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## 2026 First Quarter Newsletter and Outlook<sup>1</sup>

BY MICHAEL C. STALKER, CFA

In this quarter's newsletter I'm introducing a high-level historical thematic framework and how it affects my investment strategy.

The framework is authored by Ray Dalio, founder of the world's largest hedge fund, Bridgewater. Bridgewater became so large due to its track record of identifying macro-economic themes and profiting from investments tied to those themes. Dalio's book, *Principles for Dealing with the Changing World Order*, describes the cycle of change as a rise and fall of empires and the stress factors that act as accelerants. My recent newsletters have described some of these themes, concluding we are in a high-risk environment.

Dalio<sup>2</sup> proposes five forces that shape the big picture:

- Money, debt markets, economy: Confidence that a country is financially sound
- Internal order / disorder / conflict: Precipitated by large wealth gaps and deep political division
- Geopolitics: International world order / stability / instability. Now shifting from a US-led multi-national world order to a transactional / increased conflict / might makes right order
- Acts of nature: Severe droughts, floods, and pandemics kill more people and topple more world orders than wars
- Technological change: Disruptions eventually improve standard of living (unless you are in the disrupted class); biggest influence 'over long periods of time'

Dalio also details the six stages of a nation's existence:

1. New Order
2. Rise and Prosperity
3. Peace and Prosperity
4. Bubble Phase
5. Pre-Breakdown
6. Great Disorder

My two previous newsletters discussed in depth the high-risk outcomes that AI technology presents. This newsletter will use Dalio's framework to focus on the Israel / US vs. Iran War and its geopolitical risks.

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Dalio's view (and mine) is that we have entered the sixth and most dangerous phase, The Great Disorder. This stage is characterized by a high-risk environment of conflict and rapid adverse changes. The inflection point for markets comes when enough people decide they need to cash in and run for cover. The use of debt to purchase investments forces liquidations as the lenders sell to protect their loans from losses.

Over the past five years, we have seen all five forces increase in severity. The COVID pandemic, domestic political risks, and AI are examples from previous newsletters. The multi-year office building price collapse is an excellent example of how Acts of Nature and Technological Change Forces quickly manifested: COVID and Zoom technology combined to permanently drop the need for office space. We are now seeing office buildings lose 30% to 95% of their previous value. Some office building owners with loans have lost all their equity and banks have foreclosed. A decade ago, such an outcome would have been unimaginable. AI's replacement of knowledge workers will further gut demand, although AI company office space demand has surged in some markets like San Francisco. This newsletter will turn to the Geopolitical Force.

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## Iran War: What Is It Good For?

Following the collapse of the Ottoman Empire, the Middle East has endured a volatile, century-long struggle over territorial sovereignty, sectarian identity, and resource control, driven by intersecting forces of local nationalism, foreign intervention and proxy wars, and the enduring Israeli-Palestinian conflict. Since its revolution to overthrow the Shah in 1979, Iran has been a destabilizing factor across the Middle East.

The US claims this war is necessary to deny Iran the ability to obtain nuclear weapons. Israel sees Iran as an existential threat because Iran has committed itself to Israel's destruction.

## Iran's Nuclear Program

Since the world discovered Iran's secret nuclear program in 2002, Israel and western nations have tried to contain it through negotiation, assassinations, cyber-attacks, and covert operations. After the moderate Hassan Rouhani was elected president of Iran in 2013, western nations found an opportunity to negotiate a halt to Iran's ability to develop nuclear weapons material.

The Joint Comprehensive Plan of Action (JCPOA) was signed in July 2015 between Iran and six world powers (the United States, United Kingdom, France, Germany, Russia, and China). JCPOA was the most intrusive nuclear nonproliferation agreement ever negotiated. Its terms were specific, verifiable, and verified: Iran's uranium enrichment was capped at 3.67 percent — far below the 90 percent required for weapons-grade material. Its stockpile of enriched uranium was limited to 300 kilograms, a fraction of what would be needed for a single weapon. The number and type of centrifuges Iran could operate were strictly capped. The heavy water reactor at Arak, which could have produced plutonium suitable for weapons, was redesigned under international supervision to eliminate that capability. And the International Atomic Energy Agency (IAEA) maintained continuous monitoring through the most comprehensive inspection regime in the history of nuclear nonproliferation — including access to undeclared sites on short notice.

