ACCESS FINANCIAL SERVICES, INC.

Quarterly Review and Outlook

April 9, 2026

First Quarter, 2026

Index Returns as of March 30, 2026	3 Mo.	6 Mo.	12 Mo.
US STOCKS			
S&P 500 Index TR (large-cap stocks)	(4.33)	(1.79)	17.36
S&P 500 Equal Weight TR	0.67	2.07	12.72
Dow Jones Select Dividend Index TR	8.17	8.78	17.60
NASDAQ 100 Index TR	(6.96)	(4.43)	24.51
Russell 2000 Index TR (small-cap stocks)	0.89	3.10	25.70
FOREIGN STOCKS			
MSCI EAFE Net Total Return Index (US$)	(1.24)	3.56	20.06
S&P Europe 350 Index Net TR Index (US$)	(0.94)	5.52	10.75
MSCI Japan Net Total Return Index (US$)	1.37	4.64	25.41
MSCI Emerging Markets Net TR Index (US$)	(0.17)	4.56	28.46
COMMODITIES & CURRENCIES			
US Dollar	1.67	2.24	(4.08)
Euro	(1.64)	(1.54)	6.81
Gold	8.07	20.97	49.45
Oil (West Texas Intermediate)	76.59	66.41	55.77
CME CF Bitcoin Reference Rate	(22.92)	(40.54)	(18.26)
BONDS			
Bloomberg US Aggregate Bond (inv. grade)	(0.05)	1.05	4.06
Bloomberg US Treasury 20+ Year	0.15	(0.78)	(1.14)
Bloomberg US Treasury Inflation Notes	0.26	0.40	2.96
Bloomberg Municipal Bond	(0.18)	1.38	4.02
Bloomberg US Corporate	(0.54)	0.30	4.52
Bloomberg US Corp. High Yield Bond	(0.50)	0.81	6.86
S&P International Sov Ex-US Bond TR USD	(1.43)	(1.86)	2.38

Source: Bloomberg

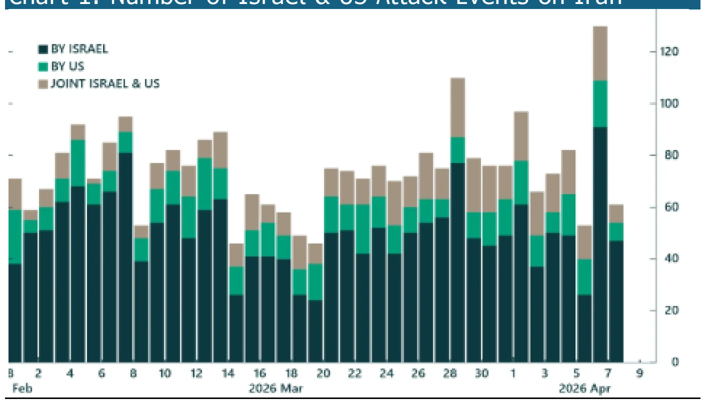
Drafting our Quarterly Review and Outlook always takes a number of hours spread out over a week or two. Given the fluidity of geopolitical dynamics, it has been more difficult than usual to have confidence in the outlook for the second quarter and the rest of the year.

For now, there is little else driving the financial markets other than the war in the Middle East. Since the situation is evolving rapidly and the message from our fearless leader swings from one extreme to the other so frequently, my goal is to get this out quickly with the hope that it is still relevant by the time our clients receive it.

Over the past 12 months, President Trump has threatened to invade a NATO ally, abandon America's military alliances, abandon Ukraine in its fight against Russia, impose a draconian tariff on the entire world, impose 100% tariffs on top of 145% tariffs on China, and bomb a country of 90 million people into the Stone Age.

There seems to be no thread connecting the moves other than a broad realization by the US that it must retrench from global responsibilities. Even the current "excursion" in the Middle East is illustrating America's modern limitations as a great power, with its ally Israel – a country of ten million people – leading the charge in airstrikes (Chart 1).

