

# Thinking Out Loud



## Let's Get "Strait" To The Point

3/6/2026

The U.S.-Israeli conflict with Iran has now entered its seventh day with no resolution in sight, and the economic fallout seems to be accelerating. The most significant development to date has been the effective closure of the **Strait of Hormuz**, accounting for 20% of the world's daily oil supply and 25% of LNG transits. Tanker traffic has all but halted, driving Brent crude close to \$85 per barrel. Retail gasoline prices have jumped more than 40 cents in just one week. At the same time, the February BLS employment report surprised to the downside, indicating that the U.S. economy shed 92k jobs (vs expectations of a 60k gain), with private-sector payrolls posting their worst reading since the pandemic. Together, these developments represent the making of a perfect stagflation storm, an acute supply-side disruption arriving alongside clear evidence of labor market deterioration – a situation we and most investors had hoped to avoid.

Christopher Pike, CFA®  
[chris.pike@northeastprivate.com](mailto:chris.pike@northeastprivate.com)  
973-422-9140

Christopher Viola, AIF®  
[chris\\_viola@northeastprivate.com](mailto:chris_viola@northeastprivate.com)

The Strait of Hormuz closure is igniting a rapidly expanding supply disruption, setting the stage for significant supply-push inflation. Iraq has suspended oil operations, and Kuwait, Qatar, and Bahrain face reaching storage limits within weeks due to a lack of alternative export routes. Should this persist, it would be the most severe oil supply interruption since 1973. Despite U.S. pledges of Navy escorts and insurance, traders anticipate a multi-week delay before substantial flows resume. However, the economic fallout of the 1973 oil embargo is unlikely to be fully replicated, as the U.S. is now a net oil exporter. But adding to concern is the cost of natural gas in Europe which has almost doubled since the conflict began. Europe is entering Spring with very low gas reserves and now faces a difficult period trying to refill them. This could cause a pickup in inflation, potentially forcing the European Central Bank to take a tougher stance by raising interest rates.

Back here at home, the Federal Reserve and its incoming Chairman face an increasingly uncomfortable position. While a loss of 92,000 jobs would normally trigger/support rate cuts, surging oil prices, persistent wage growth, and rising energy costs are driving inflation higher, precisely as labor is showing signs of material weakness. As a result, cutting rates to boost employment risks adds to energy-driven inflation, yet holding steady or raising rates could trigger a recession. This morning, bond market illustrated this tug-of-war, with 10-year Treasury yields falling sharply lower, reversing earlier inflation-driven climbs. Although long-term inflation expectations remain steady for now, signaling the Fed's credibility is intact, this stability is fragile and could quickly erode if the Strait of Hormuz disruption continues.

This upcoming week underscores the Federal Reserve's grave predicament: a potential reopening of the Strait of Hormuz (generational energy shock) is crucial for inflation and growth, yet the economy simultaneously wrestles with job losses (the fastest since the pandemic). This dangerous confluence raises the risk of a policy misstep, forcing policymakers to weigh emergency rate cuts against sticky inflation. Until clarity emerges on Hormuz extreme volatility across rates, equities, and energy markets will dominate, as data will either confirm or relieve current anxieties.

**We'd love to hear your thoughts.**

# Thinking Out Loud



## Disclosure:

The information in this publication and references to specific securities, asset classes and financial markets are provided for illustrative purposes and do not constitute an offer to sell, or solicitation of an offer to purchase, any securities, nor does they constitute an endorsement with respect to any investment area or vehicle. This material serves to provide general information to clients and is not meant to be legal or tax advice for any particular investor, which can only be provided by qualified tax and legal counsel.

Certain information contained herein is based on outside sources believed to be reliable, but its accuracy is not guaranteed. Investment products (other than deposit products) referenced in this material are not insured by the FDIC (or any other state or federal agency), are not deposits of or guaranteed by Northeast Private Client Group, and are subject to investment risk, including the loss of principal amount invested.

Portfolios are subject to investment risks, including possible loss of the principal amount invested. In addition, foreign investments may be less liquid, more volatile and less subject to governmental supervision than in the United States. The values of foreign securities can be affected by changes in currency rates, application of foreign tax laws, changes in governmental administration and economic and monetary policy. Investors should consider the investment objectives, risks, charges, and expenses of ETFs carefully before investing. This and other information are contained in the fund's prospectus, which may be obtained from your investment professional. Please read it before you invest. Investments in ETFs are subject to risk, including possible loss of the principal amount invested.

This information is being provided to current Northeast Private Client Group clients and should not be further distributed without Northeast Private Client Group's approval. S&P 500 Index is a market index generally considered representative of the stock market as a whole.

The index focuses on the large-cap segment of the U.S. equities market. Dow Jones Industrial Average is a widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials, but also includes financial, leisure and other service-oriented firms. Russell 2000 Index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization. NASDAQ Composite Index is a market value-weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. Each company's security affects the index in proportion to its market value. This commentary contains forward-looking statements and projections.

Actual results may differ from current expectations based on a number of factors including but not limited to changing market conditions, leverage and underlying asset performance. Northeast Private Client Group makes no representation or warranty, express or implied that this information shall be relied upon as a promise or representation regarding past or future performance.

This material contains the current opinions of the author but not necessarily those of Guardian or its subsidiaries and such opinions are subject to change without notice. Past performance is not a guarantee of future results. Indices are unmanaged, and one cannot invest directly in an index. Data and rates used were indicative of market conditions as of the date shown.

Opinions, estimates, forecasts, and statements of financial market trends are based on current market conditions and are subject to change without notice. Securities products and advisory services offered through Park Avenue Securities LLC (PAS), member FINRA, SIPC. OSJ: 200 Broadhollow Road Suite 405, Melville, NY 11747, 631-589-5400. PAS is a wholly-owned subsidiary of The Guardian Life Insurance Company of America® (Guardian), New York, NY. Northeast Private Client Group is not an affiliate or subsidiary of PAS or Guardian. 8787788.1 Exp. 2/2028