

## 04.15.2026 – Market Update – How Does One Trade a War?

Folks, if you picked “Start a Middle East war with a US blockade of the Straits of Hormuz” on your bingo card, then you are a winner. It wasn’t on my card.

It’s been about 6 weeks since bombs started falling on Tehran. I think the adage from the philosopher Mike Tyson is proving apt – “Everyone has a plan until they get punched in the face.” I’m not sure the powers that be (TPTB) are getting the reaction they thought would happen. Iran is not Venezuela. Regardless, this note is not about the good or the bad of the action. It’s about what’s going on w/ the markets and your money.

The major US stock indexes have mostly recovered on the bounce from very negative sentiment are about flat on the year, and world indexes, which were up 10%+, have also generally recovered. Bond indexes, on the other hand, remain down considerably as interest rates have risen. The situation, in my opinion, despite the “ceasefire’ and stock market rebound, remains “poor” from a longer-term stock and bond market perspective. Relatively little oil is flowing as of today (04.13.2026) and it doesn’t look like the full amount is going to resume anytime soon.\* One chart making the rounds is the one below showing how markets have performed after other geo-political events. To a certain degree, we are following form. I think Trump has one eye on Iran and another on the markets. He doesn’t want a situation like the 1973 oil embargo, which sparked a stock market decline of about 45%.

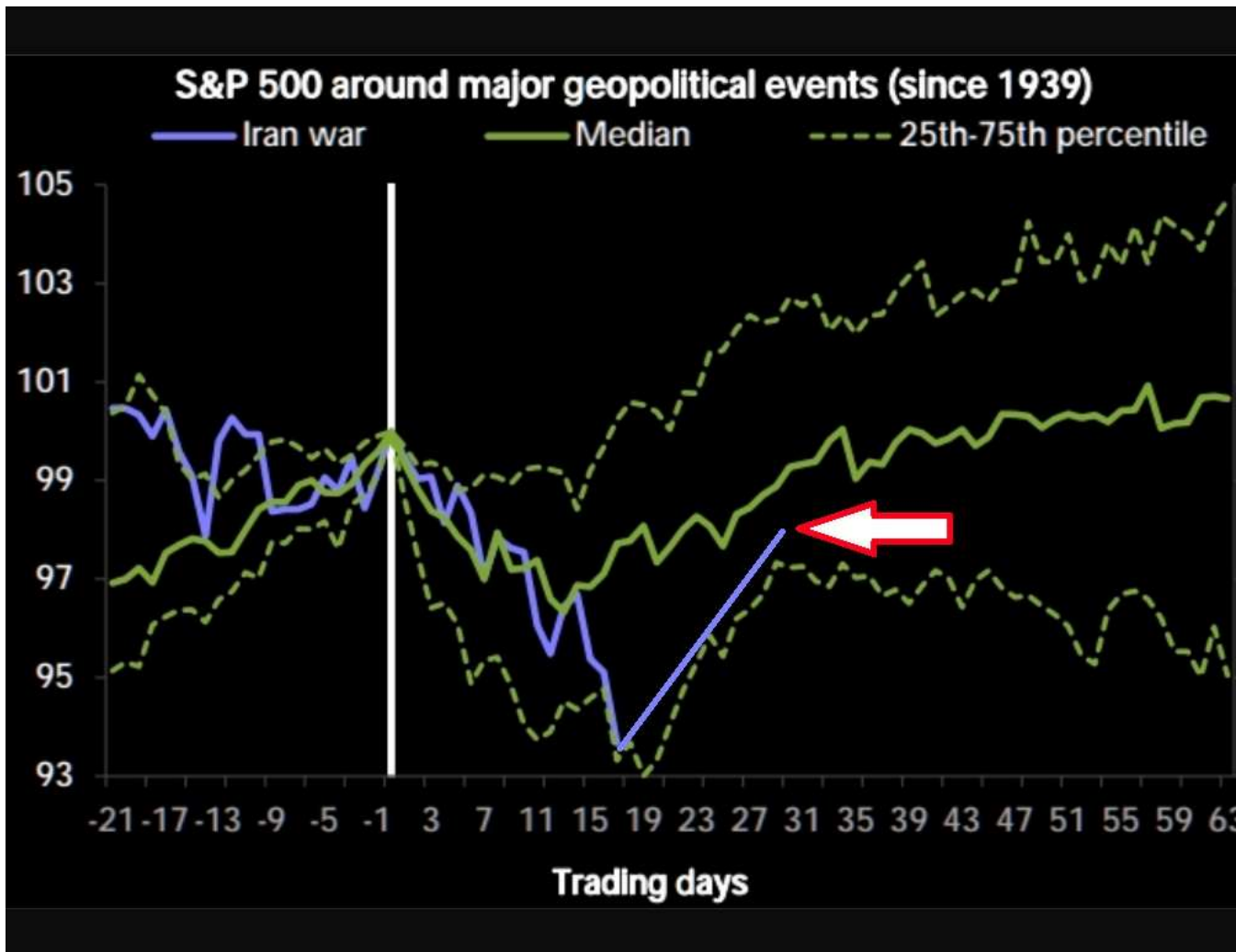
\*<https://www.zerohedge.com/geopolitical/pakistan-streets-lockdown-iran-delegation-arrives-us-talks-fighting-hasnt-ceased>