Chart 1: Number of Israel & US Attack Events on Iran



Source: BCA Research using data from ACLED

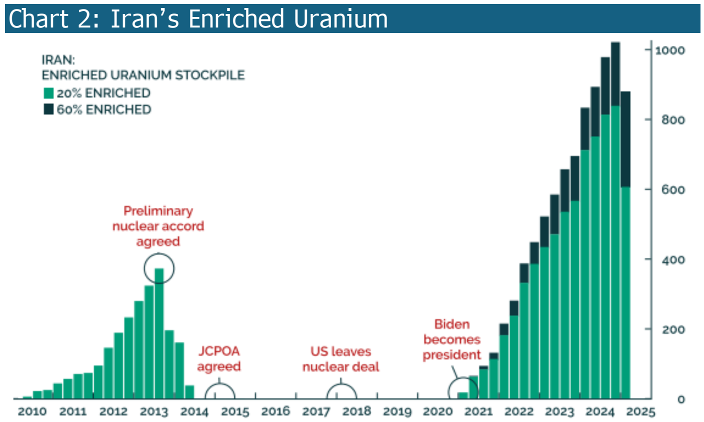
In last quarter's missive, I wrote:

From my perspective, the biggest risk to the stock market in 2026 is that the AI story sours. It is by far the most significant factor that has powered US risk assets and the economy higher over the last year.

Then came the war with Iran, a subject I wrote about in April 2025 as the "Liberation Day" tariffs were roiling the stock and bond markets:

Further, there is the underrated geopolitical risk surrounding Iran as the US will have to deal with Chart 2 below.

Chart 2: Iran's Enriched Uranium



Source: BCA Research using data from IAEA as of February 26, 2025

Coming into 2026, oil market sentiment was quite pessimistic. Global inventories had been rising since mid-2025 as OPEC members phased out voluntary production cuts, and short positioning was elevated. The prevailing view was that ample spare OPEC capacity could absorb any conceivable disruption.

This narrative shifted quickly with the closure of the Strait of Hormuz. Direct hits to oil fields or related upstream infrastructure have been somewhat limited (other than liquified natural gas), but exploration and production companies have still scaled back output, either as a precautionary measure or due to lack of storage space. The result is the largest monthly drop in OPEC production outside COVID.

Even if oil fields in the Middle East run at full capacity, the blockade shuts in exports, amplifying the supply shortfall. Normally, 14 million barrels per day (mb/d) of crude and 6 mb/d of refined products cross the Strait daily, meeting 20% of global petroleum demand.

Even though the Strait has remained essentially closed since the early days of March (Chart 3 and 4), the net impact on supply is less than implied by Hormuz transit capacity because Iran continues to export, some neutral tankers have been allowed to pass, and Saudi and the UAE have re-directed 4.5 Mb/d via the Yanbu and Fujairah ports. Also, IEA members are releasing strategic petroleum reserves (SPRs) and sanctions have been lifted on floating storage (Chart 5). The actual shortage is about 10 mb/d at this point which is about 10% of global daily consumption. The deficit will grow larger once the floating storage and SPRs are drawn down if the Strait is not opened.

According to Trump, Iran's nuclear program was destroyed during the twelve day war in June 2025.

Apparently, it was not. Or, if it was, the president decided he wanted regime change in Iran and to further set back the Country's military capability.

Given the boost to Trump's confidence from his recent successes in geopolitical adventurism, why would he not push the envelope and pursue regime change in Iran and to further set back the country's military capability? After all, Iran is weak. We can push them around like we did last year and like we did to Maduro in Venezuela. They would never go so far as closing the Strait of Hormuz.

The large scale US military buildup in the Middle East started in January and the joint US-Israeli Operation Epic Fury started on February 28. As of March 2, regionwide war erupted and the Strait of Hormuz was largely closed to traffic, setting up what should be the largest energy shock in modern history. As it stands, the magnitude of the risk to shipping and duration of the closure remains in question – as does the damage to regional production, refineries, pipelines, and ports.

While much of the focus has been on oil, 33% of global fertilizer supply also passes through Hormuz. Furthermore, Asian economies depend on Qatar for much of their liquified natural gas (LNG), which puts in danger industrial production in the epicenter of the world's semiconductor/AI manufacturing chain.

