



JAMES
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ECONOMIC
OUTLOOK

2026

2nd Quarter Outlook

An Indepth Forecast
of the Year 2026

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Executive Summary

The U.S.-Israel strikes on Iran have effectively closed the Strait of Hormuz, driving crude above \$100 per barrel, eliminating a fifth of global liquified natural gas (LNG) supply, and triggering a simultaneous fertilizer and food security crisis that markets are still underpricing. Financial markets reflect a bifurcated war economy: U.S. equities have held up on the surface while international indices, fixed income, and gold have borne the brunt of the selling. The stagflation read is forcing the Federal Reserve (Fed) toward a single cut in 2026 and a higher terminal rate.

The macro transmission mechanism is primarily inflationary rather than recessionary for the United States. The Fed's March 2026 projections now put both headline and core Personal Consumption Expenditures (PCE) inflation at approximately 2.7% at year-end, with the median Federal Open Market Committee (FOMC) path revised to just one cut in 2026. If triple-digit Brent crude is sustained, headline PCE could push toward 4% and core near 3%.

Beyond the direct energy shock, the war has rapidly evolved into a global food security crisis. Iranian attacks and gas shortages have knocked out large swaths of urea and nitrogen fertilizer production across the Gulf and South Asia, disrupting roughly half of the urea that would normally have been exported in recent weeks. Urea prices are already up 40 to 50% since the conflict began.

The business cycle composite has weakened into late-cycle territory. Labor markets, while gradually softening, continue to show underlying resilience. Consumers remain cautious but adaptable. The path forward hinges on mortgage rate stabilization, easing geopolitical tensions, and whether pockets of growth can anchor the economy against further deterioration.

Market Performance

As of March 25, 2026, prices across asset classes tell a consistent story: the conflict's inflation channel is already well-priced, but the growth toll remains contested.

U.S. Equities

The S&P 500 is down just 4.36% year-to-date and 4.98% since the war began on February 28 - a modest decline relative to the severity of the underlying supply shock.

Beneath the surface, the rotation is telling. Energy is the standout, up 37.9% year-to-date and 10.26% since the war started. Materials and Utilities have also outperformed, gaining 10.67% and 8.24% on the year respectively, consistent with a wartime fiscal and infrastructure premium.

Value broadly is up 2.17% year-to-date while Growth is down by over 9%. The Russell Top 50, the index's largest-cap constituents, is down 7.88% year-to-date, suggesting the mega-cap concentration that drove 2024 and early 2025 returns is actively unwinding. The Magnificent 7 is off 12.03% year-to-date. Financials have lost 9.4%, reflecting both rate uncertainty and tightening credit conditions, compounded in part by growing stress in the private credit market.

International Equities

The international picture is considerably worse. The MSCI World ex-USA Index is down 10.22% since the war started and MSCI Emerging Markets has lost 12.12% over the same period, despite sitting 0.95% above flat on the full year, a reflection of strong pre-war performance being rapidly erased. MSCI Europe is down nearly 8% since February 28. These numbers are consistent with the region-by-region exposure thesis: economies more dependent on Middle Eastern energy and LNG imports are absorbing a harder terms-of-trade blow than the U.S.

Fixed Income

The Bloomberg U.S. Aggregate Bond Index is down 0.25% year-to-date. Long-duration Treasuries, as measured by the iShares 20+ Year Treasury Bond ETF (TLT), have lost 4.23% since the war began, reflecting the market's stagflation read, inflation expectations rising faster than growth expectations are falling. High yield has been surprisingly contained, off just 1.78% since the conflict started, which likely understates the eventual credit stress if energy prices remain elevated into the second half of the year.

Commodities and Gold

Commodities are the unambiguous winner of the asset class scoreboard. The Bloomberg Commodity Index is up 23.3% year-to-date and 11.15% since February 28, and its one-year return of 27.11% confirms this is not simply a war-period spike but a secular repricing of physical supply constraints.

