

FRIDAY, MARCH 6, 2026

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Well, hello, and welcome to the Dividend Cafe. I'm your host, David Bahnsen. I'm recording from our beautiful office here in downtown Nashville, Tennessee, where I'll be leaving shortly. I've gotten to spend the last couple of days here. I had some wonderful times with clients here and now I'm heading off to the next city.

It's a bit of a whirlwind of a week. We'll get back into New York on Tuesday night, and there's a lot going on right now in markets. There's a lot going on in energy and a lot going on in the world, and we're going to dedicate our time today to those things as they pertain to the military operation that began in Iran last weekend—the major takeaways for investors, how we're thinking about what is going on, and our expectations around all of this. The noise and the legitimate news elements of where things stand, as it particularly pertains to investors—that's what I want to get into here in the Dividend Cafe.

It's a sobering discussion and, frankly, a little bit uncomfortable because Dividend Cafe exists to talk to investors about financial ramifications, about policy issues that matter to markets, to the economy—and war is fundamentally something that is obviously life-threatening. So there's this human life element. And when casualties are a reality or a possibility, or both, and I'm sitting here talking about what it means to investor or financial return expectations, it's uncomfortable.

But I also know what the objective of Dividend Cafe is. I need to stay in that lane and, at the same time, do my very best to provide a useful framework for how to think about these things. One of the elements I would say—because I'm going to move on now, taking for granted that you understand where my priorities really lie and yet that there's a kind of division of labor in the way we think about this—is that my genuine heart is with the preservation of human life and bringing an end to this, and certainly with American interests and the things that should matter for a patriotic person who believes in the dignity of human life.

And yet, at the same time, when I think about how this impacts folks who we are responsible to manage money for, there's a framework that I would like to suggest to you that, first of all, requires differentiation between the things in this that will prove to matter and what economic impact we're talking about. We're going to talk in a moment about potential political impact, where there could be a more long-term reality that gets embedded in this, versus what has clearly been the trend here in the first five days since all of this broke out.

As I'm sitting here recording, the Dow is down 700 points, so you're talking about maybe 1,600 points on the week. That's right around 3%, maybe a tad over 3% now. I mean, markets down

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3% in a week is bad, but it's not that bad. It happens a lot. It is most certainly not unheard of, and it has no material impact to any real long-term investor.

But what I think is a little more interesting—and what I want to explain as a dynamic that is more real right now than where we're going—is the enhanced, obvious volatility it represents. Consider the following: Monday of this week, the Dow was down 600 points at one point and closed basically even on the day. Tuesday, we were down almost 1,300 points at one point, closed down 400, but from the low point to the high point was up almost 1,100 points—massive intraday volatility. Wednesday, we were down 150 at one point, but we closed up 240 points on the day, and there was a 500-point swing intraday, and that was the least volatile day of the week. Then on Thursday, we were down another 1,200 points at one point; we closed down 785. It was the worst day of the week unless Friday ends up being so, and there was a 1,000-point swing between the low point and the high point. Earlier today we were down 950 points. Right now we're down about 600.

I hope you get the idea: these intraday swings are substantial. And when markets start moving up and down 1,000 points intraday, there is absolutely no explanation for it other than you have a touchy market. This is not, “Oh, there was news that caused us to go down,” and then other news came and caused us to go up. It is not in response to news or anything substantive. It is temperamental. It's totally understandable—human, or what have you.

I happen to think it's incredibly ill-advisable for sober-minded investors, but needless to say, this is not about, “We were worried about A, and then B came up.” High volatility is because no one knows what A, B, C, or D is, to be quite candid. And so I would not recommend taking investment advice from somebody trying to trade in and out of these things in the fog of war and in the heightened volatility that we're clearly in.

There will be outcomes that come from this. Right now, there are known categories that have unknown outcomes. There are unknown categories that have unknown outcomes. But there will end up being known knowns at some point. This is from the language Donald Rumsfeld famously utilized.

I think it should not matter to you one bit, this intraday volatility—recognizing that there is touchiness and enhanced volatility whenever there are news-centric reasons for volatility to go higher. And at a starting point of high valuations, it can become even more sensitive. But there is not anything to be done about it in terms of trading around it.

The most important question that is going to dictate where we go beyond a Thursday-to-Friday type of timeline is how long this plays out. And one of the reasons it's so ridiculous to form a market thesis about that is that there is no war thesis for it right now. Nobody has a legitimate take on where the current war effort is going.

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Now, if you are listening right now and you are a Pentagon insider with maximum security clearance, maybe you know something. But I don't believe you listening right now are in a position to know, and I know that myself offering this commentary, I'm not in a position to know exactly where things are going to go.

There are knock-on effects to the market from the regional instability that the effort has created—with the ports, with the Strait of Hormuz, with shipping, with production of oil and gas in the region, with various trade expectations. Some of these things may be cured much quicker than others; some may take longer. But it is very difficult to endgame where this goes.

For one thing, we don't really even know what Iran's ability to resist this is. There's reason to believe depleted munitions and decimated leadership may create an ending sooner rather than later, but that doesn't necessarily mean it's an ending that ends up being very favorable. There could be civil war, ongoing unrest—there are a lot of unknowns around it.

Markets do not like uncertainty, and the way they respond to uncertainty is not to go straight down; it is to become very volatile and therefore create a lot of inconvenience for those trying to skateboard around the freeway, if you will.

