

# DIVIDENDCAFE | PODCAST TRANSCRIPTION

FRIDAY, JUNE 27, 2025

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Well, hello and welcome to the Dividend Cafe. I am your host, David Bahnsen, managing partner, Chief Investment Officer of The Bahnsen Group, who has the distinct privilege of every Friday bringing you, my macro commentary on whatever topic I select. And I had a topic selected a couple of weeks ago that I was going to write about this week, kind of unpacking more of this subject of bubbles and issues related to valuation and where we sit in the market and looking at the history of bubbles, which I think is just an incredibly important topic and there's gonna be some nuances in what I say about this.

But then a week ago on Saturday night, to be precise, the announcements came through that the United States had launched its own operation, Midnight Hammer, and what an operation it was. Watching the news late into the night Saturday and absorbing everything throughout Sunday. And then the way in which you would've expected markets may end up responding earlier in the week, I thought this may not be a good week to do a special issue about bubbles, let's definitely keep it in the Middle East.

Let's look at what's gonna be happening with oil, with markets, with volatility, as ongoing geopolitical tensions escalate in the aftermath of first Israel's actions in Iran over the last two weeks, and then the United States joining the fray to weaken Iranian capacity for nuclear capability.

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And now I'm really glad that I made the decision to write about this this week, despite the fact that markets are up massively despite the fact that oil is down substantially, despite the fact that nobody looking at market charts this week would believe at all that anything has happened in the Middle East, let alone a high profile, highly newsworthy highly contentious decision for the Trump administration to aid in and produce US resources towards the elimination Iranian nuclear capacity.

The reason that I'm saying I'm glad I did it is it gives me a chance to reinforce an entirely different market lesson, and that's what we're gonna talk about today.

I go through a hypothetical conversation in the written dividendcafe.com this week where I basically say if I was sitting down on June 13th, two weeks ago and said to another person, I have a crystal ball, and I can right now tell you that Israel is about to attack Iran in the most significant, substantial, expansive, targeted, sophisticated destructive attacks in well over 50 years in the region, that they were gonna kill numerous high profile senior Iranian leaders, that they were going to kill significant amounts of those in their nuclear science program. That Iran was going to vow bloodshed and retaliation in response you would say, holy cow, I can't believe you're predicting this and markets are surely going to be affected and presumably equity markets and risk assets negatively and oil commodity prices presumably would be skyrocketing higher. And then if I said to you, by the way, this crystal ball is also telling me that the US is gonna sort of act like it might get involved, but might not, and then say, well, we're gonna think about it a couple weeks, but then a couple hours later drop

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14 bombs on us excuse me, Iranian nuclear capacity bringing a B-2 bomber halfway around the world to do such and that I ran would again, threaten retaliation and so forth. You would think, well, yes, there is going to be significant volatility and probably downward pressure on equities, fear of war breaking out, and then global commodity supply being cut off in some form of upward pressure on oil prices.

And then if I were to say to you, well, actually it's interesting because today's June 13th and I'm looking at my crystal ball, and as I'm talking the DOW is literally at 42,198, which is where it was on June 13th, and that as I'm sitting here recording for you right now, the DOW is at 44,000.

So what you basically got was this crystal ball being accurate. You fast forward a grand total of 14 days and it's just nine and a half market days. There was a market holiday in there on Juneteenth, and you have a equity market that is up about 4% in oil prices that had gone at one point. From 68 to 75, but are sitting right now around 65 that are down 4% stocks up for oil, down for as both Israel and the US attack Iran.

Now, tell me who would've predicted that? Tell me who would've predicted what Israel was gonna do at the time without US involvement. We obviously know behind the scenes there had to have been US support, that there was absolutely no indication the US was about to get involved with an attack. No indication that Iran would be unable or unwilling to respond in any meaningful way. No indication a cease fire was in to come. Even if it holds for only f five more minutes,

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you've now gone five days without any meaningful response that the nuclear capabilities of Iran were either gonna be obliterated or a significantly diminished, regardless of what one's own political priors caused them to try to say or do I have the distinct advantage in this case of not having political priors that force me to change my view of facts, to be compatible with what I want to be the case who I hate or who I love.