The IAEA certified, repeatedly and unambiguously, that Iran was in full compliance with these terms. Iran's breakout time — the period needed to produce enough fissile material for a single weapon — was extended from an estimated two to three months before the deal to at least twelve months under JCPOA's terms.

The deal also opened a diplomatic channel. Iran's moderate president, Hassan Rouhani, had staked his political credibility on the agreement and its promise of sanctions relief and economic reintegration. The JCPOA was, in effect, an investment in Iranian moderates — a bet that engagement and economic incentive could achieve what coercion and isolation had not.

On May 8, 2018, President Trump withdrew the United States from the JCPOA, calling it “the worst deal ever.” His stated reasons were fourfold, yet unrelated to the current containment of Iran's nuclear program. He said the deal did not address Iran's ballistic missile program; it did not constrain Iran's regional proxy activities through Hezbollah, the Houthis, Hamas, and other groups; its sunset provisions would eventually allow Iran a pathway to enrichment; and he could negotiate a better deal.

Trump replaced the JCPOA with a “maximum pressure” campaign of escalating economic sanctions. Secretary of State Mike Pompeo articulated twelve conditions for a new agreement — demands so expansive that they amounted to a requirement for Iran's complete strategic capitulation. These conditions included the cessation of uranium enrichment, the dismantling of Iran's ballistic missile program, the withdrawal of all forces from Syria, the end of support for Hezbollah and Hamas, and the release of all detained Americans. This is Trump's ‘Art of the Deal’, maximalist negotiating strategy. It didn't work, and it had the opposite effect. In 2020 after a targeted US drone attack killed a top Iranian general, Iran backed away from its nuclear promises.

Joe Biden became President in 2021 and pledged to restore the JCPOA, calling Trump's withdrawal a “dangerous failure.” Iran was in a cooperative posture; its conditions were achievable. However, the Biden Administration failed to restore the JCPOA. The failure unfolded in four phases:

- Phase 1: the sequencing trap. Rather than rejoining immediately, Biden insisted both sides must return to compliance simultaneously — rejecting Iran's argument that the party that withdrew first bore the obligation to act first. Indirect talks didn't begin until April 2021, nearly three months in.
- Phase 2: the Raisi election. Biden's delay cost him the window. Iran's June 2021 election brought hardliner Ebrahim Raisi to power, replacing the moderate Rouhani who had staked his political credibility on the JCPOA. Iranian moderates, who couldn't show voters any benefit from diplomacy, lost.
- Phase 3: the IRGC (Iranian Revolutionary Guard Corps) designation. A near-complete 2022 draft agreement collapsed over Trump's 2019 designation of the IRGC as a Foreign Terrorist Organization — a label the Arms Control Association called “symbolic” and “a Trump trap for Biden,” providing no additional enforcement tools while making sanctions removal politically radioactive.
- Phase 4: external shocks buried remaining space. The Mahsa Amini crackdown, Iran's Shahed drone supply to Russia, and the Hamas attack on Israel on October 7 each destroyed the political environment for engagement. By December 2023, Biden's State Department had concluded the JCPOA was dead. Iran's enrichment stockpile was then 22 times the JCPOA limit.

To be clear, Iran bears responsibility for its destabilizing Middle East aggression. Iran’s nuclear escalation — to 20%, then 60% enrichment, uranium metal production, and accelerated centrifuge installation — was well planned. Each step created “irreversible knowledge gains” that eroded the nonproliferation value of any future deal. Moreover, the IRGC drone supply to Russia, the brutal Amini crackdown, and the pattern of reducing IAEA cooperation while demanding sanctions relief made Western engagement politically impossible regardless of American goodwill. Both sides allowed domestic politics to override nonproliferation imperatives in a self-reinforcing cycle.

In June 2025, the IAEA declared that Iran was two weeks from weapons-grade enrichment — a threshold the JCPOA had been specifically designed to prevent and that Trump’s maximum pressure campaign had accelerated. Israel launched strikes on June 13; the United States joined on June 22 with Operation Midnight Hammer, deploying B-2 stealth bombers with bunker-buster munitions against subterranean facilities at Fordow and Natanz, while submarine-launched cruise missiles struck Isfahan. Trump claimed the operation had “completely and totally obliterated” Iran’s nuclear enrichment facilities. The intelligence community, however, assessed the program was set back by “a matter of months.”

