

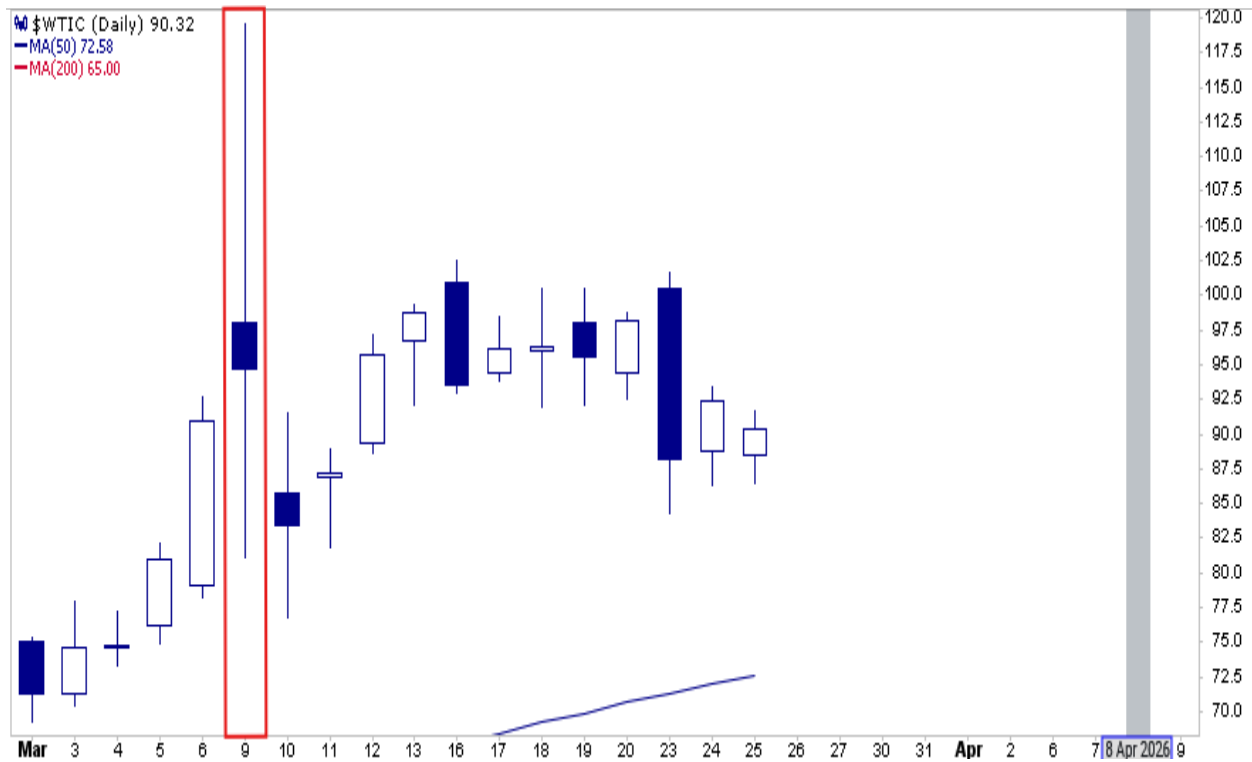


# Geopolitical Headlines Can Be Hazardous To Your Wealth

Geopolitical events are among the most reliable drivers of bad investment decisions. When headlines are alarming, and markets are volatile, as they are today, investors instinctively overweight worst-case scenarios and underweight the likelihood that the situation resolves more quietly than feared. Behavioral finance calls this availability bias: the tendency to judge the likelihood of an outcome by how easily a vivid example comes to mind. Headlines like *Iran War Oil Shock Threatens Wave of Global Inflation?* coupled with intense market swings are as vivid as it gets.

On March 9, crude oil spiked as investors priced in worst-case scenarios involving the closing of the Strait of Hormuz and supply disruptions. To wit, fears of a 1970s-style inflationary shock took hold. That day, crude oil opened \$7 higher and rose another \$21 to peak at \$119.50. It then plummeted to \$81, before closing at \$94.75. Patient investors who did nothing were rewarded for their patience. Many investors who emotionally bought at the highs or sold at the lows paid a steep price. They made the mistake of treating the large price swings as information when it was largely noise.

History is consistent on this point. As we have seen, initial market reactions to geopolitical events, from the Gulf War to 9/11 to the more recent Russia-Ukraine conflict, are reminders that in many cases the initial price moves overstate the ultimate economic impact. The takeaway for investors, during times of geopolitical stress, is to let the market separate the signal from the noise before making rash portfolio decisions. It is never easy, but history suggests that patience during geopolitical crises is almost always the right instinct.