Chart 3: Daily Marine Traffic Through the Strait of Hormuz as of April 8, 2026

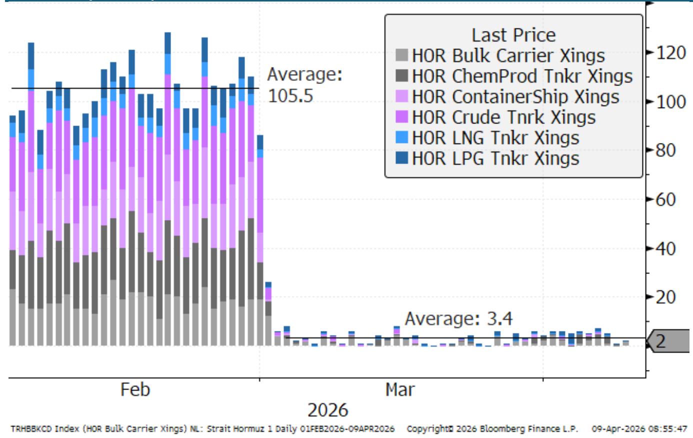


Chart source: Access Financial Services using Bloomberg Software & Data

Chart 4: Seven Day Total Marine Traffic Through the Strait of Hormuz as of April 8, 2026

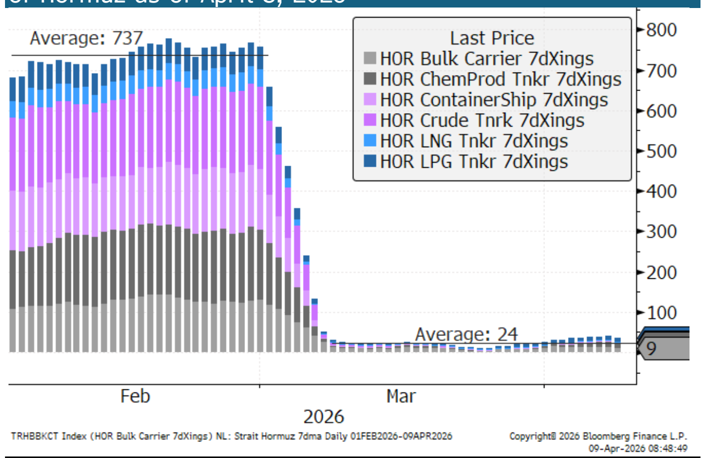
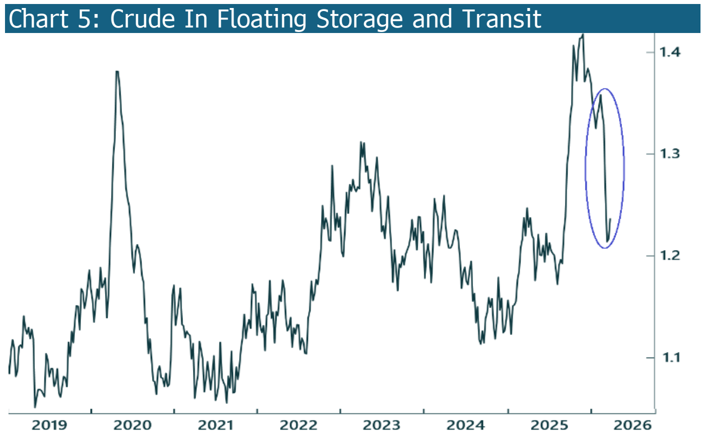


Chart source: Access Financial Services using Bloomberg Software & Data

Chart 5: Crude In Floating Storage and Transit



Source: BCA Research using data from Vortexa

Early on, there were signs that President Trump was setting himself up for a "mission accomplished" announcement. A few of his comments during his press gaggle from Air Force One on March 7 include:

• "We are winning the war by a lot; we have decimated their whole Evil Empire. It will continue, I am sure, for

a little while."
• "We have accomplished more in one week more than anyone thought possible... We have wiped out most of their missiles and the manufacturing where they are making their missiles... their drone capacity is way down."
• "Their military is almost non-existent."
• "This is a short excursion... something that should have been done for 47 years."
• "This is an excursion... oil prices will come down really fast."
• His Truth Social post on March 8 was also interesting:

*Short term oil prices, which will drop rapidly when the destruction of the Iran **nuclear threat is over**, is a very small price to pay for U.S.A., and World, Safety and Peace. ONLY FOOLS WOULD THINK DIFFERENTLY!*

Aside from calling the conflict a "short excursion," President Trump essentially confirmed that the US has accomplished three out of the four stated war aims: destruction of Iran's navy, missile capacity, and nuclear program. The only remaining war aim – dismantling of proxies – is difficult to verify, but easy to claim.

