

## Strait Talk | 03.23.2026

Now in its fourth week, the conflict between the United States, Israel, and Iran continues to create uncertainty for markets. Pressure increased last week, as rising oil prices and concerns around a prolonged disruption dragged down stock prices. A shift in tone over the weekend has since provided a brief reprieve, renewing hopes that this conflict may not last as long. Even so, many factors are still in play, and the situation remains uncertain, with the risk of renewed escalation lingering.

From a military standpoint, the United States and Israel have significantly weakened Iran's leadership and command and control infrastructure, along with its missile, naval, and drone capabilities. Still, Iran continues to apply pressure through indirect tactics, particularly against vessels moving through the Strait of Hormuz. While some traffic has resumed and recent developments suggest access may be improving, passage through the Strait remains inconsistent and subject to change. As a result, the focus remains on whether a steady flow can be maintained without further escalation. For financial markets, the key issue is not who prevails militarily, but whether ships can move through the Strait without interference.

Markets had grown increasingly concerned about rising inflation and whether high energy prices might prompt the Federal Reserve to change its policy. Comments from Chairman Powell after last week's policy meeting did little to ease those concerns. The recent change in tone, however, has helped calm some of those fears, with expectations now shifting back toward a more stable interest rate. Nevertheless, sustained increases in energy prices tend to act as a tax on consumers and businesses, which can slow spending and economic growth. If recent signs of de-escalation hold and supply conditions improve, some of that pressure could ease. However, the situation remains fluid, and any new disruptions would quickly bring those risks back to the forefront.

We do not know how this will ultimately play out, but recent market behavior is not unusual, especially during a midterm election year. This is typically a period when uncertainty builds, and investors search for reasons to be cautious. At the same time, the economy and corporate earnings were strong before the conflict, and we would expect a relatively quick recovery if conditions improve. However, there is still a risk that disruptions will last longer than expected. This calls for a balanced approach, becoming more cautious if conflict persists, while remaining ready to take advantage of opportunities should conditions improve.

Thanks,  
Preston May, CBE®  
Assistant Portfolio Manager ☞ Analyst

Donaldson Capital Management, LLC is an investment advisory firm registered with the Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940. SEC registration does not constitute an endorsement of the firm by the SEC, nor does it indicate that the adviser or investment adviser representative has attained a particular level of skill or ability. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. This is prepared for informational purposes only. It does not address specific investment objectives, or the financial situation and the particular needs of any person who may receive this report. An index is a portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance to certain asset classes. Indexes are unmanaged portfolios and investors cannot invest directly in an index. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown. Past performance is not a guarantee of future results. The mention of specific securities and sectors illustrates the application of our investment approach only and is not to be considered a recommendation by Donaldson Capital Management, LLC. S&P 500: Standard & Poor's (S&P) 500 Index. The S&P 500 Index is an unmanaged, capitalization-weighted index designed to measure the performance of the broad U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries.