Economic and Investment Newsletter
March 2026

Current Market Commentary

The United States and Israel launched military operations against Iran on February 28, 2026, and the conflict has since expanded into a broader regional war that has thrown the Middle East into turmoil, particularly in southern Lebanon. The bombing campaign has undermined perceptions of the Middle East as a stable destination for foreign investment, a serious concern for Gulf states that have worked hard to attract both human and financial capital from abroad. A central flashpoint is the Strait of Hormuz, where Washington is pressuring Tehran to reopen the waterway to commercial traffic. Iran closed the strait in early March, only days after U.S. strikes began targeting Iranian infrastructure. Before this disruption, roughly 20 million barrels of oil and petroleum products passed through the Strait each day, accounting for about one-fifth of global oil consumption. Even more critical, the closure has cut off around one-fifth of the world's liquefied natural gas exports, most of which originate in Qatar.

The political and economic fallout from the conflict has rippled through the global economy. Asian economies—especially India, China, Japan, and South Korea—are bearing the brunt of the shortfall in oil flows through the Strait. More than 80% of the crude and refined products that transit Hormuz supply energy to Asian economies, along with over half of the LNG shipped through the passage. In effect, the closure functions as a proxy pressure point on China, which purchases close to 40% of the oil shipped from Gulf producers. As the world's largest oil importer, China is particularly vulnerable if the strait remains closed, especially given that over 90% of Iran's oil exports are destined for Chinese buyers. Strategic petroleum reserves among the major Asian importers (China, India, Japan, and South Korea) vary, generally covering between about 40 and 120 days of demand. That said, China's close relationship with Russia may allow it to offset some of the lost Middle Eastern supply by increasing imports of Russian crude.

The knock-on effects extend well beyond Asia. Australia and New Zealand rely heavily on refined products imported from Asian refineries, which themselves depend on crude from Gulf exporters and Australia. The world's largest refinery is located in India; with fewer barrels arriving there to be processed, key customers such as Europe are directly exposed. The Netherlands is the single largest buyer of India's refined products and serves as a major distribution hub for the rest of Europe. As a result, both the direct and indirect consequences of reduced flows through Hormuz are being felt across the globe. And all of this is before fully accounting for the impact on oil prices, which remain highly volatile and difficult to predict.

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Historically, oil price spikes have accompanied major geopolitical crises. The last time prices pushed above 100 dollars per barrel before the current turmoil was after Russia's invasion of Ukraine in 2022, and prior to that during the 2011–2014 period, when instability across the Middle East kept Brent above 110 dollars for nearly three years, until the United States and others released strategic reserves. In July 2008, oil briefly exceeded 148 dollars per barrel, only to collapse to around 38 dollars by the end of that year. A similar pattern occurred in 2022, when prices hovered near 100 dollars for roughly four months before easing. Although oil price trajectories are notoriously volatile and hard to forecast, the economic and political disruptions they cause are consistently profound. Economically, energy is a core input across almost every sector, and uncertainty on this scale can make planning and capital-investment decisions extremely difficult, leading firms to delay or cancel projects. Politically, higher gasoline prices exacerbate affordability pressures that Americans have faced since the COVID-19 pandemic. With midterm elections approaching in November, fuel costs could become an even more contentious political issue in the months ahead.

Fintent Invest Strategy Outlook

Fintent Invest is committed to a disciplined portfolio construction process that prioritizes risk-efficiency and low-cost diversification across geographies, market capitalizations, and asset classes. In an environment of elevated volatility and economic uncertainty, our strategic asset allocation models remain focused on delivering long-term risk-adjusted returns and income while balancing capital preservation with growth.

Since last summer, our models have maintained an overweight to developed international markets, a positioning we expect to continue to capture more predictable return streams as Europe becomes less reliant on the United States both militarily and economically. At Fintent Invest, we have long believed that understanding how an asset behaves over a full business cycle—typically five to seven years—is essential when determining its inclusion in our model portfolios. We continue to underweight large-cap growth in anticipation of a potential correction driven by stretched valuations and uncertainty around the durability of AI-related earnings growth.

On the fixed income side, Fintent Invest maintains a nuanced approach, recognizing that a wider yield spread between investment-grade and non-investment-grade bonds is a matter of when, not if. Cash-flow pressures are likely to intensify for smaller, lower-quality issuers, while rising federal indebtedness raises questions about the long-term risk profile of extended-maturity Treasuries. In this context, we continue to emphasize a thoughtful balance between return and risk, with a focus on medium-duration, high-quality corporate bonds within our portfolios.

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