Gold is the most striking anomaly in the data. Spot gold is down 11.56% since the conflict began and 7.48% year-to-date, a stark reversal for an asset with a nearly 50% one-year return heading into the shock. Rather than behaving as a safe haven, gold has traded as a risk asset throughout the conflict, caught in the same broad deleveraging that has pressured equities and credit. The dynamic mirrors prior shock episodes, 2008, 2020, and 2022, when gold initially sold off alongside other assets before recovering once liquidity conditions stabilized. The mechanism is a “dash for cash” that drives investors to liquidate liquid, profitable positions to meet margin calls and reduce leverage. The traditional safe-haven role is likely to reassert itself once the acute liquidity phase passes and policy uncertainty peaks, suggesting gold’s tactical entry point may still lie ahead.

U.S. Dollar

The dollar has strengthened 2.35% since the war began and is modestly positive year-to-date, consistent with its safe-haven function in energy crisis episodes and its relative insulation versus energy-importing currencies, particularly the euro and yen.

The Iran Conflict, Energy Markets, and Second-Order Effects

Energy Markets

The coordinated U.S.-Israel strikes on Iran and Iran’s subsequent retaliation have produced the most significant disruption to global energy supply in the modern era. The Strait of Hormuz, a corridor that normally carries roughly 20% of global crude oil and LNG, has been effectively shut down, driving oil flows through the chokepoint to near zero. Gulf producers have been forced to cut output as storage fills with crude that has no outlet. Qatar’s shutdown of Ras Laffan, which supplies approximately one-fifth of global LNG, has compounded the damage.

Crude prices have surged from roughly \$67 per barrel at the start of the conflict on February 28 to over \$100, with brief spikes above \$120. November 2026 Brent crude

futures are pricing above \$85 as markets begin treating a prolonged conflict as the base case rather than a tail risk. The International Energy Agency reports that around 40 energy assets across nine Middle Eastern countries have already been classified as severely or very severely damaged.

Real Economy Pass-Through

The cost is already landing in the real economy. The U.S. Postal Service filed for an 8% fuel surcharge on package deliveries, a direct pass-through of higher diesel costs to households and businesses. In Asia and Europe, airlines have raised fares, added fuel surcharges, and begun adjusting schedules as jet fuel costs surge. The Philippines has warned that grounding planes due to jet fuel shortages is a distinct possibility. These are early invoice-level signals that the energy shock is moving through the economy faster than most forecasts have yet captured.

The Fertilizer and Food Security Crisis

Beyond the direct energy shock, the war has rapidly evolved into a global food security crisis. According to the Financial Times, Iranian attacks and gas shortages have knocked out large swaths of urea and nitrogen fertilizer production across the Gulf and South Asia, disrupting roughly half of the urea that would normally have been exported in recent weeks and leaving more than a million tons of product stuck in or near the Strait during the northern hemisphere’s planting season. The Middle East accounts for roughly a third of global urea exports and a large share of sulfur shipments used in phosphate fertilizers. Because nitrogen fertilizers underpin approximately half of global food production, the downstream risk is severe.

Urea prices are already up 40 to 50% since the conflict began. Unlike the 2022 episode, which began with a regional grain blockage before spilling into fertilizers and energy, the current disruption is hitting fertilizer production, export logistics, and the cost of fuel used to move and process food simultaneously. South Asia and sub-Saharan Africa are particularly exposed, given their dependence on imported LNG and fertilizer and limited fiscal capacity to buffer the shock. Economists broadly expect food inflation to re-accelerate and hunger to increase even before lower harvests show up in the data.

Regional Winners and Losers

The war has produced a clear set of winners and losers. Out-of-region energy exporters, Latin America, Norway, Canada, U.S. shale, and to some extent Russia, are capturing significant windfall gains. Gulf producers, paradoxically, are struggling to monetize elevated prices because export routes remain severed. Europe and poorer emerging market fuel and food importers face acute strain. China occupies a strategically ambiguous position: its reliance on Gulf crude gives it real exposure, but its state control over urea exports, China is now the world's largest producer, gives it meaningful leverage.

