

INVESTMENT VIEWS

MARCH 31, 2026

THE TENSION BREAKS

War and Geopolitics in Focus

Note: We at MH & Associates fully understand the tragic implications of war on humanity. This newsletter addresses only the investment implications

We last wrote about 2026 being a year filled with tension and reminded investors to brace for heightened volatility and uncertainty. It did not take long after we put those words down for the tension to break out as the US and Israel launched attacks on Iran. The implications for the situation threaten to be quite severe to the global economy and investors.

As we write, breaking news suggests that the Iranian government may be ready to end hostilities, sending the stock market surging upwards after a relentless decline over the past few weeks. This exemplifies the volatility we have warned investors to brace for. In this newsletter we have laid out our thoughts and observations as we assess the potential outcomes.

COMMODITIES AND BEYOND

The obvious and immediate effects of this conflict can be seen in oil, natural gas and their derivatives, including gasoline, diesel, and basic chemicals, with prices rising sharply, threatening to break to new highs over \$140 per barrel of oil. However, there are also many other products, including fertilizers that help feed the world, that are now threatened by the closure of the Strait of Hormuz. While the US gets very little from the Persian Gulf, the closure has an immense effect on the rest of the world.

Higher prices are easy for most people to recognize as threats to the economy and financial markets. However, second order effects and beyond could in fact be far more damaging. There are some nations that could face having severe shortages of basic items that require oil and its by products for production. Australia, New Zealand and various southeast Asian nations could be the first to be impacted. Anecdotal reports of certain areas already having no diesel available are being reported. Many African nations are totally dependent on fertilizer from the Persian Gulf and could be without it in the coming season, threatening food supply. Even microchip manufacturers are threatened as they require helium to produce their chips, with Qatar supplying over 20% of helium global.

Another second order threat lies not in commodities, but in the Middle Eastern nations that depend on them for revenue. Energy infrastructure has been damaged and with Iran blocking the Strait of Hormuz, these nations take an immediate hit to their income. A longer closure could force them to sell assets, including US Treasuries, stocks and even gold to keep their economies going. This is where these second order effects may be felt more strongly here in the U.S.. Potential impacts would be centered more severely on the longer end of the Treasury curve and in the mega cap stocks favored by foreign investors, mainly the so called "Magnificent 7."

Second order effects have not been realized – yet. They will likely begin to emerge in the coming weeks if the Strait of Hormuz is not reopened. Even if the situation is resolved immediately, there will likely be lingering supply shortages of certain goods.



U.S. TREASURIES

Under 5 Years

Briefly, our position in fixed income remains uninteresting and conservative. We are remain invested in US Treasuries with maturities under 5 years and an allocation to TIPS (Treasury Inflation Protected Securities). "Spreads" between government and corporate interest rates remain far too narrow to warrant a different approach. We also do not believe the risk/reward is attractive for longer maturities.

SELLING THE GOLD NEWS



Investors were dazzled by gold and silver in 2025 and early 2026 as they both climbed to phenomenal prices. Our portfolios benefited from this, as we took profits along the way of this historic run. Gold peaked at over \$5,600 and silver hit over \$120 per ounce.

While there are many theses on why the price run occurred, at least some of it was related to the Iran conflict. We view gold as the "wisest" of assets as the reason for its moves are often only known after the fact. Unsurprisingly as the conflict broke out, gold briefly spiked then experienced a sharp decline as the war escalated. It was indeed a case of "sell the news." Media pundits jumped on this as evidence that gold is not a hedge for geopolitics, which is quite laughable. Plenty of investors were hedged and benefited – they were paying attention to the charts and price action during all of 2025. We believe that the case for higher gold remains strong and plan on adding to the position opportunistically.

ENERGY IN FOCUS

Energy has been a strong theme for 2026 so far. With oil prices rising, our energy investments have given us another good hedge against geopolitical turmoil and uncertainty. Long forgotten, totally disdained and disregarded by investors, oil and gas companies have been heroes to investor portfolios holding them. In general, they have rock solid balance sheets, strong free cash flows and pay good dividends, which we enjoyed collecting while we waited. Needless to say, energy as an investment theme is gaining attention as investors no longer take plentiful supply and low prices for granted.

Moreover, the idea of energy independence is also becoming a recognized theme, first gaining attention last year during heightened interest in "AI plays." Solar, fuel cells and nuclear companies have been mentioned in the financial media as must own stocks, needed for increasing energy independence. We note our position in the broader energy theme is already robust, with a certain amount of profit taking occurring into some of the more dramatic spikes in oil prices.

CYCLES CONVERGING

In previous newsletters we have touched 2026 being a mid-term election year and how that tends to be a negative for the overall market. These years tend to peak in April and trade down through September, with modest sideways movement in summer.

Another cycle hitting in 2026 is year six of the Ten-Year Cycle. Every decade starts a new one and the sixth year of the decade tends to show movement nearly identical to the typical seasonality. The market sells off in April to June before climbing to breakeven in August, leading to a precarious fall through September. We also have a traditional seasonality cycle which is where the saying "sell in May and go away" came from.

The conflict in Iran may have given the market a head start on this traditional weakness and while a resolution may give the market some lift, we would expect the cycles to play on investor psychology and mid term elections will no doubt cause strife and perhaps ramp up fears and volatility again.

Recommendation List: A list of all previous specific investment discussions published over the past 12 months will be provided upon request. Please email lara@mhandassociates.com or call our office for this list.



MH & Associates Securities Management Corporation
2888 Loker Avenue East, Suite 318 • Carlsbad, CA 92010
23901 Calabasas Road, Suite 2005 • Calabasas, CA 91302
(626) 440-9694 • www.mhinvestments.net