That markets pertain, contain this really significant objectivity. And I believe that I have a similar objectivity or have tried my very best to maintain an objectivity around these things. And it doesn't feel like a stretch to me. Even as someone who's been, by the way, very critical of President Trump on certain things to at least objectively say that some form of significant damage has been one to Iranian nuclear capability. This is not primarily a political story for our purposes. What you basically have was that the Israel, US Iran story was not predictable. The aftermath was not predictable. The market response to those actions was not predictable. The market response to the aftermath was not predictable.

Then there was a multi causal reality in markets that even apart from what exactly did happen with Israel, Iran, us, et cetera. There's also an AI CapEx story that's still going on. There's also a Fed, "*will they or won't they*" story that's still going on. There is a very high confidence in Q two's earnings that has come back into fray, and we go into the earning season in a couple weeks. That's still going on. There is improvement in US China trade talks, including the completion or apparent completion of at least a framework of a deal.

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So you combine this unpredictability of actions, unpredictability of aftermath, unpredictably, a market response unpredictability, a market response to aftermath, and then other causation around it and what you get is an assurance of unpredictability. And that is never going to change. And yet in all these things, we have people that believe they could get the timing of all these things right and allow it to impact their own market decision making. I believe that it is a very, very consistent approach to this to say that no one will be able to predict the fact patterns.

No one will be able to predict the market response to the facts. And no one will get the timing of either of those things. Right. Yet somebody is going to try all three of those things. And that is to me, the real lesson of the last couple weeks. But I should make it clear we're not just talking about the last couple weeks the markets we're up for and you would think they'd be down for as there's been geopolitical escalations.

I've written in the Dividend Cafe before and the link is there at [dividendcafe.com](https://dividendcafe.com), the very Dividend Cafe I wrote the week after the utter unspeakable atrocity of October 7th, 2023 of Hamas' attack on our allies, Israel, that we are dealing with a 50 year history that I've studied immensely around Middle East tensions, including the unspeakable events of 9/11 that came to the US' own shore. Looking at the Iraqi attack on Kuwait in August of 1990, the US into her invention into that conflict in January of 1991. The dozens of various attacks involving Israel, Hezbollah, Hamas, Lebanon, and other major issues. Sometimes it brought us in, sometimes it didn't. Drone attacks from Iran into Saudi Arabia. I mean, this is a situation where I had to pick like the top eight in that article I wrote at Dividend Cafe. Again, the link is

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there, dividendcafe.com and I was picking eight from 30. And that was picking 30 from a hundred.

If you wanted to get into all kinds of other smaller type incidents, the, there, there is a history in the Middle East that is a history, a bad thing's happening, markets sometimes responding for two days, sometimes responding for two months, and always moving forward. The DOW is up over 500% since the nine 11 aftermath, and that was an attack on our own soil that killed thousands of Americans.

So you really are not talking. Some of the investors really should respond to, even if they could, but you are looking at overwhelming empirical evidence that they couldn't, even if they tried. And I think to outside of this Middle Eastern analogy, last couple weeks, we're not even yet three months old from the tariff debacle.

The post Liberation Day saloon, where on a Thursday, Friday, Monday, Tuesday, going into Wednesday morning in four and a half market days, the market was down 5,000 points and could very well have gone down another 5,000 were it not for the president reversing his decision around the trade tariff threats he had made, and yet markets are higher than when they started.

Who would've predicted exactly what policy was coming? I got an email in that month from someone saying it was so obvious markets were gonna collapse under President Trump. And it was so obvious exactly what President Trump's gonna do, and it was so obvious where things were gonna go, and every one of those things proved not to be obvious.

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By the way, this person obviously had some sort of hatred of President Trump. I have gotten a million emails over my career when people said that it was so obvious markets would tank under President Biden for other reasons. I come back to that political. Example, 'cause it's front and center as the tribalism of our country is intensified throughout my adult life.

But from an investing standpoint, people tell me all the time, something's obvious. That proves to not be obvious five minutes later. And that's all right, that people get things wrong, but with markets be wrong without saying something was obvious because nothing is obvious. Nothing in the Middle East is obvious.