The administration pursued parallel diplomatic and military tracks through the fall and winter of 2025-2026, engaging in indirect negotiations through Omani mediators while maintaining military pressure.

The diplomatic track showed promise. Three rounds of talks took place in February 2026.

Table 1

## Timeline of Nuclear Negotiations

| Date   | Location       | Development   |
|--------|----------------|---|
| Feb 6  | Muscat         | Round 1 — Omani-mediated indirect US-Iran nuclear talks.  |
| Feb 17 | Geneva         | Round 2 — Both sides agreed to exchange draft proposals   |
| Feb 26 | Geneva         | Round 3 — Iran presented proposal including down blending the 60% enriched uranium stockpile, no accumulation of enriched uranium gas, broad IAEA oversight. Oman’s FM assessed “substantial progress.” <b>Both sides agreed to send technical teams to IAEA HQ on Monday, March 2.</b>   |
| Feb 27 | Washington, DC | Omani Foreign Minister, Badr Albusaidi met Vice President JD Vance and other U.S. officials to brief them on the Geneva talks and argue that the negotiations had made significant progress. The Guardian later reported that he went to Washington because Oman believed Witkoff and Kushner were not accurately conveying how close the talks were to a breakthrough. |
| Feb 27 | —              | Trump said he was “not happy” with the talks and had not made a final decision on strikes.  |
| Feb 28 | —              | The United States and Israel attacked, effectively ending the nuclear negotiation track.  |

Iran’s Geneva proposal was not a vague expression of willingness to negotiate. It was a specific, written offer. Oman’s foreign minister, who mediated the talks, assessed “substantial progress.” Both sides agreed to send technical teams to IAEA headquarters the following Monday.

The US bombing campaign ended the talks on February 28. The Arms Control Association’s (ACA) assessment, published March 11<sup>3</sup>, was unambiguous: “By the time the third round of talks ended in Geneva, Trump had likely already made the decision to go to war. It is unlikely that any outcome short of complete Iranian capitulation to U.S. demands at the negotiating table would have averted the strikes.”

The ACA-obtained transcripts of post-attack briefings by Special Envoy Steve Witkoff, the lead US negotiator, revealed that the chief American representative at the table:

- Did not understand that Iran’s Tehran Research Reactor (TRR) fuel stockpile was documented and tracked by the IAEA
- Called Natanz, Fordow, and Isfahan “industrial reactors” (they are not)
- Expressed surprise that Iran produces centrifuges (it has for decades)
- Prematurely dismissed Iran’s proposal based on a misunderstanding of the Tehran Research Reactor
- Stated Iran had been “testing for weaponization since 2003” — directly contradicted by the 2025 US Intelligence Worldwide Threat Assessment, which stated Khamenei had not reauthorized the weapons program suspended in 2003

The US account, as articulated by Witkoff, is that Iran opened the final Geneva talks by insisting on its “inalienable right to enrich uranium,” rejected the US zero-enrichment proposal, and that Iranian negotiators boasted their 460-kilogram stockpile could produce eleven nuclear bombs. Under this account, Iranian intransigence left no viable diplomatic path.

The Iranian account — and the account of multiple Western diplomats with direct knowledge of the Geneva talks — is materially different.

Omani Foreign Minister Al-Busaidi stated on February 27 that a “breakthrough” had been reached: Iran had agreed to never stockpile enriched uranium and to full IAEA verification. Diplomats with knowledge of the exchanges stated that Witkoff misrepresented the key exchange. CSIS (Center for Strategic and International Studies) confirmed the core disagreement: the gap between “zero enrichment” (US) and “enrichment as an inalienable right” (Iran’s declared position) had not been bridged, but what was disputed was whether a transitional arrangement — stockpile down blending, enhanced IAEA oversight — had been agreed as an interim framework. Note: nuclear reactors used for power generation are typically enriched up to 5%. Currently, 10% enrichment is being reviewed for some applications. Thus, there are enrichment levels that comport with peaceful use.

The Omani foreign minister – the mediator — flew to Washington to personally correct what he believed was Witkoff’s misrepresentation of the talks to Trump. UK National Security Adviser Jonathan Powell, present at Geneva, judged a deal “within reach.” A Gulf diplomat and other parties with direct knowledge contradicted Witkoff’s characterization directly.<sup>4</sup>

## Conflicts of Interest

Joe Kent, the Trump-appointed National Counterterrorism Center (NCTC) director, resigned in protest of the Iran war — stating explicitly: “Iran posed no imminent threat to our nation, and it is clear that we started this war due to pressure from Israel and its powerful American lobby.”

