

# Doll's Deliberations®

## Special Market Commentary



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### WAR – A PROGRESS REPORT

“How the war will play out remains to be seen but what ultimately matters is oil prices.” – Doll's Deliberations March 9  
(Written on Friday, March 6.)

Equity futures (down more than 1% as I write) were down 2% a few hours ago as oil skyrocketed to nearly \$120 per barrel (now just over \$100). That's a near doubling since just before the war started. Risk asset declines are reflecting a concern about a stagflationary environment (high inflation and low growth.) The \$100 oil level is seen by many as a breaking point for the global economy. According to Polymarket.com, the odds of a 2026 recession jumped on Friday to 34% from 20% on Wednesday. Ten-year Treasury yields have moved up from 4.00 to 4.20% over this period. Middle East oil producers have slashed their output due to the closure of the Strait of Hormuz. So, there are ample (now shut-in) supplies of oil should that important passage be re-opened. (Approximately 25% of global sea-bound oil trade passes through the Strait.)

While our guesses are only that, we continue to think that the war (at least at the current pace) will last weeks, not months, and that, at some point the Strait of Hormuz will reopen and oil prices will drop noticeably. If accurate, current events will “nick” but not “destroy” the current economic cycle which prior to the war, was doing reasonably well. That should increase confidence levels and firm up earnings estimates. If that is too optimistic, stocks (and the economy) will fall further.

As long as oil is \$100ish, it is likely that the U.S. will outperform the ROW (aided by the rise in the dollar), large will outperform small, and energy, utilities, staples and healthcare will outperform. All of this will reverse when oil prices come down.

Our assessment of risk assets is best described by a recent comment in Doll's Deliberations: “We have consistently and for some time warned that while the top-down macro backdrop was favorable for risk taking, rich capital market pricing and widespread investor complacency warranted a more tempered investment strategy and asset allocation.” Written before the war, the consequences of war bring to light the risks associated with high valuations and high expectations. So, even if/when the war ends and oil prices recede, after the initial euphoric rebound, upside is likely limited. In the meantime, WATCH THE PRICE OF OIL (and the Strait of Hormuz).

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