Economic Indicators

Labor Markets

In early March, the U.S. labor market delivered an unexpected shock when nonfarm payrolls fell by 92,000 in February, well below the consensus estimate of +50,000. Revised historical data has further darkened the picture:

2025 became the first year to record five months of labor market contractions since 2010. The unemployment rate ticked up to 4.4%, and the labor force participation rate fell to 62.0%, its lowest since December 2021.

Structural trends have also developed over the past year. Manufacturing has lost 100,000 jobs since January 2025. The tech sector continues to shed workers driven by Artificial Intelligence (AI)-related restructuring, and federal employment has declined by roughly 327,000 jobs over the same period.

Our labor market indicators currently sit in a neutral position indicating mid-cycle growth but are trending downward. Significant weakness has emerged in nonfarm payrolls, the employment level, full-time employees, and average weeks unemployed. Encouragingly, our data shows that average weekly hours, earnings, temporary help services, and nonfarm quits remain positive, suggesting employers are retaining existing workers even as hiring slows. Overall, the labor market reflects a gradual softening, not a collapsing, environment, warranting close monitoring in the months ahead.



The Consumer

The U.S. consumer is still spending but remains cautious. Retail sales in January came in at \$733.5 billion, falling 0.2% from the prior month, though February data was more reassuring. Inflation remains a concern as essentials like groceries, utilities, and rent are absorbing more of household budgets. Total credit card balances have hit a record \$1.277 trillion, up 66% since the pandemic low, straining financial flexibility particularly for low-income households where delinquency rates are drifting higher. Discretionary categories such as apparel, home goods, and big-ticket items have softened noticeably, while service spending on travel, dining, and entertainment remains a bright spot.

Consumers are increasingly rotating toward discount retailers and value-oriented goods, and buy-now-pay-later adoption continues to expand for smaller purchases, signaling possible financial pressure. Our consumer indicators currently tilt toward late-cycle growth. Personal savings rates and retail money market funds are providing a meaningful buffer, while disposable personal income growth is weak. The Iran War, soaring gas prices, and inflation concerns add a higher degree of uncertainty to the outlook.

Industrial Production and Manufacturing

After two years of slow growth from 2024 to 2025, industrial production is showing signs of life in early 2026. Industrial production rose 0.7% month-over-month in January, surpassing market expectations, and the momentum carried into February with a 1.4% year-over-year gain. The ISM Manufacturing PMI rose to 52.4 in February, the second straight month of expansion and only the third expansionary reading in 40 months. New orders, backlog of orders, and new export orders are all in expansion. The Customers Inventory Index remains in low territory, historically a positive indicator for future production. Cost pressures are intensifying: the ISM Prices Index surged to 70.5 in February, the highest since June 2022, driven by rising steel and aluminum costs and broad-based tariff impacts.

Looking forward, our array of manufacturing and production indicators remains in a healthy state, though key indicators point to a gradual late-cycle transition. The composite indicator peaked six months ago and has since

weakened. The majority of underlying indicators (64%) continue to reflect mid-cycle growth dynamics. Sector level output has been positive, with motor vehicles, chemicals, plastics, electrical equipment, and computers all posting gains. Overall, robust industrial production indicates the economy is maintaining solid momentum, even as the cycle matures.

Housing Market

The U.S. housing market began 2026 on shaky ground. Existing-home sales dropped 5.85% in January, though a surprise February rebound suggested that weakness was largely weather-related. Mortgage rates hit a three-year low heading into the spring buying season, only to reverse higher on news of the Iran War, with the average 30-year fixed rate ticking back up to 6.38% to end the quarter.

