GWM GREENE WEALTH MANAGEMENT

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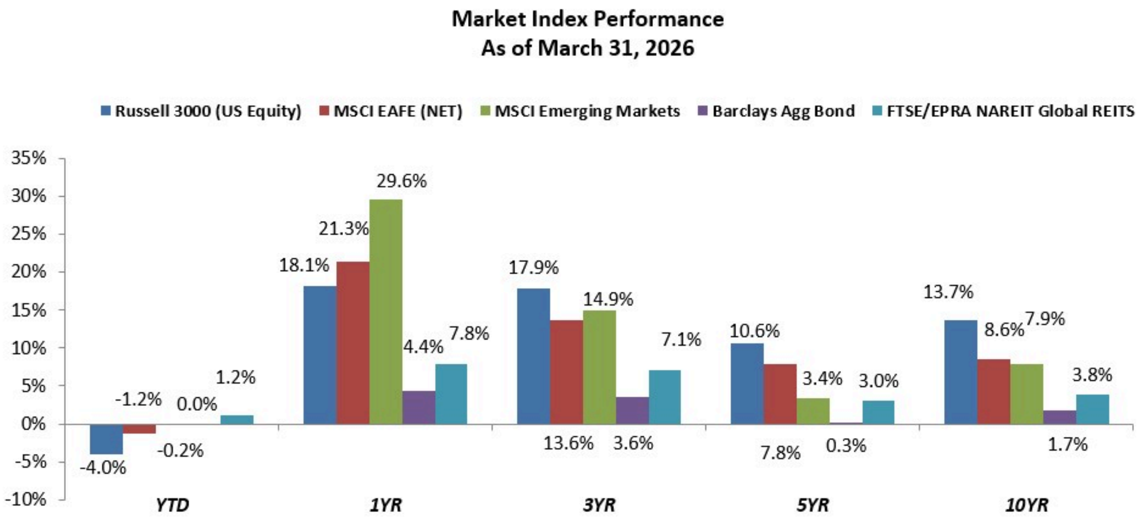
2Q 2026 - GWM Quarterly Letter

The first quarter of 2026 began, in many respects, as an extension of the trends that characterized the back half of 2025. Equity markets in the United States, while not without volatility, reflected a broadly constructive environment through the first six weeks of the year: corporate earnings remained resilient, the labor market, while softening at the margins, continued to support consumer spending, and the Federal Reserve appeared to be approaching a long-awaited pivot. Then came February 28.

As the United States and Israel executed Operation Epic Fury — a sustained military campaign against Iran that commenced on February 28, 2026 — global financial markets entered a season of complexity and uncertainty. The closure of the Strait of Hormuz, through which roughly 20 percent of the world's seaborne oil supply ordinarily flows, has produced the most significant energy supply disruption since the oil shocks of the 1970s. The abrupt intrusion of geopolitical risk into an environment that had been relatively stable has raised concerns around the ongoing path of inflation, geopolitical upheaval, and the ultimate impact to the economy.

The trajectory of financial markets in the 1st quarter followed the path of the news cycle, resulting in meaningful drawdowns in March from new highs established at the outset of the year. Over the course of the quarter the U.S. equity market (Russell 3000) was down (4.0%), international developed markets declined (1.2%), and investment-grade bonds were flat.



A Note on Oil Shocks: History, Risk, and Resolution

At front of mind during most all geopolitical and war time conflict, and specifically in the case of war with Iran, is the impact on oil markets and prices – oil can be considered the currency of geopolitics. Every major supply disruption since the postwar era has followed a recognizable pattern: an acute phase characterized by price dislocation, inflationary pressure, and the compression of consumer purchasing power; a secondary phase in which the real economy begins to feel the drag through reduced spending, declining corporate margins, and in the severe episodes, recession; eventually, a resolution phase in which supply is restored, prices normalize, and equity markets move to reprice assets that had been indiscriminately punished during the shock.

Elevated oil prices act as a tax on every consumer and business in the economy simultaneously - compressing margins, eroding discretionary spending, and complicating the Federal Reserve's calculus around policy.

The more encouraging side of this history is equally instructive: when supply is restored and the geopolitical catalyst for the shock is resolved, markets have consistently and often decisively recovered.

The chart linked below provides an enlightening snapshot, illustrating that market selloffs tied to oil shocks tend to be short-lived – Dissuading investors from being reactionary in the heights of geopolitical conflict with associated impacts to energy prices.

Oil Shocks and Market Pricing - Capital Group

The current baseline expectation of economists is that the War in Iran will not be a prolonged war, and for now align with President Trump's stated expectation that military operations could conclude by the end of April. There is still a threat that the war could persist longer, and unwinding fallout like the closure of the Strait of Hormuz could extend beyond the conclusion of military action.

Primary Market Themes: A Closer Look

As we look through the broad lens of the current environment, primary themes are highlighted below:

War in Iran – The trajectory of the conflict in Iran is the most important variable for global financial markets for the balance of 2026. A negotiated resolution or credible ceasefire would likely alleviate some of the "risk-off" characteristics in current markets with the potential to act as a tailwind for equities and the moderation of commodity prices. If the conflict persists longer than expected, there would be heightened pressure on global economies and increasing risks of recession around the globe.

Oil Markets – If elevated oil prices persist, U.S. headline inflation which stood at approximately 2.4% in January, could move up in a meaningful way by year end. It is worth noting, the United States is by far the largest oil and natural gas producer in the world. Though oil prices still respond to global events, greater domestic supply has allowed the U.S. to absorb oil shocks more easily. If we don't experience a lengthy disruption to oil supplies, prices may return to pre-crisis levels over time.

Midterm Elections – The November 2026 midterm elections are shaping up to be among the most impactful in recent memory, with the economic backdrop now the defining variable. Historically, the president's party loses ground in nearly every midterm election – 20 of the past 22 – the current environment gives Democrats a meaningful tailwind. For investors, the midterm calendar matters regarding key considerations: policy continuity or discontinuity, implications for taxes, regulatory posture, energy policy, trajectory of deficit spending, etc. While we are hesitant to make political predictions, a divided government after November is a very realistic possibility.

General Economy – The broader macroeconomic picture entering the second quarter is evolving. The U.S. labor market, while showing signs of incremental softening, has remained resilient. Consumer spending, while under pressure from elevated prices at the pump – remains relatively stable. The Federal Reserve, which entered the year with the market anticipating a series of rate cuts, finds itself in a challenging position: energy-driven inflationary pressure on one side, and slowing economic growth on the other.

From the current vantage point, the War in Iran will remain the primary driver of economic outlook over the balance of the year. Based on the inputs of a wide range of market participants, the base case is that there will be some resolution in the near-term – through military success, negotiated settlement, or some combination of the two. The current expectation is that the U.S. economy has sufficient underlying resilience to absorb the shock without entering a prolonged contraction. We are confident that vigilance, not panic, is the appropriate posture in the current environment.

Markets are cyclical. News is cyclical. Investors who have historically fared best through periods of geopolitical stress are those who resisted the impulse to react and held disciplined to long-term strategies. The discipline to remain invested through the discomfort is not passive – it is among the most active and intentional choices an investor can make.

We are committed to staying in front of the evolutions of the current environment – monitoring developments and communicating with transparency as the landscape evolves. Thanks for the continued trust and partnership as we navigate the uncertainties of the world around us – empowering the wealth of our clients is at the core of our mission.

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