## What To Watch Today

### Earnings

Friday Mar 27	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Carnival ccl.us	0.19	0.13		6.13B	5.81B		\$28.12B	Q1	PM

### Economy

Friday March 27 2026	Actual	Previous	Consensus	Forecast
09:00 AM  US Michigan Consumer Sentiment Final MAR	56.6	53.8	53.5	
09:00 AM  US Michigan 5 Year Inflation Expectations Final MAR	3.3%	3.2%	3.2%	
09:00 AM  US Michigan Consumer Expectations Final MAR	56.6	54.1	54.1	
09:00 AM  US Michigan Current Conditions Final MAR	56.6		55.8	
09:00 AM  US Michigan Inflation Expectations Final MAR	3.4%	3.4%	3.4%	
10:30 AM  US Fed Daly Speech				

## Market Trading Update

[Yesterday, we discussed](#) the forward returns of energy stocks when oil prices revert from crisis-related events. It has been a rough market as of late, and, as discussed earlier this week, a significant number of stocks are in a *bear market*. Currently, approximately 42% of S&P 500 members are down 20% or more from their respective 52-week highs. The index itself has broken below its 200-day moving average, and both MACD and RSI have crossed into oversold territory. Three conditions, all aligning simultaneously, have certainly put investors into a more fearful position.

However, while the initial urge is to *panic sell* into the market, the data suggests patience. For a test, I went back and examined every historical instance since 2000 where all three conditions

coincided:

1. Widespread breadth damage with 40% or more of S&P 500 stocks in bear territory,
2. The index is trading below its 200-DMA, and
3. Momentum indicators are in oversold territory.

The setups include late 2002, the 2009 bottom, February 2016, December 2018, March 2020, and late 2022. Importantly, all those previous conditions are present when an *event* coincides with a recessionary impulse. That isn't the case today, at least not yet, but a notable difference.

However, as shown, one month out, average returns were positive, and the median is essentially flat. Three months out, returns are only modestly positive. While the pain tends to linger before it resolves, these are periods heavily impacted by economic weakness, declining earnings growth rates, and valuation reversions.

### Forward Returns Following Extreme Oversold Signals

Conditions: SPX ≥20% below 52-wk high + Below 200-DMA + RSI < 30 + MACD Oversold

Signal Date	S&P 500 Price	RSI	Max Drawdown	1-Mo Return	3-Mo Return	6-Mo Return	9-Mo Return	12-Mo Return	24-Mo Return	Context
2001-03-12	1,180.16	26.0	-26.5%	-1.0%	8.2%	-4.0%	-3.4%	-6.0%	-29.3%	Dot-com Bust
2001-09-06	1,106.40	11.1	-32.8%	-3.2%	3.5%	2.3%	-3.5%	-14.3%	-11.1%	Pre-9/11 / Dot-com
2002-05-07	1,049.49	29.4	-20.1%	0.0%	-17.7%	-15.1%	-19.2%	-13.2%	9.1%	Bear Market
2002-06-26	973.53	17.4	-33.8%	-13.9%	-14.4%	-9.2%	-11.0%	1.5%	15.2%	WorldCom Fraud
2002-09-24	819.29	29.5	-30.1%	9.4%	9.3%	6.7%	23.4%	24.1%	34.2%	Bear Market Bottom
2008-07-09	1,244.69	26.1	-22.4%	1.7%	-15.1%	-27.4%	-35.9%	-26.2%	-10.4%	Financial Crisis Start
2008-10-07	996.23	22.9	-42.0%	-4.4%	-6.5%	-18.6%	-6.9%	5.5%	12.6%	Lehman Aftermath
2009-02-23	743.33	26.1	-52.6%	8.4%	19.5%	33.1%	47.1%	43.7%	71.7%	GFC Bottom
2020-03-12	2,480.64	25.3	-26.7%	12.5%	29.3%	38.1%	47.9%	57.3%	80.4%	COVID Crash
2022-09-23	3,693.23	26.7	-25.2%	2.8%	5.0%	7.0%	19.8%	20.8%	51.4%	Fed Tightening
<b>Current</b>	<b>6591.9</b>	<b>39.2</b>	<b>-5.5%</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>Today</b>

Summary Statistics	Max Drawdown	1-Mo Return	3-Mo Return	6-Mo Return	9-Mo Return	12-Mo Return	24-Mo Return
Average	-31.22%	1.25%	2.12%	1.29%	5.82%	9.33%	22.39%
Median	-28.40%	0.88%	4.24%	-0.85%	-3.48%	3.51%	13.89%
Min	-52.60%	-13.85%	-17.65%	-27.43%	-35.90%	-26.17%	-29.26%
Max	-20.10%	12.46%	29.29%	38.15%	47.91%	57.29%	80.40%
% Positive		60.0%	60.0%	50.0%	40.0%	60.0%	70.0%

