

CIO Vantage Point

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“ **The illusion that one has understood the past feeds the further illusion that one can predict and control the future.**

- Daniel Kahneman

*A*nother weekend, another war – the geopolitical environment is a mess, and AI, private credit, and domestic politics are also generating troublesome headlines. History tells investors to expect turbulence in the months ahead; however, odds still favor that the U.S. stock market will maintain its bullish trend over the longer-term. As we noted in last month's [VantagePoint](#), a drawdown has occurred prior to every midterm election since 1946. Incredibly, all of these sell-offs have been followed by a sizeable rally.

Prior to the military action versus Iran, this commentary was going to dig deeper into the pivotal dynamics influencing early year trading. A brief overview can be found in the adjacent table.

Since last summer, both the U.S. and international equity markets have been transitioning to new leadership. Small and mid-cap indices are continuing to outperform the mega-tech dominated S&P 500 and Nasdaq Composite. Stocks in the U.S. are faring relatively well this week considering the hostilities overseas. After trailing for decades, global shares are surging ahead of the U.S. An old Wall Street axiom holds that powerful new trends tend to persist. We'll see...International exchanges have faced fierce selling pressure over the past few days. For example, the NIKKEI, DAX, and South Korea's KOSPI have plunged 6.7%, 5.7%, and 7.2%, respectively. South Korea was closed on Monday and is down almost 20% in early Wednesday trading.

YTD Returns as of 3/3/26

U.S. Stock Indices

S&P 500	-0.40%
Nasdaq	-3.10%
DJIA	0.90%
S&P Mid-Cap 400	7.10%
S&P Small-Cap 600	7.30%

International Stock Indices

MSCI All World Ex-US	5.30%
MSCI Emerging Market	8.80%
NIKKEI 225	11.80%
FTSE 100 (London)	5.60%
DAX (Germany)	-2.90%
Shanghai	3.90%

Dollar / Commodities / Crypto

WSJ\$ Index	-1.10%
DJ Commodity Index	14.10%
Crude Oil	29.80%
Copper	2.50%
Gold	18.10%
Silver	18.20%
Bitcoin	-22.40%



Oil prices were already climbing before last Saturday. Amazing how markets can sense the future. Everyone is tracking energy costs. It is not merely markets; the fate of the world's economy depends on the uninterrupted flow of black gold. Trading action in precious metals remains frenetic. This is not a game for investors. You cannot beat the algorithms. Meanwhile bitcoin, allegedly a store of value, cannot catch a bid.

No one truly knows when, if, or how the Iran crisis will conclude. Pay attention to the timeless observation by renowned behavioral economist, Daniel Kahneman, cited above. The conflict has provided a windfall for retired military officers. Cable "news" networks cannot get enough of their expert opinions, but none of this conjecture provides a useful basis for investment decisions.

What we do know is that during the post-World War II era, wars, international crises, and even terrorist acts have rarely inflicted long-term damage to the U.S. stock market. The worst

impact of the various incidents has tended to be discounted quickly. Among 14 events ranging from the Korean War to the invasion of Ukraine, there were only 4 cases when the S&P 500 index was lower a year later – the Suez Crisis (1956), 9/11 Attack (2001), Afghanistan War (2001), and Ukraine Invasion (2022). In each of these cases, the U.S. had already entered a bear market caused by domestic economic and financial factors when the incidents occurred. This does not appear to be the situation today.

In all honesty, Kahneman's comment is also a warning for investors. A reliance on prediction can be a dangerous strategy. Withum Wealth Management relies on a clearly defined investment policy, which incorporates the "margin of safety" philosophy championed by another celebrated thinker Ben Graham, father of security analysis. It was Graham who said that "the purpose of a margin of safety is to render the forecast unnecessary." Investment opportunities move around. WWM's asset allocation strategy incorporates an engineering-like

risk management approach but also provides the flexibility to take advantage of mispricings without sacrificing long-term safety.

In future **VantagePoints**, we plan to dissect the various asset classes within WWM's policy al-

location in greater detail. For now, please know that the team is prepared for plenty of surprises in the immediate months ahead.

Thanks, as always, for your confidence and encouragement. Please call anytime. ■



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