TIM
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Newsletter – March 2026

In the last newsletter Jan/Feb2026, published on 3 Mar 2026 I wrote "more likely is that Israel and the USA have started something over which they now have no control". This turned out to be true and now the war has gone on for over one month with no sign of it ending soon. As well as the thousands killed and the massive destruction it has had a significant impact on the economic and financial world.

It created an increase in the oil price and the USA benchmark (WTI) went from $67 to $94 in one week a spike of 40%. This rise in the price had a number of impacts. Firstly it raised the need for US dollars. Oil is traded in US dollars so countries which need to import oil suddenly need 40% more dollars to pay for the imports. This supported a higher dollar value. Also the higher oil price raised the chance of higher inflation and increased bond yields, The USA benchmark ten year bond yield rose 0.4% which was a 10% increase. This further supported the US dollar and put pressure on the gold price which has fallen this last month.

A war could be expected to increase the demand for gold and its price rise, but the demand for dollars was greater. Given that much of the trading is done by computer algorithms as preprogrammed levels are reached, buy and sell orders are made in seconds. No investment committee or family office sat down and decided the long term future for gold was poor and sold. It was a reaction to very short term trading. This resulted in the price coming back from its new highs and it ended up 9% on the quarter. Gold mining shares were also down from their peaks, as they are naturally linked to the gold price.

Looking ahead how the war develops and its impact on the investment world is unknown, but it is not going to result in reduced Government spending or stop central banks flooding economies with new money. Some central bankers talk about inflation and higher interest rates. The ECB did this in July 2008 raising rates just before the collapse of Lehman Brothers and the financial crisis, so they had to very quickly reverse their hike and drop rates to zero. Gold was, in mid 2008, at $900 but one year later at $1,250 rising to $1,850 in Sept 2011. Long term investing is not the same as short term trading.

Best wishes

Tim 2 April 2026

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