



## Newsletter – April 2026

It is now over 60 days since the USA and Israel started bombing Iran and missiles started to be exchanged. Like all wars it has been and continues to be unpredictable. As the writer on war, Carl von Clausewitz, quoted "War is the realm of uncertainty". This is also true of financial markets at such times.

Last month I commented about the unexpected drop in the value of gold, as more dollars are required to pay for the higher price of oil, up some 40% in the last two months. However it should be noted that the oil price quoted is usually the future price of oil, that is the price to buy a barrel delivered in one month. This future price is a financial paper price which investors use to daily trade. It is also complicated by having two benchmarks namely WTI, the USA price, today at \$96 and Brent the international price quoted today at \$ 101. These prices have moved widely in the last couple of months as social media posts from the White House have impacted the likelihood of peace and the opening of the Straits of Hormuz. What is clear is that the stalling of the flow of oil and other commodities from this region is putting up prices.

One outcome is that the war is going to lead to significant shortages, not only in oil but also in food and other commodities. The "floating pipeline" of tankers and cargo ships has been broken and so even if the war is resolved today, that supply shock and shortages are going to happen.

Higher prices lead central bankers to raise interest rates. It has never been clear to me how higher interest rates produce more physical oil in the market to lower prices, but this is the classic central bank response. After raising rates at such times, they then quickly lower them as recession looms.

Given these threats it is amazing that the equity market in the USA ( SP500 is now 50% of global equities by value ) is at an all time high. It is driven by AI optimism and US fund manager John Hussman believes the US market is more highly valued than 1929 and 2000, years where it was unwise to be fully invested in overvalued assets. Add in the unpredictable Iran war ( not forgetting the Ukraine war which is in a very dangerous state ) and we are going to have some troubled times ahead.

Best wishes

Tim

8 May 2026