Israel did aggressively pitch the administration on getting involved... Yet, there's more to it than that. The ‘powerful American lobby’ is, in substance, Kushner and Witkoff (not named by Kent) who are heading up the US / Iran negotiating team. Both individuals have troubling conflicts of interest.

Several credible sources confirm that Crown Prince Mohammed bin Salman (MBS) had multiple phone calls with Trump urging the attack, and that Saudi Arabia and Israel lobbied Trump repeatedly in the weeks preceding the strikes. Iran supports the Houthi rebels in Yemen and Saudi Arabia, and competes with Saudi Arabian oil exports to China.

MBS, through his control of the Saudi Public Investment Fund (PIF, \$941 billion in assets), committed \$2 billion, and potentially another \$5 billion, to Jared Kushner's Affinity Partners. This investment was made in 2021 despite PIF's screening committee recommending a rejection of the deal, citing “inexperience, ‘excessive’ fees, due diligence operations ‘unsatisfactory in all aspects,’ and ‘public relations risks.’” MBS overruled the committee.

Kushner's relationship with the Saudi PIF pays him \$25+ million per year in management fees. The US Senate Finance Committee estimates Kushner will be paid \$137 million in cumulative management fees from the Saudi PIF by August 2026 (another source cites up to \$157 million). Kushner was conducting negotiations to prevent a war that the Crown Prince, his client, was actively lobbying for.

Furthermore, billionaires Witkoff and Kushner are personal friends of Netanyahu. Netanyahu provided Witkoff with daily pre-war coordination including a Mossad chief and a golden pager commemorating the Hezbollah pager bombs operation. For Kushner, Netanyahu has been a family friend for decades. Charles Kushner, Jared's father, was a top donor to Netanyahu. He is currently ambassador to France.

Iran's Foreign Minister Araghchi publicly connected the Kushner fundraising story to his statement that “those providing poor advice to POTUS are responsible for bloodshed.” Later, Iran insisted on having Vice President Vance on the US negotiating team.

Meanwhile, Israel is getting its strategic needs met. It realistically sees its enemies as never going away and has adopted a strategy called ‘mowing the grass’. To mitigate its risk, it must periodically attack its enemies' war fighting capabilities. Having the US as military partner is as good as it gets for Israel.

Netanyahu persuaded Trump to join the June 2025 attack. Trump and team, emboldened by the success of the muscular June 2025 Iran attack and the tactically brilliant Venezuela operation which Trump had recently touted as templates, were then persuaded in the February 11 Situation Room meeting that Iran was ripe for regime change and that a joint attack would topple the government — a claim the US intelligence community's own assessments did not support and the Trump administration's own advisers privately called “farfical” and “bullshit” per New York Times reporting on April 7. Only Vice President Vance reportedly voiced reservations.

On the day of the strikes, Trump's posted on Truth Social:

*"Finally, to the great proud people of Iran, I say tonight that the hour of your freedom is at hand. Stay sheltered. Don't leave your home. It's very dangerous outside. Bombs will be dropping everywhere. When we are finished, take over your government. It will be yours to take. This will be probably your only chance for generations. For many years, you have asked for America's help. But you never got it. No president was willing to do what I am willing to do tonight. Now you have a president who is giving you what you want. So, let's see how you respond."*

Trump projected a heroic movie-style ending with an out for himself: If it doesn't work, it's the Iranian people's fault. Once reality set in, Trump's administration quietly walked back regime change as a "core objective".

### Spinning the Isfahan Uranium Retrieval Operation as a "Pilot Rescue"

Lt. Gen. Jeffrey Kruse, Director of Defense Intelligence Agency, was fired August 22, 2025. Kruse's DIA produced the intelligence assessment (mentioned earlier) that angered Trump by concluding Iran's nuclear program had been set back only "a matter of months" by Operation Midnight Hammer. CNN reported: "Hegseth has fired a general whose agency's initial intelligence assessment of damage to Iranian nuclear sites from U.S. strikes angered President Donald Trump."<sup>5</sup>

Kruse's assessment would be proven correct; the nuclear capabilities of Iran were mostly intact.

Trump's public rationale to No Iran Nuclear Capability put the administration in a position to try to recover Iran's highly enriched uranium (HEU).