President Trump's statement on the ongoing Operation Epic Fury was broad and initially called for regime change. This is a marked change from 2025 when the US outright opposed Israel's call for extended military operation that would lead to the fall of the regime in Tehran.

President Trump again addressed the American public on April Fool's Day 2026. He suggested the US will hit Iran "extremely hard" over the next two or three weeks. He insisted on Iran's total denuclearization and threatened to destroy the regime's oil exports and electricity generation if it did not agree to a nuclear deal. He went on to tell other countries to secure their own trade in the Strait of Hormuz and he resumed criticizing the NATO alliance, presumably trying to convince allies to provide more naval support in the Strait.

As the world held its collective breadth on the eve of Trump's April 7 deadline for agreeing to a cease fire, it was announced that an agreement between the US and Iran had been reached. Financial markets rallied and the price of oil and gas declined.

As of Thursday, April 9, the cease fire is holding, but it looks fragile. Israel is insisting the temporary truce did not apply to Lebanon. It carried out a wave of strikes hours after the deal was reached. Iran maintains that Lebanon is covered by the agreement and is keeping the Strait closed.

Now, US Vice President JD Vance is set to lead direct talks with Iran in Islamabad on Saturday, April 11. As it stands, both the US and Iranian positions on a number of issues seem unlikely to be accepted.

Among other things, Iran's cease fire terms include:

• The immediate lifting of all sanctions
• Continued Iranian control over the waterway
• Formal recognition and acceptance of Iran's right to uranium enrichment for civilian use
• The complete withdrawal of US combat forces from all bases in the Middle East
• Commitment from the US to cease all "aggression and assassinations"
• Full compensation for damages suffered by Iran during the conflict
• An end to all hostilities on all fronts, which Iran insists must include Israeli attacks on Hezbollah (Iran's most powerful and closely aligned proxy) in Lebanon

Whereas the US is looking for:

• Iran must fully decommission nuclear facilities
• Tehran must permanently commit to zero uranium enrichment, even for civilian purposes, and hand over all existing stockpiles
• Iran must stop all arming and funding of regional groups, specifically Hezbollah and Hamas
• Strict limits on the number and range of ballistic missiles
• Unconditional reopening of the waterway for safe, international passage without the transit fees proposed by Tehran

There is no way both sides will get what they want as many of the demands are mutually exclusive. However, this doesn't mean the Strait will remain closed (which is the only thing the financial markets care about).

The bottom line is that the Strait of Hormuz will reopen. We do not know how, when and under what conditions it will be accomplished or what the new rules governing passage through the Strait will be. The Strait is simply too vital to global commodity security to not reopen. When traffic does increase and attacks on energy production and shipping decrease, then global financial markets will have the basis for a durable recovery – and least in the near term.

Financial markets are not concerned with the number of ships transiting the Strait. The markets care about the rate of change in the number of transits (which have been improving since March 26 – Chart 6). And, increased traffic through the Strait would indicate deescalation.

If negotiations do not put an end to the war and open the Strait, the world (including "friends" of Iran) will respond to the closure of Hormuz the way it did to the Tanker Wars of the 1980s – with a massive collective effort to resolve the critical vulnerability. This may require very punitive strikes by the US on nonmilitary targets in Iran to increase the pain felt by the Country. This is probably when the B-52 Stratofortresses step up their role in the conflict with a truly massive air campaign.

Chart 6: Recent Improvement in Seven Day Total Marine Traffic Through the Strait of Hormuz as of April 9, 2026