Home price appreciation is cooling: year-over-year growth in the S&P Cotality Case-Shiller U.S. National Home Price Index slowed to just 0.91% in January 2026, down sharply from 4.15% at the start of 2025. The picture is mixed regionally, with the Midwest and Northeast performing well while Florida, Colorado, and parts of the West are seeing year-over-year price declines. Inventory continues to slowly recover as active listings rose 7.9% year-over-year in February, yet supply remains relatively low compared to pre-pandemic levels.

Housing is the one area of consistent concern across our business cycle indicators. New homes under construction have posted negative growth since September, and the furniture and home furnishing sectors, leading signals of housing strength, have weakened considerably.

Affordability remains a critical barrier and is a challenging landscape for first-time and lower-income buyers. Rising mortgage rates are keeping potential sellers on the sidelines. Additionally, geopolitical uncertainty surrounding the Iran War is adding another layer of hesitation for both buyers and sellers. Without mortgage rate relief or an affordability breakthrough, a recovery appears unlikely. Our view is for the housing market to continue with sluggish growth in the coming quarters.

Business Cycle View

After two years of modest growth, the U.S. economy faces a critical inflection point. The business cycle composite has weakened into late-cycle territory, with housing

representing the most significant drag across all sectors monitored. Labor markets are gradually softening but continue to show underlying resilience. Consumers, though cautious, have demonstrated notable staying power, adapting through discount channels and services spending while personal savings provide a meaningful buffer. Rising input costs signal potential stagflation risks tied to tariffs and the Iran War, and industrial production, while a relative bright spot, alone cannot offset broadening weakness. The path forward hinges on mortgage rate stabilization, easing geopolitical tensions, and whether these pockets of growth can anchor the economy against further deterioration.

Federal Reserve

Inflation

The year started with a brief moment of encouragement: headline Consumer Price Index (CPI) fell from 2.7% in December 2025 to 2.4% year-over-year in January, the lowest reading since May 2025, driven primarily by a 1.5% drop in energy prices and a deceleration in shelter costs. February offered no further improvement, with CPI holding steady at 2.4% year-over-year and rising 0.3% month-over-month. In short, inflation neither accelerated dramatically nor made meaningful progress toward the Fed's 2% target during the first two months of the year.

The Fed's preferred gauge tells a more troubling story. The January 2026 PCE Price Index report showed the index rose 2.8% annually, while core PCE, which strips out food and energy, rose 0.4% for the month and 3.1% year-over-year. That core reading is more than a full percentage point above the Fed's 2% target, making rate cuts politically and technically difficult to justify. The Fed held its federal funds rate steady in the 3.50% to 3.75% range at its first meeting of 2026, following three consecutive 25 basis point cuts at the end of 2025.

Perhaps the most worrying theme in the 2026 inflation data is not that prices are surging again, it is that the disinflation progress of 2024 and early 2025 has ground to a halt. The February CPI and January PCE data are essentially the last clean reads before the Iran conflict's impact starts showing up in the numbers. Higher oil prices are expected to filter quickly through to gasoline, transportation, shipping, and a wide range of consumer goods in March and beyond. The March and April readings are expected to show a meaningful acceleration that will significantly complicate the Fed's path forward.

Leadership Transition

Jerome Powell's term as Fed chair expires on May 15, 2026, and President Trump has nominated Kevin Warsh to succeed him. Warsh is a former Fed governor with deep Wall Street experience, having worked at Morgan Stanley before serving on the Fed board from 2006 to 2011.



Markets view Warsh as a source of relative stability, though he has echoed Trump's desire for lower rates, arguing that productivity gains from AI will allow the Fed to cut without sparking inflation.