Before the April 2026 Isfahan operation, credible reporting had already described an HEU seizure option as under consideration<sup>6</sup>. Such an operation would require: breaching active tunnels in a contested war zone against IRGC defenders, locating the full stockpile within an unknown tunnel geometry, and safely extracting or neutralizing material in a hostile environment where UF<sub>6</sub> gas is both toxic and radiologically complex. The arms control community was unanimous: if the US wanted to secure Iran's nuclear materials, it would require a massive ground operation with no guaranteed success and irreversible escalatory implications.

The closest precedent is Project Sapphire (1994), when 600kg of HEU was removed from Kazakhstan. Sapphire required months of planning, **full host-country cooperation**, 448 specialized containers, three C-5 transports, and 28 days on the ground packing up and loading the HEU.

The April Isfahan operation was not a "massive ground operation." It was comprised of 155 aircraft, SEAL Team Six, and Delta Force deep inside Iranian territory in an attempt to recover Iran's HEU. At a Forward Arming Refueling Point (FARP) established near Iran's bombed Isfahan nuclear complex, elite US ground forces under air support were deployed in a high-risk attempt to retrieve the 440kg of 60%-enriched uranium still in underground tunnels at Isfahan. That mission failed as US forces came under heavy Iranian fire and had to retreat leaving two MC-130Js and four MH-6/AH-6 Little Birds destroyed.

Table 2

## Managing the Narrative

| Claim                                       | US version                           | Iran version   | Cross-verified                               |
|---|--------------------------------------|--|--|
| Pilot was rescued alive                     | Yes                                  | Yes (as secondary mission only)                                      | Confirmed                                    |
| Two MC-130Js destroyed                      | Yes (by US forces, stuck in sand)    | Yes (by Iranian fire)  | Destruction confirmed, <b>cause disputed</b> |
| Four Little Birds destroyed                 | Yes (by US forces after use)         | Yes (some by Iranian fire, some “destroyed inside the second C-130”) | Destruction confirmed, <b>cause disputed</b> |
| Two HH-60W helicopters hit                  | Yes (small arms fire, landed safely) | Implied (no specific claim)  | Confirmed                                    |
| One A-10 lost                               | Yes (crashed in Kuwait)              | Reported   | Confirmed                                    |
| Nuclear infiltration was the real objective | No (pilot rescue)                    | Yes (PressTV, Defence Security Asia)                                 | <b>Disputed</b>                              |
| Iranian forces set an ambush                | No (pilot evasion narrative)         | Yes (let first C-130 land, engaged second)                           | <b>Disputed</b>                              |

Rather than admit the operation’s failure, Trump rebranded it into a rescue mission on the Truth Social platform and in interviews:

*“This brave Warrior was behind enemy lines in the treacherous mountains of Iran, being hunted down by our enemies, who were getting closer and closer by the hour, but was never truly alone because his Commander in Chief, Secretary of War, Chairman of the Joint Chiefs of Staff, and fellow Warfighters were monitoring his location 24 hours a day, and diligently planning for his rescue.”*

*“Such a rescue has never happened before in so violent an enemy territory. It is usually not done because it is considered not doable.”*

*“The rescue was an Easter Miracle. The enemy was large and violent. The rescuers were brilliant, strong, decisive, and as cool as anyone can be.”*

## Nuclear Proliferation: Iran and Beyond

The Iran War (Operation Epic Fury) is not achieving its stated nuclear objective — and the proliferation cascade it has triggered is accelerating. Four War on the Rocks nuclear experts<sup>7</sup>, including American Enterprise Institute’s Kyle Balzer, concluded the war will likely increase Iran’s incentive to weaponize.

Furthermore, the Trump-initiated trade wars / US pullback from NATO has European countries rethinking their own nuclear posture. Countries are taking their cue from North Korea, which would be economically irrelevant on the global stage were it not for its nuclear arsenal which has been enhanced by Russian technology transfers. The action taken to prevent a nuclear Iran may be the defining event that makes increasing nuclear proliferation inevitable.

The Trump White House submitted a report to Congress on sharing enrichment technology with Saudi Arabia. Poland is seeking nuclear weapons. 76% of South Koreans support an indigenous capability. The Doomsday Clock<sup>8</sup> is set at 85 seconds to midnight, the closest it has ever been to catastrophe.