The only thing I would say is obvious is that we are not going to anytime soon see full blown peace in the Middle East. And I understand some right now are gonna say, nope, no, we've done it now, the administration's actions meant there would be no more conflict in the Middle East. It's not a serious thing to say.

I hope that we've severely impacted Iran's ability to be a nuclear threat, but even then, that's not peace. In the Middle East, there is a religious, historical, geopolitical, military. Sectarian divide in that part of the world that is thousands of years old. There's been evidence in markets for hundreds of years.

It's been in part of our own modern story for decades. It's not going away. The idea that one would time their way around it or use things like that, or their president's policies, what they like and don't like, to try to supersede the reality of what you're supposed to be investing for is crazy.

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We are not going to do it. What do I think is happening in Iran? What US action in Iran in particular, I think if I can quote from the research of my dear friend Renee Corbu, I would look at it as establishment of a military deterrence that is both relevant to Iran, but other shall we say, actors who are watching as well.

I think that it is evidence of a enhanced commitment from the US to non-proliferation that there is a significant priority that actors who do not currently have nuclear capability are not gonna be allowed to get it. A so-called Trump doctrine around that issue. And I think that there was a desire. To demonstrate, particularly going into NATO week the precision global reach that the US has.

This was strategic and accomplished a number of other goals. People can like it or not like it. They can, like the administration, not like it. Or they could be a normal human being who likes things they like and doesn't like, things they don't like. That's the part of humanity I wanna fall into.

But in this case, from a market standpoint, I think that there's a very clear next step around this and that next step is to be focused on what is controllable in your portfolio and not what is not controllable. To be focused on what is knowable and not what is not knowable. And if the Middle East is in isn't the best example you could think of, of what is both uncontrollable and unknowable.

I don't know what is. I think that there is very little appetite in the United States, both in the public and in the administration for a



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prolonged war risk of us lives. Some of those issues that you could think maybe markets might be concerned about right now or not, and they're probably not worried about it for good reason.

Iran could retaliate, Iran could escalate there. There is not very likely to be a US War involvement. And times for an hour or a day or a week or what have you. Markets may not know exactly that. Similar to the trade issues, the president can huff and puff and tweet, but there is a general path to which we see things are going to, there will be another unpredictable things that'll come along and shake up markets.

I'm gonna continue saying and talk more about this next week. The biggest risk markets have right now. It is not Iran or trade war, it's 23 times forward earnings. So I'm not trying to say everything is rosy for index investors. What I am trying to say is, if we're dividend growth investors, we're not gonna change our plan around Iran. We're not gonna change our plan around politics. We're not gonna change our plan. Around valuation because we wanna function within a reasonable valuation universe to begin with, and that's what our approach right now is. People keep asking me, what's the play? What do, what's the play in the dollar on the trade war?

What's the play in the bond market on Iran or in commodities? What's the play in some of these event oriented things? The media ask me that a lot and I always hold to my consistent answer and you're certainly not gonna get any different consistency from me here in the Dividend Cafe. I don't have a play.

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I have an investment philosophy. The investment philosophy is, in my mind, far superior to other ways of doing equity investing when it comes to both the defense and offense, the dividend growth investing offers that is our philosophy. That transcends being a play. Some companies are gonna benefit more than others at certain points in time.

Some are gonna have opportunistic, dividend reinvestment, some, you know, we're actively managing within those sleeves, but there's no play around it. And for those who are trying to go achieve a play, sometimes you see a market that in two weeks confounds everybody, even as wars breaking out on another side of the world.

Those confound are the rule, not the exception. Markets are humbling things. Dividend growth allows us to invest in the context of our humility, our much earned humility. I would add. I am glad for a successful operation that the US carried out in Iran, so-called Operation Midnight Hammer. I hope that we get further validation of a better understanding of success, and in the meantime, I hope that the success in your portfolio comes from avoiding big mistakes.

And making the decisions and maintaining the discipline that help drive the right results over time. To that end, we work here at The Bahnsen Group, and I want to thank you from the bottom of my heart for watching, listening and reading the Dividend Cafe. Have a wonderful weekend. Stay cool, and we'll be back with you Monday as we bring back the final day of the first half of 2025 in the Dividend Cafe, have a wonderful weekend. Take care.