maintaining a cautious stance even if success in Iran comes quickly and unambiguously. But by the same token, we will not panic if hostilities resume. We expect whatever success Iran has achieved in restoring its missile force to be more than offset by the shock of whatever escalation in attack the US has been preparing for. Indeed another round of fighting could prove quick and very violent with definitive Iranian capitulation as the outcome.

3 About The Cover

The basic map is due to Google Maps. We have superimposed the blockade line indicated in General Cain's press conference of April 16. The line allows Iran coastal shipping but denies it access to the High Seas and foreign trade. General Cain's conference showed American warships lined up for tight enforcement of the boundary but his presentation indicated that interdiction was world wide and would be enforced away from the line as well as in its near vicinity. So far the US is only threatening to seize blockade violators. It has left unspoken the threat to sink them.

4 About Lloyd Tevis Investments, LLC

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