Getting Warsh confirmed has proven far more complicated than expected. No confirmation hearing has been scheduled in the Senate Banking Committee, in part due to incomplete financial disclosures from the White House. More significantly, Senator Thom Tillis has imposed an effective blockade on the nomination, vowing to vote against Warsh until the Department of Justice (DOJ) drops a criminal investigation into Jerome Powell. Since Republicans hold only a slim Senate majority, Tillis's opposition alone is enough to sink the nomination. Powell has stated he will continue serving as chair pro temp if Warsh has not been confirmed by the time his chairmanship expires in May, and has also indicated he will not leave his Board of Governors seat, which runs through early 2028, until the DOJ investigation is resolved. This means Powell could remain a significant presence inside the Fed well beyond May.

FOMC Composition and Fed Independence

Separately from the chair drama, the makeup of the rate-setting Federal Open Market Committee has already changed in 2026. Four new regional Fed presidents rotated onto the voting panel at the start of the year, Cleveland, Philadelphia, Dallas, and Minneapolis, replacing Boston, Chicago, Kansas City, and St. Louis. The rotation removed two notable doves, including Chicago's Austan Goolsbee and Kansas City's Jeffrey Schmid, though the replacements are not necessarily more accommodative.

Underlying all of this is a broader fight over Fed independence. The Supreme Court is currently considering whether Trump has the authority to fire Fed board members, and there have been proposals to shift the Fed's regulatory powers to the Treasury and hand Congress control of the Fed's budget. Analysts at JPMorgan have warned that some of these proposals represent an existential threat to the Federal Reserve Act as it has existed for over a century. For bond markets, the resolution of this question matters enormously: the Fed's credibility as an inflation fighter is a key anchor for long-term Treasury yields, and any perception that the central bank is becoming politicized could push yields significantly higher.

Equity Markets - Future Implications

Q1 2026 Earnings Snapshot

According to FactSet, the S&P 500 is on track to report year-over-year earnings growth of 13.0% for Q1 2026, which would mark the sixth consecutive quarter of double-digit growth. Analysts have revised estimates down only modestly from the 12.8% projected at year-end, a shallower cut than historical averages, and more companies have issued positive earnings per share (EPS*) guidance than negative, below the five-year average for negative preannouncements. Revenue estimates have actually risen since December 31, now pointing to 9.7% year-over-year growth across all eleven sectors, which would be the strongest revenue expansion since Q3 2022.

The picture is not uniform beneath the surface. Health Care has seen the largest earnings revision of any sector, with Merck's one-time acquisition charge single-handedly swinging the sector from expected growth of 3.2% to a projected decline of 8.6%. Consumer Discretionary has also been revised sharply lower, with Amazon and Ford the primary contributors. Information Technology is the mirror image, with estimated earnings up 8.0% since December 31 and a projected year-over-year growth rate of 45.1%, driven almost entirely by the semiconductor industry, which is expected to grow earnings 95% year-over-year. Buy ratings now stand at 58.6% across the index, a record high going back to at least 2010.

Valuation and the Road Ahead

The forward 12-month price-to-earnings (P/E) ratio sits at 19.9, equal the five-year and above the ten-year (18.9) historical averages but down meaningfully from 22.0 at year-end. That compression reflects prices falling faster than earnings estimates have risen, making the market objectively cheaper today than it was entering the year - though not cheap in any absolute sense.

The more pressing concern is the macro environment that Q2 and Q3 earnings will have to navigate. The Bloomberg survey of economists has raised the full-year PCE inflation forecast from 2.6% to 3.1%, trimmed Gross Domestic Product (GDP) growth from 2.5% to

2.3%, pushed the first Fed rate cut to September, and cut average monthly job creation projections from 70,000 to 43,000. The Organization for Economic Co-operation and Development (OECD) has raised its Group of Twenty (G20), which represents the world's largest economies, average inflation forecast from 2.8% to 4.0%, confirming this is a synchronized global shock. Recession odds in the Bloomberg survey have risen from 25% to 30%.

The Q1 earnings data reflects an economy that existed before the full inflationary pass-through from the conflict hit household budgets. The Q2 season, reporting into a slower labor market, higher prices, and a Fed that cannot yet provide relief, is where the durability of the current earnings cycle faces its real test. Equities and bonds are currently telling different stories about how long the conflict will last: bonds are pricing a more persistent shock than stocks, an asymmetry that warrants attention.

