

Market Perspective on Current Geopolitical Events

Recent geopolitical developments have understandably captured headlines and introduced a new layer of uncertainty to global markets. Periods like this test both investor confidence and portfolio construction. I want to share our perspective on how markets are responding and, more importantly, why your portfolios remain well positioned relative to these moves.

Thus far, capital markets have reacted in a measured way. Our fixed income positioning continues to emphasize high-quality credit selection, disciplined duration management, and liquidity principles designed specifically for environments like this. Oil prices have risen but remain below prior one-year highs, and volatility, while elevated intraday, has not signaled systemic stress. Treasury yields have moved higher as investors reassess inflation expectations, yet the bond market is not pricing in an imminent recession. Equity leadership has also been constructive, with Energy and Industrials demonstrating relative outperformance in the initial market response.

It is important to be clear: we are not out of the woods. Oil markets remain sensitive to potential supply disruptions, and sustained increases would place renewed pressure on inflation and interest rate expectations. The Federal Reserve has shown little tolerance for lingering price pressures, which may keep rate cuts further out on the horizon than markets previously anticipated.

However, several structural differences distinguish today's environment from past energy crises. The United States is a major producer, global supply is more diversified, and oil prices have not reached levels historically associated with recessionary outcomes. Markets appear to be weighing these factors carefully rather than reacting reflexively.

Within fixed income, municipal bonds have demonstrated relative resilience compared to Treasuries. Tax-exempt income continues to anchor demand, and taxable-equivalent yields remain compelling for high-income investors. In an environment where inflation expectations can shift quickly, reliable income streams and strong credit quality are critical portfolio stabilizers.

Our strategy continues to emphasize two core principles: liquidity and income. Liquidity provides flexibility should volatility create opportunity or require adjustment. Income—whether from high-quality municipals, dividend-oriented equities, or diversified credit exposure—helps compound returns even when price appreciation slows. This discipline is particularly valuable when outcomes are uncertain, and headlines evolve daily.

We are closely monitoring sector positioning as well. Energy exposure, for example, can act as a partial hedge during oil shocks, while maintaining diversified global equity allocations allows us to participate in leadership shifts without overcommitting to a single narrative. Recent market action suggests investors are not yet assuming a prolonged disruption, but we remain vigilant.

Finally, as we evaluate markets, we are mindful that real-world events carry human consequences. Our thoughts are with the men and women serving in dangerous circumstances. Their efforts underscore the seriousness of the moment and reinforce the importance of steady, disciplined decision-making at home and in markets.

In times like these, patience and preparation matter more than prediction. We cannot yet determine the ultimate outcome of this conflict, but we can ensure portfolios are structured to navigate a range of scenarios. At present, we believe they are.

As always, please reach out with any questions or concerns. We are watching developments closely and will communicate as conditions evolve.

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