Also, Israel has had nuclear weapons since 1967, and it possesses a nuclear weapons delivery triad: missiles, planes and submarines.

I wonder why we are not talking about Israel's robust deterrence posture from a MAD (Mutually Assured Destruction) perspective. This is the posture that has underlined the Russia vs US nuclear arms possession vs use, although we have come dangerously close to nuclear war on more than one occasion.

## The Expanding Blast Radius of the Iran War: Second and Third Order Consequences

The job of an analyst is to try to understand a succession of consequences as a probability / time frame / severity function. If This, Then What? Then What After That ?, etc. Some outcomes are more likely than others, and some outcomes are much more severe than others. Some outcomes are felt immediately, and some are delayed. Some are positive and some negative. The process is dynamic as a situation evolves. There are path-dependences, meaning that once certain actions take place, they can't be reversed; like going down a one-way street on which you can't turn around.

In Dalio's framing, we are witnessing the disintegration of the world order. Stage 6 is the phase in which world wars occur. The second and third order consequences are looming large. The stock market is doing its best to ignore the war (focus on AI and strong earnings) while the bond market is focused on the war's proliferating economic risks. Interest rates are rising in response.

## The Great Disorder (Stage 6)

- Ukraine / NATO vs. Russia / North Korea
- Israel / US vs. Iran / Russia / China

**Russia and China are active co-belligerents, not observers.** The super-powers are descending into war by proxy, in Ukraine since 2022, and now in Iran. Russia is providing real-time satellite targeting intelligence on US warship locations (Washington Post, three US officials; NBC, CNN, RFE/RL independently) and conducting phased drone resupply to Iran (Financial Times, FDD Long War Journal, British Defense Secretary publicly). Before the war, Reuters reported that Iran was close to a deal with China to buy CM-302 supersonic anti-ship cruise missiles, though no delivery date or quantity had been confirmed. Reuters also reported discussions over other Chinese air-defense, anti-ballistic, and anti-satellite systems<sup>9</sup>. Separately, U.S. sources and later reporting indicated Chinese support or potential support in areas such as BeiDou access, dual-use components, MANPADS, and radar systems. The trilateral China-Russia-Iran pact, signed January 29, 2026, formalized these channels.

The Iran war is the first large-scale combat trial of Chinese military systems against the US military. The US lost two AWACs (eyes in the skies) planes on the ground — one destroyed / other inoperable (est. \$500-700 million each, replacements no longer available) — to Chinese-assisted targeting. Chinese ISR (Intelligence, Surveillance, Reconnaissance) and navigation systems are performing while it tests their ability to detect US stealth bombers / fighters. Their kinetic defensive systems have underperformed. This allows China to conduct a failure analysis on its own hardware at American expense — with direct Taiwan contingency applicability — 12 months before China's stated 2027 'readiness window' (the point at which China's military would be capable of, but not necessarily commit to, an invasion of Taiwan).

Furthermore, stockpiles of sophisticated US weapons have been significantly depleted defending against Iranian drone attacks, while their replenishment time is measured in years. The US cost disadvantage is terrible; the US is using \$2,000,000 weapons to shoot down \$30,000 Iranian drones.

## US Led Alliances Are Being Replaced

NATO allies have refused to join an operation planned and executed without them. In the context of Dalio's external 'Great Power Conflict' force, this is the moment when the alliance system stops being a force multiplier and starts being a negotiation. Fifty-one nations organized a Hormuz response coalition — UK and France led the Paris conference on April 17 and a military planning meeting at Northwood on April 22 — without requesting US direction. The US separately pitched allies on a joint naval force; New Zealand said it received the proposal but would only support a US-led coalition if a sustainable ceasefire was in place first. Allies are now attaching conditions to US-led participation that the US has not met. A parallel multilateral security architecture is forming outside US leadership for the first time since 1945.

Meanwhile Trump is throwing 'offers' against the wall to see if anything sticks. He announced Project Freedom (escorting merchant ships through the Strait of Hormuz) in a Truth Social post and framed it as humanitarian 'we have told these Countries that we will guide their Ships safely out of these restricted Waterways.' Safe passage was implied to be a military escort, but in fact it was only advice on safer routes. Iran called his bluff and attacked a Korean ship, and the US responded by sinking some fast-boats. Trump called for a pause on Project Freedom.