<https://www.zerohedge.com/markets/stock-market-precedent-arab-israeli-war-bleak>

(Source for all data: Yahoo Finance)

In the chart, the white line is the start of the war/geopolitical event. The purple line is our current market while the solid olive green line shows the average of all events of this type. We are now a bit above the bottom 75<sup>th</sup> percentile, which may not be good as those have generally tracked downward from here. One “positive” note – the “One Big Beautiful Bill” has increased the size of the average tax refund,<sup>^</sup> which may be one reason stock markets and spending have been resilient. Something important to understand – high oil prices don’t necessarily result in a recession. It just means money is spent differently, causing some businesses to suffer while others prosper.

<sup>^</sup><https://www.zerohedge.com/the-market-ear/tax-refunds-14-higher>



Of course, the volatility is due to the oil price spike for “WTI” (west Texas Intermediate) from the low \$60s to above \$100 and now in the middle \$90s (04.13.2026 - Source: Oilprice.com) along with rising interest rates. Oil prices elsewhere may be considerably higher for oil that needs to be bought “today” rather than delivered in the next few months.\*\* Some barrels reached \$170 for a few days. While we all wish we could subsist on solar power and windmills, the reality is, without oil, the world stops and it will be that way for decades. Rationing has begun in parts of the world, particularly SE Asia,\* which is a major producer of semis and other tech products. The issue may go from rising prices to not having product at any price, which means shutdowns of factories and layoffs and the repercussions of those actions. Not trying to be apocalyptic. I was bullish on this year up until a month ago. But now, there are many “known unknowns.” As mentioned, I believe the response from Iran was “mis-underestimated” and the situation could drag on far longer than TPTB hoped it would. Historical data shows that, when there’s a price spike of this nature, it generally takes 2-4 years^ for prices to return to where they would have been had the geo-political event not occurred. In this situation, there has been significant damage to infrastructure in the Middle East. Rebuilding will take time and money and will be challenging to start until the war is truly over.

\*<https://www.cnn.com/2026/03/25/asia/asia-hormuz-energy-austerity-fuel-intl-hnk>

^ <https://www.zerohedge.com/energy/jpmorgan-analyzed-all-oil-and-gas-damage-gulf-here-complete-list>

\*\*<https://www.zerohedge.com/commodities/whats-behind-huge-divergence-global-oil-prices>

As to investing – this is just another reason I’m quite happy much of our money is in “structured contracts.” While gains accruing during one’s current term could decline, what’s nice to know is there is either complete or substantial protection should markets resume their fall below where a contract

started. Using them also prevents “idiocy,” meaning selling out of fear and missing out on the rebound, which has occurred. Our managed accounts at Axos, that were up considerably in late February (4-6%), have fallen back, although not as much as the major indexes. All client accounts custodied at Axos that have been investing since Jan 1<sup>st</sup> remain positive.

Thank you for allowing us to be of service. Please contact Deena or me if you need anything.

Enjoy,

Thomas B. Paine

Paine Financial Services

[www.painefinancialservices.com](http://www.painefinancialservices.com)

Centaurus Financial Inc.

6627-A Bay Laurel Pl

Avila Beach, CA 93424

805-473-6679

805-258-5476 (fax)

Supervisory Branch Office: 1186 E. Grand Ave., Arroyo Grande CA 93420; 805-473-6670 California License #0703952

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