



Summary of Recent Events

Over the weekend (February 28, 2025), a significant military escalation occurred involving the U.S., Israel, and Iran. Following strikes on Iranian infrastructure, we have seen some disruptions to global energy and shipping.

- **Oil Transport & Infrastructure:** The Strait of Hormuz, which handles about 20% of the world's oil, is currently seeing a major slowdown. Shipping traffic has dropped by roughly 70% as commercial vessels wait for safer conditions.
- **OPEC+ Response:** On Sunday, March 1, OPEC+ announced a larger-than-expected production increase (over 200,000 barrels per day) starting in April to help stabilize the market.
- **The Logistical Catch:** While OPEC+ is ready to pump more oil, the impact of that extra supply depends entirely on whether ships can actually move through the region safely.

Why It Matters

Geopolitical events like this create a "ripple effect" across different parts of the economy and the investment markets.

- **Inflationary Impact:** Every \$10 increase in oil prices typically adds about 0.2% to 0.4% to consumer inflation. If these high prices stick around, the cost of gas, shipping, and everyday goods will likely rise.
- **Policy Implications (The Fed):** The Federal Reserve generally cannot fix "supply shocks" (like an oil shortage) by changing interest rates. This makes their job harder, as they may have to keep interest rates higher for longer to combat this new source of inflation.
- **The U.S. Dollar:** We are seeing a "flight to quality," where investors buy U.S. Dollars for safety. A stronger dollar can be a double-edged sword: it helps lower the cost of imports but can hurt the profits of U.S. companies that sell products overseas.
- **Hyperscaler & Tech Costs:** Large technology companies ("Hyperscalers") that run massive data centers may see their electricity and cooling costs rise if energy prices remain elevated, which could weigh on their short-term profit margins.
- **Market Rotation:** In the near term, we are seeing a "rotation" in the stock market. Investors are moving money out of high-growth tech stocks and into Energy, Defense, and Materials sectors, which tend to perform better during these specific types of crises.



What You Should Do

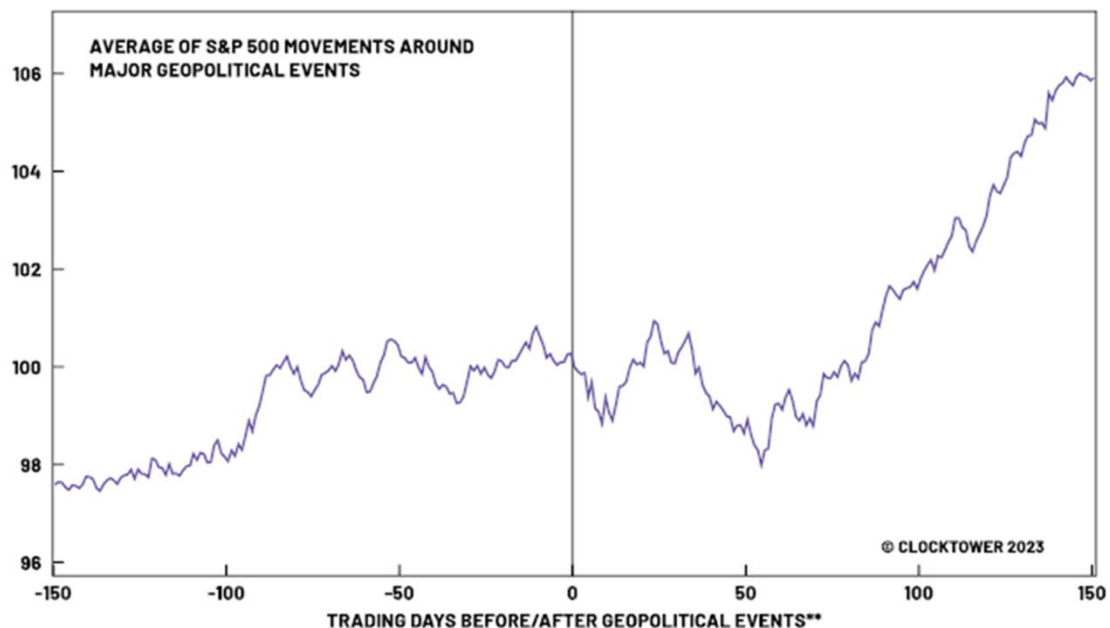
While the news is fast-moving and meant to create noise, the best investment strategy remains rooted in discipline rather than reaction.

- **Stick to Your Plan:** Your portfolio is diversified specifically to weather "black swan" events like this. History shows that geopolitical spikes are often temporary.
- **Refrain from Emotional Decisions:** Selling into a dip caused by a headline often means missing the recovery when the situation stabilizes. We recommend maintaining your long-term targets.
- **Duration Matters:** We are watching the duration of the disruption. A weekend "squall" is very different from a months-long closure. We will continue to monitor the physical flow of oil to determine if a more significant strategy shift is needed.

If you would like to talk through any of these points or how they affect your specific goals, feel free to reach out.

Here is a chart for reference.

CHART 8 | Geopolitical Conflicts *Never* Provide a Reason to Be Bearish Risk Assets



* REBASED TO FIRST DAY OF GEOPOLITICAL EVENT = 100.

** INCLUDES 26 MAJOR GEOPOLITICAL EVENTS FROM THE CUBAN MISSILE CRISIS IN 1962 TO THE RUSSIA-UKRAINE WAR IN 2022.

SOURCE: MACROBOND.

Disclaimer - Investment advice offered through Integrated Partners, a registered investment advisor.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that the strategies promoted will be successful. All investing involves risk including loss of principal. No strategy assures success or protects against loss.