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The Market Commentary

April 2026 War Update

1 Latest News

The United States and Israel have agreed to a temporary (2 week) ceasefire based on a ten point proposal from Iran. It is perhaps the case that secret protocols modify the public proposal. Unfortunately secret protocols are deniable and can rapidly drop from subsequent negotiations. Indeed in the present case they seem to take the form of oral assurances from the Iranian ambassador to his Pakistani counterpart which were conveyed by him to his US counterpart. That is diplomatically nothing at all. Judging from the public ten points alone, it is difficult to view this ceasefire as anything other than US capitulation. Under the ten points the US secures none of the war aims it stated in its own 15 point proposal. It agrees to discuss payment of reparations to Iran and it does not secure freedom of navigation in the Straits. Rather ships will need to pay passage money to Iran and Oman. This is a sacrifice of long standing international law and it may herald similar measure at places such as the Straits of Malacca. In addition the US agrees to remove its military bases from the wider region. That step would leave its regional allies unprotected against future aggression from Iran. We think the blow to US prestige at the same level as a famous photo from an earlier era (figure 1 next page.)

Unfortunately we have been here before. In his first term Trump capitulated to the Taliban and handed them Kabul for vague assurance that gave no protection at all to our in country allies and led ultimately to a hurried and embarrassing US exit from the country. This time Trump gives away a bigger prize – the Middle East and its oil. It is obvious that the country has indulged Trump’s fantasy of being a master negotiator beyond what it can afford.

Although the ceasefire is supposed to include Israel’s conflict with Hezbollah, it is unclear at this time if it will. Israel has continued operations against Hezbollah and, in consequence, Iran has not yet fulfilled its commitment to permit free passage of the Straits. Israel may be deeply skeptical of the proposed negotiations and deliberately working to make them fail.

2 Analysis of Failure

In this conflict the US professional military has performed beyond expectations. They rapidly put Iran in a death grip at almost no loss to themselves. Iran’s bombardment of Israel achieved negligible results. Its bombardment of nearby Sunni



Figure 1: Last helicopter leaving US embassy in Saigon with desperate escapees abandoned

countries achieved modest damage, but nothing of significance. Its one achievement was seizing control of the Straits and holding the world economy at dagger point. Undoubtedly the military had considered this possibility and had plans for how to deal with it. That they did nothing points to the military being overridden by the political authorities. Secretary Hegseth has dismissed about 10 flag officers, which points to a considerable debate between the military and the White House. The nature of that debate is unknown at present. But there can be no doubt it is the White House which is losing the war.

Points of failure on the part of the Administration are more than obvious. They failed to prepare the ground in the international community. They failed to explain the policy to the American people. They were quick to send Congress a large set of bills to fund, but apparently engaged in no prior consultation with the Congressional leadership. They failed to unify their own team which visibly split into hawks and doves from the start. They failed to bring even their own MAGA faction fully

behind the war. They failed to give daily or even frequent trustworthy briefings to the press. This left the effort exposed to a sophisticated propaganda attack which rapidly filled the media and which was dominant on social media. The failures of the Administration are of course Trump's responsibility. But he is much more specifically responsible for his own actions. In the last week he has issued an escalating series of threats which ultimately looked increasingly desperate and buffoonish rather than menacing. For the first year of his term Trump presented himself as a peace maker. Then this year he switched to being a war maker. There has always been an internal contradiction there which points to a deep uncertainty on Trump's part as to what he is. He has been an abject failure in both departments. As a peace maker he has lacked Carter's steadiness of purpose and drive for results. As a war maker he lacks the fortitude and unquestioned patriotism displayed by both the Bush presidents.

Among many egregious failings one of the most toxic is the odor of corruption which has lingered around the whole enterprise. There have been many rumors of sensitive information being leaked to the entourage to permit profitable stock trading. In general the volume of rumors plus some positive corroboration have given great credence to this story. Notably there has been no White House effort to prosecute such activity or otherwise discourage it. In the forever wars in Afghanistan and Iraq there came to be a great deal of war profiteering. But all of the involved firms were supplying actual services. Here one sees pure parasitism. It is the very worst of swamp creature behavior.

Trump was known from his first term to be a weak leader. Here he has outdone his prior disastrous record.

More generally the policy of US arrogance has been exposed as completely wrong. The US cannot assert power in the world without allies. The President cannot take the country to war without Congress. A foreign policy that lacks bipartisan backing cannot succeed. In this particular war all of those items were likely available: allied, Congressional and bipartisan support. But arrogance led to going forward without the effort to secure that support. The word for that is hubris. The Heritage Foundation has much to answer for in its pushing of this false view of power.

