

First, I would like to apologize for the tardiness of this monthly update. I was hoping for a more concrete outlook for the US/Iran conflict, but that does not appear to be in the cards as of today. While not attempting to sound like a three-handed economist, my thought process as of this moment can change rapidly. With that in mind, I would like to look at the market through an even wider lens than normal.

Prior to the conflict, the economy in the US appeared to be in a deflationary boom or, potentially, an inflationary boom. Under either of those scenarios, financial assets tend to outperform. If deflationary, the Fed would cut rates and the yield curve would steepen. GDP would continue to hum along. In short, it would be pretty close to a Goldilocks scenario. If inflationary, stocks, precious metals, real estate, and commodities would flourish. The current conflict in Iran could upend both of those theses. Events are obviously fluid around the Strait of Hormuz, however, if it remains shut for a period of weeks or months the price of crude oil will spike far higher than the current \$100 per barrel. Elevated energy prices for a prolonged period would raise the specter of an inflationary bust. During an inflationary bust commodities, precious metals, and real estate would outperform. The word “stagflation” is gaining traction on social media platforms over the past few days. I would argue that stagflation is far from a certainty today, but it is certainly on my radar. In the words of a great group of economists, the economy is nothing more than energy transformed. When energy prices spike (especially when it is unexpected) things break. If the price spike is prolonged, that is when the real pain comes to a head for the economies of the world in the form of an inflationary bust.

The commonality in the mentioned scenarios is a high likelihood of commodities and precious metals outperforming. The focus of the program will continue to be on those items in particular.

Sincerely,



Stephen Davis  
March 9, 2025

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