Private Credit Stress

According to Bloomberg, Private credit, a roughly \$3 trillion sector where non-bank lenders make direct loans to businesses, is experiencing what many are calling

its first serious liquidity test. Publicly traded investment companies focused on private credit have seen their shares fall between 25% and 40% year-to-date. Several major managers have restricted investor redemptions. Among direct lending funds, default rates are now expected to rise to 8%, up from the current 5.6%, driven largely by AI disruption concentrated in software and technology sectors.

The structural problem is opacity: valuations are reported quarterly and set by the very lender holding the debt, not by market prices, meaning stress accumulates quietly before it surfaces. Payment-in-kind activity, where borrowers roll unpaid interest into principal rather than settling it in cash, continues to rise, a classic early signal of borrowers running short of liquidity. Business development companies, the publicly traded vehicles through which retail investors access private credit, are increasingly trading at discounts to their stated net asset values, suggesting public markets do not fully trust the carrying



values on the books. Jeffrey Gundlach of DoubleLine has warned that private credit may be the top candidate to start the next financial crisis. In a wartime environment of higher base rates and tightening financial conditions, the slow burn has less time to stay slow.

Fixed Income Markets - Future Implications

Where We Stand

Fixed income entered 2026 carrying positive momentum from a strong 2025, when high starting yields, price appreciation for high-quality bonds, and a downtrend in yields led by Federal Reserve rate cuts combined to produce strong returns. January kicked off on a relatively calm note, with Treasury yields rising modestly across the curve and municipal bonds outperforming on lower supply and strong seasonal demand - with year-to-date inflows surpassing \$11 billion.

As the quarter progressed, longer-term yields came under renewed upward pressure. The 10-year Treasury yield has remained above 4% throughout most of 2025 and into 2026, reflecting persistent concern about inflation and the growing supply of government debt. Some foreign central banks, including the People's Bank of China, have been selling Treasury holdings in substantial quantities, adding to the pressure on long-dated yields. By late March, geopolitical tensions became a significant new driver. The yield on the 10-year Treasury note rose to around 4.46% on March 27, 2026, up roughly 21 basis points from a year ago and near its highest level in about eight months. Markets now price in nearly a 50% chance of a Fed rate hike by December, a sharp reversal from earlier expectations of two rate cuts this year.

If the Conflict Continues

For Treasury yields, a prolonged conflict points clearly upward. Instead of falling on safe-haven demand, the 10-year Treasury yield climbed from 3.94% at the end of February (the lowest in the last year) to as high as 4.28% within the first two weeks of fighting. Military escalation could lead to higher U.S. defense outlays and larger

deficits, putting additional upward pressure on long-term bond yields. The Federal Reserve would find itself in a very difficult position: the war is potentially inflationary, but a prolonged conflict and elevated oil prices could also slow economic growth and lead to higher unemployment. A sustained energy supply shock could box in the Fed, increasing the odds of smaller rate moves or a pause as officials weigh inflation concerns against growth concerns.

The longer-term risk is that this conflict reshapes the bond market in a more permanent way. The parallel to 2022's Russia-Ukraine shock is hard to avoid - that conflict turned a transient bond market worry into a multi-year surge in yields. Even after the Strait of Hormuz eventually reopens, supply is likely to remain below previous levels for several weeks, and LNG facilities in particular are difficult to restart quickly.

If the Conflict Ends

A credible ceasefire or peace deal would likely cause crude prices to tumble quickly, easing the inflation fears that have been the primary driver of rising yields in 2026. The 10-year Treasury yield could retrace a meaningful portion of its recent gains within days of a confirmed resolution, and markets, currently pricing in zero cuts this year, would likely swing back to pricing in one or two cuts before year-end.