3 Geopolitical Consequences

Although much of Iran's military was destroyed, the Chinese are likely to rearm them. In as little as a year the Iranians may be more powerful than they were before and in open possession of nuclear weapons placed atop ICBMs. There will be no repetition of this war. IRGC control in Iran will be unshakable based on a successful victory.

The Sunni nations will have noted that the US lacked the fortitude to defend them and that it abruptly left the war leaving them in a worse state than before. US bases will be closed and the relevant countries will seek a new protector in China. In essence the US has lost the Middle East.

Europe and Japan will find themselves seriously exposed to financial exaction on their fuel budget. The US has visibly failed them. It is still their only good ally, but it has shown itself to be a very weak one. Their likely moves are stepped up rearming and an even greater push into renewable energy.

China is seeing a path to being the world's dominant power open up before it. It has already stepped up its pressure on Taiwan. It can be confident that if the US will not defend its position in the Middle East it will not defend Taiwan. We expect China will absorb Taiwan in the next 12 months. We advise clients to extract family and capital from Taiwan now.

After Taiwan, Israel is the other great loser. All their gains of the past year are swept away and they find themselves isolated in an increasingly hostile world. Iran is determined to destroy them and for the first time it looks like they might succeed.

4 A Decision In The US

The US faces a choice. It can either travel down the road Trump has set it on or it can repudiate him. What would that require in our Constitutional structure? The majority and minority leaders in Congress would need to agree a bipartisan policy and select a senior competent bipartisan figure to manage the war according to that policy. They would then meet with Trump and offer him an alternative. On the one hand, he can remove Hegseth and appoint the designated war manager as the replacement for Hegseth. He must personally agree to delegate control of the war to the new Secretary and to confine his public remarks to texts prepared for him. On those terms he can remain president. Alternately he can face immediate removal from office and possible prosecution for corruption. This would certainly be a dramatic turn of events, but we really cannot hope that the Trump team can succeed given their record to date.

The normal mechanism of US politics would put off dealing with a failed presidency until the 2028 election. We think that slow motion response is a luxury the US cannot afford. If China gains control of the Mideast in 2026 and of Taiwan in 2027, by the time a new President takes office in 2029 the US position in the Western Pacific also will be lost.

5 Domestic Consequences

In assessing domestic consequences we suppose Congress does not take action as described in the prior section. In this case a number of cabinet secretaries look to be finished. We do not expect Hegseth, Gabbard or Tom Blanche to remain long in role. Rubio may survive but we judge his presidential aspirations as ended. Vance will clearly be the next MAGA leader. However, MAGA is likely to be so fractured and discredited that it may be no victory for him. Personally, however, Vance has kept himself distant from the war. The main burden he will have to carry is that of being part of a failed Administration. We think there is likely to be a considerable battle over replacement cabinet appointments.

Trump is clearly finished as a leader. His future is that of an increasingly lame duck. He is also likely to face a raft of investigations over Epstein, war corruption and conduct of the war. There is speculation he may resign as soon as Vance will not be charged with a full term in office. That nicety matters only if Vance could win two terms on his own from the position of Trump's successor. We give Vance slim chances of that. We doubt Trump is willing to yield his position. But after enough pressure he may come around to it. If serious questions of cognitive or health declines emerge, an Article 25 removal of Trump - while still unlikely might occur. That is one reason we expect a considerable fight over replacements for departing cabinet secretaries.

On the Supreme Court, both Justices Thomas and Alito are looking age qualified for replacement and there may be a push to make the change before the midterm election.

At the midterms the Republicans seem likely to do badly. They will undoubtedly see the House pass to Democrat control. In the Senate the most likely outcome is a chamber in which neither party has effective control.

6 Advice

Losing a war is never a good thing. Losing a war which leads to a rival nation becoming the dominant power in the world is a disaster. Some slim hopes remain that the situation is not as dire as painted. There may be an actual agreement under negotiation which is not a capitulation. A pretend negotiation may be a tactical move on each side - the IRGC to consolidate power, the US to extract shipping from the Gulf. The US may be using the pause in preparation for some stroke when the ceasefire expires. It is impossible to rule such things out but it is also impossible to invest on such thin hopes.

We urge investors to focus on capital preservation until the dust settles.

7 About The Cover

Chess is an ancient game which represents the struggle for power in stylized form. It was born in India and spread through Persia to the Arab and European worlds. It, along with Go, are the ultimate games of intellect in which two players pit their brains against one another. However, today AI defeats human champions at both games. In chess capitulation is signaled by placing one's king piece on its side.

8 About Lloyd Tevis Investments, LLC

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