The Strait of Hormuz closure is not a temporary shock. Iran has demonstrated the ability to sustain it through sea mines, drone threats, and selective passage policies. Qatar's five-year LNG force majeure warning signals the energy industry is pricing in prolonged disruption. As Hormuz remains contested for months rather than weeks, the second-order effects on gas prices, Asian manufacturing costs, global fertilizer supply chains and food costs compound to increase inflationary pressure.

The United States and Israel are fighting different wars. After failing to stop Iran's nuclearization in a joint US/Israel bunker busting attack in July 2025, the US shifted to a hoped for and failed US attack to trigger an uprising of the Iranian people, and it now seeks a 'negotiated' nuclear constraint and a quick exit, which is also failing.

Israel, on the other hand, seeks comprehensive degradation — an assassination campaign "without real precedent" in modern warfare<sup>10</sup> that by Day 30 had killed approximately 30 senior officials including every potential American negotiating partner.

These strategies are incompatible. Israel's war aims to systematically destroy what America's exit requires. Trump acknowledged this directly: "I had successors in mind after strikes on Iran, but they were all killed."

However, if one reframes ‘America’s interests’ as the special interests of billionaires in or supporting the Trump administration, it all makes a lot more sense.

This war fits Ray Dalio’s Stage 6 of the Big Cycle. The breakdown of international rules, the shift to raw power, the weaponization of economic interdependence, the breakup of alliances, and internal political polarization driving external aggression — all are characteristic of Dalio’s “Great Disorder.”

The Munich Security Conference 2026 report, titled “Under Destruction,” also explicitly validates Dalio’s framework. The Iran war, the Trade war, and the Russia / Ukraine war are examples of a world order in chaotic transition.

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## Bottom Line

I am managing your portfolio to neutralize the effect of this war as much as possible. Although interest rates have risen (depressing bond prices) and equities have been volatile, you are invested in very short-term US Treasury bills aka ‘safety play.’ Those prices are stable.

The Iran war is a volatility event with risks that current markets have not fully priced. The stock market has shifted attention away from the Middle East conflict to AI-fueled growth. Previous newsletters have discussed the mostly unpriced risks of AI transition, a massive technology transition that is one of Dalio’s 5 forces. None-the-less, the AI buildout / adoption has fueled enormous spending, economic growth and earnings gains for its beneficiaries which is what the stock market is responding to.

Your portfolio is invested so that you need not worry about the financial risks exacerbated by the war. There are investors who like to try to take advantage of war-related ‘opportunities’ or believe that war impacts will not be meaningful 12 months from now. Please let me know if you would like to discuss this type of investment strategy. [michael@mcsfwa.com](mailto:michael@mcsfwa.com) or 541-345-7023.

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## Endnotes

- <sup>1</sup> Disclaimer: The information in this newsletter does not describe every aspect of our investment advisory services nor does it contain all of our performance records, and it is intended for residents of the United States. Information provided is obtained from sources we believe to be reliable but is not guaranteed. Nothing in this publication should be construed as investment, tax, or financial advice. MCS Family Wealth Advisors® is owned by MCS Financial Advisors, LLC (MCS), an investment adviser registered with the United States Securities and Exchange Commission. We only conduct business where properly registered or exempt from registration.
- <sup>2</sup> <https://www.youtube.com/shorts/ql-UGzUCLwc>
- <sup>3</sup> <https://www.armscontrol.org/blog/2026-03-11/us-negotiators-were-ill-prepared-serious-nuclear-negotiations-iran>
- <sup>4</sup> <https://responsiblestatecraft.org/witkoff-iran-war/>
- <sup>5</sup> <https://www.cnn.com/2025/08/22/politics/hegseth-fires-head-of-defense-intelligence-agency>
- <sup>6</sup> <https://www.theguardian.com/world/2026/mar/10/us-weighs-sending-forces-into-iran-to-secure-nuclear-stockpile-reports-say>
- <sup>7</sup> <https://warontherocks.com/the-war-in-iran-and-implications-for-the-nuclear-non-proliferation-regime/>
- <sup>8</sup> <https://thebulletin.org/doomsday-clock/timeline/>
- <sup>9</sup> <https://www.reuters.com/world/china/iran-nears-deal-buy-supersonic-anti-ship-missiles-china-2026-02-24/>
- <sup>10</sup> <https://www.meforum.org/mef-online/israel-cant-assassinate-its-way-to-victory-over-iran>