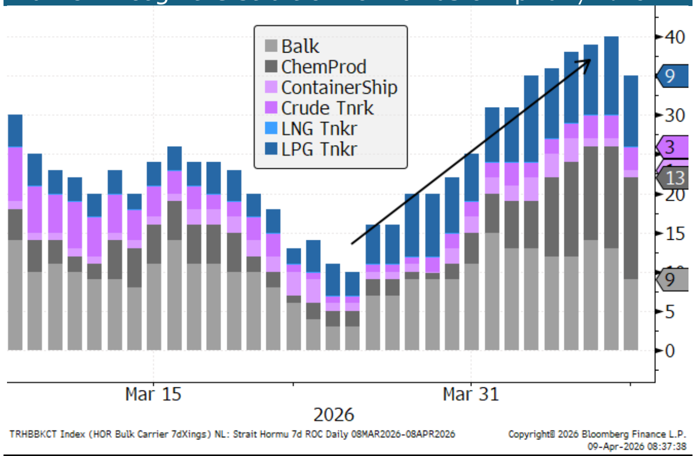


Chart source: Access Financial Services using Bloomberg Software & Data

The economic effects of the war are likely to extend for a while. Central banks are already estimating higher inflation and those estimates will most likely be revised upward. Even in the best case scenario, the war and its aftermath will shape events during the second quarter.

The reality is that President Trump *must* negotiate to reduce the economic shock given his weak domestic polling (Chart 7). As long as the Republican Party has a chance of salvaging control of the Senate in the midterm elections, Trump could accept an unusual solution in which Iran monitors traffic, traffic increases, and oil prices fall. If the midterm is determined to be lost, the president has an incentive to maximize his military victory rather than minimize his economic defeat.

If a cease fire is not agreed to and Iran keeps the Strait closed and continues striking regional energy supply, the economic and financial shock will become irreparable by late April, and the election will become a lost cause. If this happens, the president will probably change his objective from leadership change to regime change.

If Trump ceases fire soon and Iran reciprocates by halting attacks, at least on energy supply, then the conflict will deescalate. Oil will fall, bond yields will fall, and stocks will rally.

Later, however, Iran will probably refuse to abandon its nuclear program – or even its direct control of Hormuz traffic. And after the election, the US will probably change its tune. Trump did not start this war to accept Iran's nuclear status and give it sovereignty over Hormuz.

Further, the US cannot provide Iran with credible assurances that it will not try to invade and topple the regime in the future. Hence Iran will hold onto its best leverage while preparing to fight another round.

Chart 7: Trump Approval Ratings

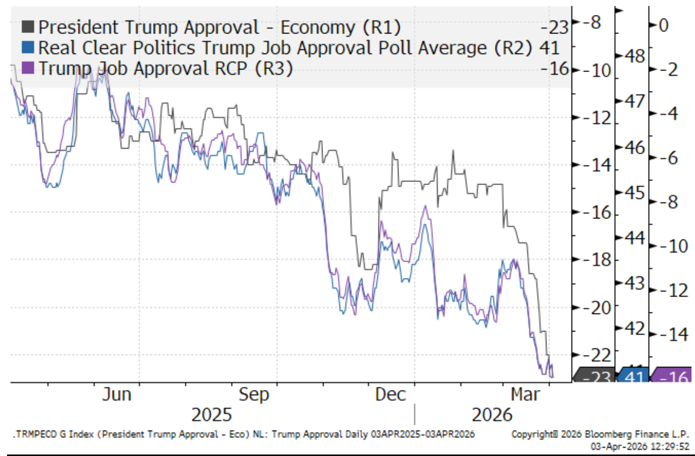


Chart source: Access Financial Services using Bloomberg Software & Data

As the US midterm approaches, the Republicans could start to fear that Iran will stage a surprise attack to create an October surprise and hurt the Party. At the same time, Iran will fear that the US will renew the attack as soon as the election is over. There is probably not enough trust to maintain negotiations through this period of vulnerability.

The oil shock can be mitigated if Trump allows for Iranian control of Hormuz for a while. Starting November 4, the US will reassert its grand strategy – it will restore freedom of navigation regardless of the cost. Other countries also reject the notion of Iranian control of an international waterway. But for the second quarter, there is a path to at least temporary deescalation.

So, there are reasonable odds that investors face escalation now or escalation later.

With the war pushing up defense spending, Republicans sworn against raising taxes, and the president's tariff powers limited, the deficit is likely to expand to the degree that investors will see no means of keeping it contained in the short run. The implication is that interest rates rise and stocks remain under pressure.

Polarization has created an aggressive form of nationalism that appears in the Trump administration's animosity toward the US's traditional allies, namely Europe. Russia receives an increase in commodity-driven tax revenues from the Iran war and can use these revenues to attempt to win the remaining portion of Donetsk province. The US is unwilling to increase military or financial support for Ukraine and threatening to undermine NATO's collective self-defense.

President Trump’s stance will encourage Russia to stage some sort of provocation against NATO. Europe will need to increase deterrence against Russia, which implies higher odds of a military incident that causes financial market volatility. These types of incidents do not necessarily lead to war and the odds of full scale Russia-NATO war are very low.

American failure to respond would lead to a breach of trust within the alliance, a Russian strategic goal. Europe's simultaneous energy crisis and strategic crisis will lead to fiscal responses that will drive interest rates up.

Regardless of the media hype, the damage to risk asset prices has been contained as shown in the index returns table at the beginning of this note. For the first quarter, most of the damage to the major capitalization weighted indices happened in March. As of April 8, the actual decline in prices since their 52 week highs are negligible given what has transpired (Table 1).

Table 1

Index	First Quarter	March	Total Decline Since 52 Week High
S&P 500	-4.33%	-4.98%	-2.89%
Nasdaq 100	-6.96%	-4.68%	-4.79%
Russell 2000	0.89%	-5.00%	-3.34%
MSCI EAFE	-1.24%	-10.29%	-3.79%
Emerging Markets	-0.17%	-13.06%	-5.03%

Source: Bloomberg

As discussed last quarter, our clients' portfolios have been underweight the high momentum, high beta, and high valuation cohort of the US stock market. This had a positive impact on portfolio returns during the first quarter. Table 2 illustrates our clients' asset class returns versus their benchmarks for March and the first quarter.

Circling back, the largest macro factor influencing the financial markets for now is the number of ships transiting the Strait of Hormuz. The good news is that the second derivative (the rate of change) has turned positive as shown earlier in Chart 6. The bad news is that the apparent but tentative progress on the war front could easily fall apart (probably around 30% to 35% odds) and the situation could get a lot worse before it eventually gets better.

All parties to this war are constrained. Iran must show the world that it has a high pain tolerance and the ability to inflict serious damage in order to deter future aggression. It also does not want to abuse the leverage it has over the Strait. If it goes too far, it invites the wrath of the entire world. Yes, Iran can remain obstinate and aggressive on many fronts, but the Strait of Hormuz is not one of them.

Isreal – with a population of around 10 million – is a formidable enemy, but it lacks strategic strike capacity and the massive volume of munitions it would need to sustain a punitive air campaign against Iran – a much larger country with a population of around 90 million. The Country lacks strategic bombers and the heavy munitions required to destroy Iran's industrial capacity. Also, Isreal depends on US munitions and technology for offensive operations and will be at the mercy of the US when it comes to restocking.

Table 2

March	US Stocks	Foreign Stocks	Fixed Income
Average Asset Class Return	-3.73%	-5.34%	-0.24%
Index Return	-4.97%	-10.29%	-1.76%
Difference	1.24%	4.95%	1.52%
Std. Dev. Of Sample	*0.55%*	*0.50%*	*0.37%*

First Quarter	US Stocks	Foreign Stocks	Fixed Income
Average Asset Class Return	-0.33%	2.72%	0.85%
Index Return	-3.96%	-1.26%	-0.50%
Difference	3.63%	3.98%	1.35%
Std. Dev. Of Sample	*1.02%*	*1.62%*	*0.28%*

I think the most likely scenario is that Trump declares victory and the area of conflict becomes sequestered into a smaller kinetic theater with an acceptable equilibrium that allows goods to flow through Hormuz. The process appears to have already started as the number of strikes by Iran against Isreal has increased while the number of strikes against the Gulf states decreased during the month of March. This has been the history of Middle East conflicts. They usually become contained and irrelevant to financial markets.

Longer term, the impact on commodity security, supply and prices exposed by war in the Middle East and Russia's invasion of Ukraine cannot be ignored. It will accelerate countries' efforts to become less dependent on imported energy and more focused on domestic energy production – whether the energy production is "clean" or not. Nuclear energy has the greatest potential impact on the problem. It is an investment theme we are considering for our clients' portfolios.

While I believe the highest odds scenario is that the US ends its war with Iran – probably around 65% to 70%, the 30% to 35% odds that the situation escalates has us staying defensive heading into the second quarter. There is just way more downside potential if the situation escalates than upside potential if the conflict winds down.

As always, we thank you for the confidence you have placed in us. Please do not hesitate to contact me if you would like to discuss any of this in more detail.

Brant Kairies
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