



As we moved through the first quarter of 2026, there was a growing sense of familiarity in how investors reacted to geopolitical developments. Last year included periods of heightened volatility, highlighted by Liberation Day and the experience of record “free fall,” while the trading pattern associated with this year’s major geopolitical event was comparatively more measured. The initiation of military action involving Iran prompted a selloff, bringing overbought pricing back into a more balanced valuation range of DJIA 43,500 to 47,200. Despite the absence of a long-term resolution, markets remained resilient and did not enter oversold territory.

In both scenarios, there is a similar focus on how to interpret the effects on the global economic outlook. Inflation has re-established its position as a primary concern due to higher oil prices and the far-reaching impact across multiple sectors. While the anticipated changes in global trade patterns have begun to materialize due to evolving tariff policy, the conflict in the Middle East will also influence shifts in political alliances.

Our thought process regarding how inflation should influence interest rates remains consistent in the current environment. We believe there is a limit to utilizing interest rate policy in the management of inflation attributed to tariffs and higher oil prices. As a result, we do not see a need to raise interest rates solely to combat these pressures. We anticipate a softer economy in the near term, which may limit the sustainability of elevated oil prices and, in turn, reduce inflationary pressures. We observed a similar pattern the last time oil reached \$150/barrel, and the Federal Reserve recognized a shift in correlation and refrained from raising rates despite indications to do so.

We recognize that the significant increase in oil prices has been mainly driven by news of the conflict and the concerns surrounding the Strait of Hormuz. The current focus remains on supply, while questions regarding future demand have received less attention. We believe the duration of elevated oil prices will determine the possibility of a recession. Should the economy soften enough, a stronger case can be made to lower rates.

We continue to question the ability for corporations to pass on higher costs to consumers. This remains a central area of uncertainty when assessing projected fundamentals and how margins may be impacted. We see how the energy sector has certainly benefitted from higher oil prices, but the sustainability of these gains remains in question. We see attractive entry points in other sectors during pullbacks which should turn around when oil stabilizes at relatively lower levels. In making investment decisions, we also place significant emphasis on identifying the strength of corporate management teams and their ability to navigate short-term challenges.

Beyond the current market environment, we would also like to share an important update within the firm. We are excited to announce the appointment of Nicholas Sun as the President of Ellis Investment Partners, LLC. In his dual role as President and Chief Compliance Officer, he will oversee firm-level operations with the support of a dedicated team, including Kelly Carreno, Robin Sun, Katelyn Baehrle, and Kate Lanza. I will continue to focus on my role as Chief Investment Officer as the firm continues to grow, supported by Anthony Civitello and Lexi Barnhart.

As a firm, we would like to express our appreciation to our clients and colleagues for their support and confidence. We would not be where we are today without your continued support as we celebrate our 14th anniversary. As always, please reach out to your advisor should you have any questions regarding your portfolio or financial plan.