

Hamilton-Bates Market Update

Gulf War III Or Market Opportunity?

March 4, 2026

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Despite a surprise U.S. combat operations against Iran, market action remains contained and constructive. In fact, seasonally strong March could ultimately see gains, driven by those positive seasonals, and with much bad news already priced into stocks. In all reality, given the launching of a surprise war along with other concerns like AI disruption, and recent concerns over private credit, the stock market has held in remarkably well.

Earnings, Economy, Energy and Interest Rates

In the wake of the attack on Iran, all other news has been effectively pushed aside for now. Oil initially spiked and stocks tanked, but things have calmed considerably given the magnitude of the circumstances. Earnings and economic news have been solid, and until oil spiked recent inflation has been calm with drops in energy and housing leading the way. The Fed is likely on hold for policy, but a more favorable Fed chair is on the way. We expect conditions to ease as the year unfolds due to the many levers the Fed and Treasury can pull, not just interest rates.

Stock Market Outlook

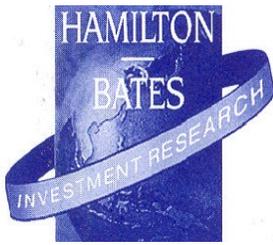
Initial reports indicate that most of Iran's leadership was killed early in the fighting, but that hasn't stopped Iran from retaliating. Iran has a considerable drone and missile stockpile, and they have been striking friends and foes alike, along with energy infrastructure. In the big picture, the world has fundamentally changed, but it is far too early to ascertain the implications of this. Anyone who tells you they understand precisely what is happening and is really just guessing. What is clear is that Iran has entered a period of intense chaos. And given its geopolitical significance (a primary supplier of oil to China, close alignment with anti-U.S. regimes, funding of terrorist activities), this has shifted power in the world.

What is clear for the financial markets is that thus far the reaction by the financial system is relatively tame. Oil initially spiked 12% in the overnight session after the attack, but has since retraced most of these gains. Given that Iran is a top 10 oil producer and 25% of the global oil and gas trade passes through the Strait of Hormuz, you'd have to say the market has been tame.

If the world were indeed about to descend into World War III and global oil supplies disrupted oil would be much higher. Similarly, the broad stock market is only down about 1% this week so far, and seems likely to turn green for the week. If a major war was about to break out that would disrupt the global economy, you would expect a 3% to 5% price move lower-or more. Heck, Liberation Day, which was primarily a legislative development saw the markets nose-dive 5%. So far, the financial markets are saying this geopolitical situation is not a major market mover. So again, the markets seem to be indicating that this situation will not result in any major oil or financial disruptions. Obviously, that can change at any time, but for now, things are relatively controlled. The larger concern, is if this situation starts to spiral, combined with the fact market leadership was already weakening and their were concerns in private credit, it could really break the market down.

Portfolio Strategy

When we cut some aggressive allocations and raised more cash a few weeks ago we didn't know there would be a strike on Iran. We were just responding to some signals beneath the surface that things were changing and it was time to trim the sails. It wasn't a huge move but it gives us additional cushion and flexibility to react to changing markets. We can shortly (hopefully) redeploy those assets for upside gains. We expect the market to find its footing from here and push higher into May.



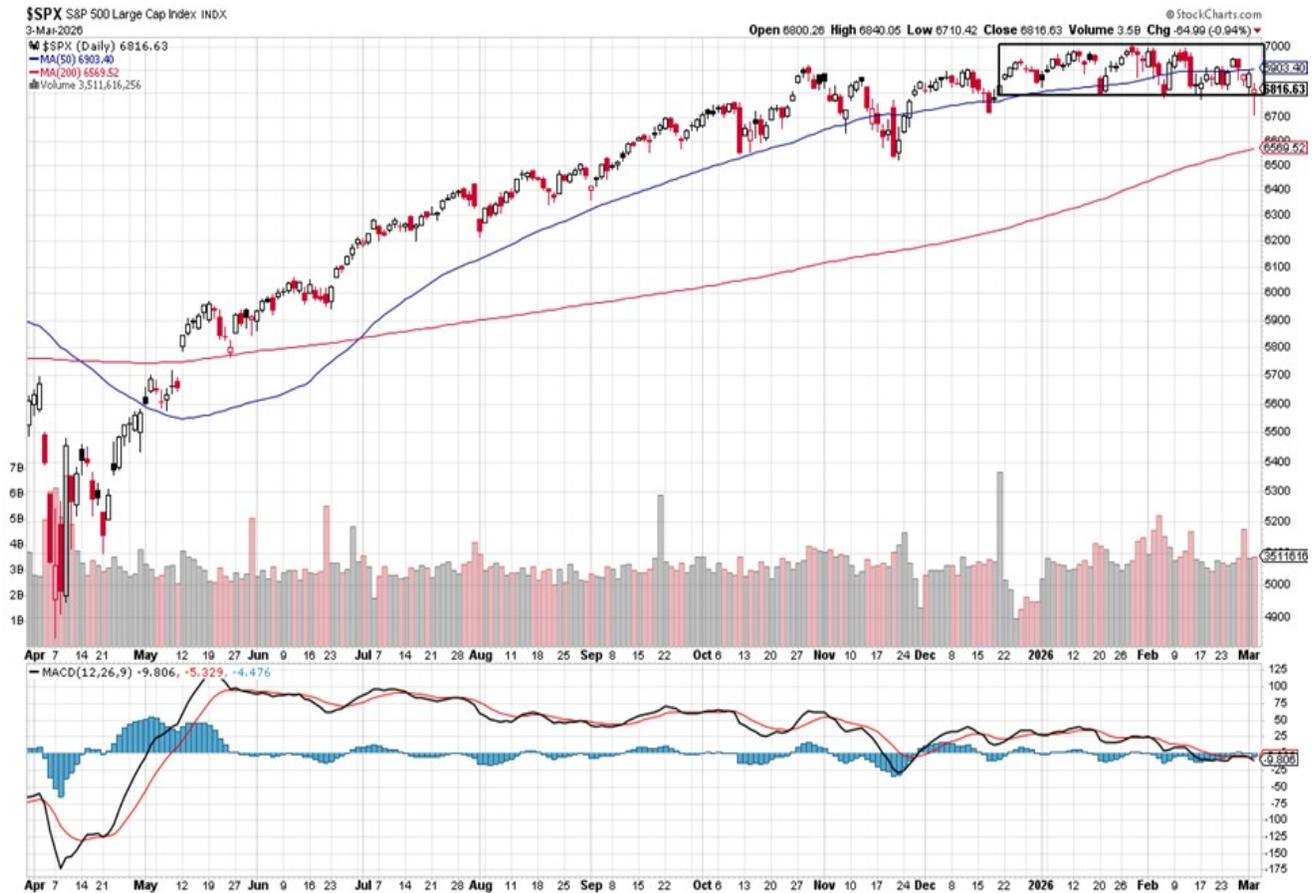
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**Volatility Under the
Surface but Indexes
Go Sideways**

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S&P 500 Market Chart



S&P 500 Chart

There has been a great deal of intraday and day to day volatility in the market in 2026, but the overall result has been just a sideways market. You can see in the chart above the S&P 500 has been in a 'box' since late 2025, and in a generally sideways pattern for even longer than that—now going on 5 months.

The bull trend is still intact, though clearly the market is taking a breather by moving sideways to digest all the news and the big up move in 2025. This is normal. Even a dip down toward the long-term moving average (in red) would be normal and healthy. Given the uncertainty that has pelted the market the action has been robust, and there are no signs of a severe breakdown. The next few weeks are seasonally strong so a rebound would not be a shock.