However, the rally would not be complete or permanent. The structural issues that were weighing on the bond market before February 28 would still be there: large fiscal deficits requiring heavy Treasury issuance, the overhang of foreign central bank selling, and sticky services inflation unrelated to energy. A peace deal removes the acute crisis premium from yields but does not resolve the underlying backdrop that kept rates elevated throughout 2025. Credit spreads would likely tighten meaningfully, and Treasuries might actually underperform corporate bonds in the immediate aftermath as investors move back out the risk spectrum. In short, a resolution would be broadly good for bonds, but the gains would be uneven, and the longer the conflict lasts, the more the market will need to see before it fully believes the inflation threat has passed.

Conclusions

Several key investment messages emerge from this backdrop. Equities and bonds are currently telling different stories about how long the conflict will last, bonds are pricing a more persistent shock than stocks. The threshold for what constitutes a severe oil price event has shifted materially higher as economies have grown less energy-intensive, but the fertilizer and chemical dimension of this disruption is underappreciated by markets which are still treating it primarily as an oil story.

Gold's near-term behavior is a function of liquidity dynamics rather than fundamentals, and its eventual mean-reversion to safe-haven status is a matter of timing rather than direction. Central bank gold buying, the structural bid that underpinned gold prices from 2022 onward, appears to be softening precisely when it is needed most, as energy-importing central banks sell reserves or slow purchases to defend their currencies and fund higher import bills.

The fertilizer and food security dimensions of this crisis will be the slowest to appear in official data and the most difficult to reverse. Supply chains for agricultural inputs are long, and planting season delays compound year-over-

year. This is the risk that markets are most systematically underpricing, and it warrants more attention than the current oil-centric framing of the conflict suggests.

Despite a complex and rapidly evolving backdrop, well-diversified portfolios are well-positioned to navigate this environment. Exposure to sector and industry leaders, companies with the balance sheet strength, pricing power, and competitive positioning to weather inflationary pressure and geopolitical uncertainty provides a meaningful advantage in the current climate. That quality bias, combined with diversification across energy, defense, infrastructure, and select technology and anchored by high-quality fixed income and selective commodity exposure, provides a durable foundation when markets are stressed. A resolution to the conflict, even a partial one, would deliver meaningful tailwinds across asset classes. For investors with disciplined positioning and exposure to industry-leading businesses, the current dislocations are as much an opportunity as a risk.



Disclosure

This information is of a general nature and does not constitute financial advice. It does not take into account your individual financial situation, objectives or needs, and should not be relied upon as a substitute for financial or other professional advice to assess, among other things, whether any such information is appropriate for you and/or applicable to your particular circumstances. In addition, this does not constitute an offer to sell, or the solicitation of an offer to buy, any financial product, service or program. The information contained herein is based on public information we believe to be reliable, but its accuracy is not guaranteed.

Investing involves risks, including loss of principal. Past performance is no guarantee of future results.

Definitions

*Basis Point: one hundredth of one percent, used chiefly in expressing differences of interest rates.

*Earnings Per Share (EPS) is a key financial metric indicating a company's profitability on a per-share basis, calculated as net income minus preferred dividends divided by total outstanding shares.

*Growth: A company stock that tends to increase in capital value rather than yield high income.

*The Purchasing Managers' Index (PMI) is an indicator of the prevailing direction of economic trends in the manufacturing and service sectors. The indicator is compiled and released monthly by the Institute for Supply Management (ISM), a nonprofit supply management organization.

**Russell Top 50 Index: is a market-capitalization-weighted index measuring the performance of the 50 largest companies within the US-based Russell 3000 Index.

**S&P 500 Index: S&P (Standard & Poor's) 500 Index: is a market-capitalization-weighted index of the 500 largest US publicly traded companies.

*Value: A value stock is a security trading at a lower price than what the company's performance may otherwise indicate.

****Indexes are not managed. One cannot invest directly in an index.**



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