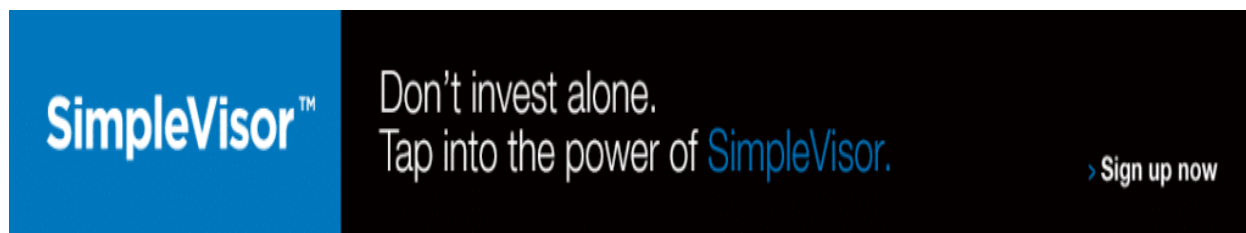
Once you move away from the initial combination of declining stocks and an oversold market, forward returns begin to improve markedly. By 12 months, the average return climbs to roughly +9%. At 24 months, you're looking at average gains exceeding 22%, with 70% of comparable periods producing positive outcomes.

The point is not that you should not manage risk in the short-term. You absolutely should. However, it is important not to extrapolate current market action indefinitely into the future. This shall pass, and markets will begin focusing on what comes next.

Obviously, the worst outcomes in this data set were centered around the Dot.com crash and the Financial Crisis. These were recession-driven episodes in which the damage persisted for well over 12 months before recovery. If we're heading into a genuine contraction, those numbers look worse in the near term. If this is a sentiment-driven correction without an underlying earnings collapse, the recovery curve steepens much more quickly.

The current setup has features of both camps. The Iran conflict has injected a genuine macro shock. But the deeply oversold RSI reading at the 200-DMA break, combined with AAll bearish

sentiment above 52%, is historically the ingredient of reflexive rallies, not capitulation spirals. As I noted last week, the goal isn't to go to cash and wait. It's to reduce the cost of being wrong while staying positioned for the recovery when it arrives.



## Gates And Financial Ignorance Feed Private Credit Woes

The private credit industry is facing a problem largely of its own creation. According to a [Bloomberg article](#), at a recent industry conference, two senior executives in private credit, Jim Zelter of Apollo and Doug Ostrover of Blue Owl, said their sales teams failed to adequately explain redemption restrictions to their retail and high-net-worth investors. As a result, those investors are now clamoring to sell, but in many cases are restricted in how much they can sell.

Apollo Debt Solutions capped redemptions at 5% of shares after investors sought to redeem 11.2%, and the \$10.7 billion Ares Strategic Income Fund imposed the same cap after clients requested redemptions of 11.6%. Many other funds are limiting redemptions as well. This is a clear sign that the less sophisticated retail investor base, who were sold higher-yielding private credit funds, did not fully understand redemption gates and how their money/liquidity could be locked up.

The large redemption requests, coupled with the gates put in place for investors, are creating the appearance of a liquidity crisis. Yes, private credit losses are increasing, but the problem is being exaggerated by the many unhappy investors who are unable to sell. Furthermore, this provides evidence that, in the pursuit of higher returns, many investors were not paying attention to the potential risks and limitations of their investments. The funds clearly warn investors of the liquidity risks they could face. The highlighted sections in the graphic below are from page 2 of the BlackRock Private Credit Fund [N2 SEC filing](#).

Investing in our Common Shares involves a high degree of risk. See “Risk Factors” beginning on page 26 of this prospectus. Also consider the following:

- We have no prior operating history and there is no assurance that we will achieve our investment objective.
- This is a “blind pool” offering and thus you will not have the opportunity to evaluate our investments before we make them.
- You should not expect to be able to sell your shares regardless of how we perform.
- You should consider that you may not have access to the money you invest for an extended period of time.
- We do not intend to list our shares on any securities exchange, and we do not expect a secondary market in our shares to develop prior to any listing.
- Because you may be unable to sell your shares, you will be unable to reduce your exposure in any market downturn.
- We intend to implement a share repurchase program, but only a limited number of shares will be eligible for repurchase and repurchases will be subject to available liquidity and other significant restrictions.
- An investment in our Common Shares is not suitable for you if you need access to the money you invest. See “Suitability Standards” and “Share Repurchase Program.”
- We cannot guarantee that we will make distributions, and if we do we may fund such distributions from sources other than cash flow from operations, including, without limitation, the sale of assets, borrowings, return of capital or offering proceeds, and we have no limits on the amounts we may pay from such sources.
- Distributions may also be funded in significant part, directly or indirectly, from temporary waivers or expense reimbursements borne by the Adviser or its affiliates, that may be subject to reimbursement to the Adviser or its affiliates. The repayment of any amounts owed to our affiliates will reduce future distributions to which you would otherwise be entitled.
- We expect to use leverage, which will magnify the potential for loss on amounts invested in us.
- We qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Common Shares less attractive to investors.
- We intend to invest in securities that are rated below investment grade by rating agencies or that would be rated below investment grade if they were rated. Below investment grade securities, which are often referred to as “junk,” have predominantly speculative characteristics with respect to the issuer’s capacity to pay interest and repay principal. They may also be illiquid and difficult to value.

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People crack me up. Every time an asset forms a bubble from speculative momentum chasing, they compare it to the [Dot.com](#) crash. Stop it.



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