HELMSTEAD
WEALTH MANAGEMENT

First Quarter 2026 Commentary

Hopefully, you have had a nice start to your 2026. All things considered, the first two months of the year were relatively status quo. Unfortunately, the US/Israeli and Iranian struggle came to a head near the end of February. It has understandably been front and center ever since. I would be remiss not to discuss the fragile balance as a result. You cannot assess the first quarter or expectations for the remainder of the year without considering the global concerns arising from the conflict.

Negative market sentiment was apparent, as volatility steadily increased since the initial bombing in Iran on February 28th. In the month of March, both the S&P 500 and the Dow Jones Industrial Average fell around 5% in response. Markets around the world reacted similarly as they braced for incoming consequences. Not many areas of the market are safe when uncertainty spikes regarding the flow of the world's most important commodity.

The Strait of Hormuz is the main artery for worldwide energy transportation. Ultimatums have been issued, deadlines set and adjusted, and markets have reacted accordingly. This otherwise unassuming, 104 mile long and 60 mile wide strait is the most important bottleneck for the world's energy and fertilizer supply. Historically, the strait has never been closed. Threats have surfaced and dissipated, but an actual closure has not occurred. Around 20% of the world's liquified natural gas (LNG), 25% of the world's seaborne oil, and up to 30% of the world's fertilizer products (urea and ammonia) pass through the strait each year.

The cost of crude oil is at its highest level in almost 4 years. Potential fertilizer shortages loom as the planting season begins. We were quickly reminded that energy is king. Whether in the form of natural gas for heating, fertilizer products for food, or fuel for transportation, we use products derived from crude oil multiple times each day. When prices are low, it's easy to forget that many "normal" grocery store items aren't grown or created locally. Higher energy costs are particularly concerning, given the sticky nature of price increases for goods and services. We have experienced this rather recently with the artificially increased cost of almost everything after 2020. Inflation has slowed, but prices will not return to pre-COVID levels. Recently, the Federal Reserve was debating when to cut rates, but energy costs are a major contributing factor in determining inflation levels. If inflation rises, interest rate increases, not cuts, will need to be discussed at upcoming Fed meetings.

Diversification has been mentioned multiple times during review meetings, phone calls, and past quarterly letters. I want to touch on it again. Recently, 2025 and 2026 are perfect examples of why careful investment across multiple areas of the market over many years is critical. Last year, tariff additions and removals had a significant impact on the market. Trade policy on the world stage affects businesses and consumers alike. The Middle Eastern conflict has already replicated the volatility seen last year, albeit for drastically different reasons. Time and time again, we see unrelated factors driving significant market fluctuations. It is impossible to know when the next example of this will occur. One of our best tools against this unavoidable part of investing is a well-diversified portfolio.

If you have not been contacted in the past couple of weeks, I will be calling you shortly. I truly look forward to our discussion.

Thank you and take care,

Travis J. Brock, CFP®

These are the opinions of Travis Brock and not necessarily those of Cambridge, are for informational purposes only, and should not be construed or acted upon as individualized investment advice.

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