Realistically, I do believe the United States has an objective to get to a point of declaration of success, and I do believe they will desire to see new leaders in Iran. They're most certainly going to get that. We don't know who or what at this time, but since the other leaders are all dead, I'm quite positive there's going to end up being new leaders.

I think that the American interest is for all this to happen with as little damage to American life and American economic interest as possible. The path to that is murky right now, but I would not bet against that end outcome.

The issue, though, as we look at equity market response day by day, is very much a byproduct of oil prices. Oil prices bleed into the real economy. When you get a supply shock—when you can't get production out of a certain part of the Middle East, or you can't get oil shipping out of, in this case, the Strait of Hormuz—the Persian Gulf is not going to be able to deliver a certain marginal amount that global supplies rely on, and that pushes prices up.

When I was talking to you on the Dividend Cafe on Friday, we were up a whopping 5.5% on Monday, which is real small ball for a war in the Middle East breaking out. As I gave a talk at a client dinner event last night, on the week oil was up about 17%. That's a lot more than 5.5%. It's still not earth-shattering. As I'm talking right now, we're up about 9.5% on the day. We're now into the 90s with WTI, and so you're up over 32% in the last week.

Well, that's a big deal now. It isn't going to last. There will be a time at which these supply shocks come off, and then there is a recalibration. That gets evidenced in what—and I'll ask the

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guys to put up on the screen now—our chart of the week is showing you: the backwardation of oil prices, where they've gone way up on the short end, but they're actually much lower going out nine months and 12 months.

So what markets have done is price something in that properly captures the short-term impact but is by no means expecting this to last. But the longer things go, the more impact gets embedded, and the more that economic impact gets felt in the form of higher gas prices, higher shipping prices, and higher potential prices on goods.

When I talk about shipping costs, they're up 7% on the week. That's not huge. It's also 7% up from what had been a pretty low price level. But again, when you have a global player like Maersk—the big Danish shipping company, considered a global bellwether—having to take offline two major shipping services from the Middle East to Europe and Asia, it's only two routes and they're calling it precautionary at this point, but there's a story there.

Is it a four-day story or a four-month story? You can understand why the inability to answer those questions gives markets skittishness.

The Strait of Hormuz is being talked about as this thing pushing oil prices higher, but the reality is there's 147 container ships that are basically sidelined in the Persian Gulf right now. They're not going anywhere. They're not doing anything. That's a lot of cargo not moving, and that's pushing up price levels elsewhere.

Ten percent of all global aluminum supply comes out of the Middle East, and I'm thankful my friend Peter Boockvar for writing about this this week. Because you see aluminum right now at four-year highs. That's not all from this week. It was already higher because of tariffs, and then this happened and pushed it higher still. So we'll put a chart up now on aluminum. Those new highs—well above anything we've seen besides a brief Ukraine spike back when that war started over four years ago—are certainly the highest now since that period.

That ends up getting felt through other elements of the economy where aluminum is obviously a very significant input.

Gas prices are higher so far, not to a point yet where I think it becomes hugely problematic, but it all depends on how much higher they go from here. Twenty cents a gallon moves the needle. It changes narrative a little bit. It changes talking points. But 50 cents a gallon—which I would imagine we're headed to—becomes a more real issue. A dollar a gallon becomes a big deal. And then those things staying on for more than a week becomes a bigger deal—consumer spending, margins, not just how we think about filling up our tank, but how it impacts overall transportation and shipping. Gas prices are a major input into the way the whole economy functions.

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So when you talk about oil prices and that point I made a moment ago about backwardation, you can look at a 32% spike in a week and look at what the short-term economic impact negatively will be. But is there a scenario— I am not predicting this, but I am not taking it off the board either—where there is a different regime or different leadership in Iran on the other side of this that is more U.S.-friendly, or that there's some arrangement worked out, where Iran comes onto world markets with more global supply in a post-sanctions world than they were in the sanctions environment, and that puts big downward pressure on oil prices?

So we don't only want to think about this in the next 12 days or even 12 weeks, but in the next 12 to 18 months. Futures markets are actually indicating that that is very likely to happen— not necessarily that particular geopolitical outcome, but that result in commodity prices.

The tangential element of market impact I want to bring up is more political. I would not mention this if it were simply, "Hey, this war is either going to end up being popular or unpopular. It's either going to help President Trump or hurt President Trump." All that goes without saying. But I don't really care about that very much. I genuinely don't.

I do wonder, though, if it becomes tangentially important to markets if it moves the needle on the Senate, if it moves the needle on the midterms. And that is a bidirectional comment I'm making. People can say, "Well, look, the polling so far indicates this isn't very popular." There are economic concerns out there. We saw a really bad jobs report this morning, so we're thinking about all of this in a negative context. That may be the base narrative. It may be the way it plays out.

But is there a scenario where there is a particular decisive and reasonably successful outcome that moves this the other way very quickly? There's absolutely that possibility. So there is a bidirectional possibility of political outcome, and you can weigh what you think is more probable however you want. My point is that the political outcome of this could end up being relevant to markets as it bleeds into committees, political mandates, legislative opportunities, and so forth.

Where do we go from here? I am not going to pontificate on the military strategic elements that are far outside of my skill set. I can share basic data with you. I have a very hard time with people that I happen to know don't know anything about the real geopolitics of this or the kind of military analysis, waxing and waning as if they are General Schwarzkopf in 1991. This is far outside my lane, and I'm aware it's far outside my lane.

As a basic matter of raw data, we do know that Iran launched 350 ballistic missiles on day one of this, and they launched another 175 on day two. The last two days they've launched 15 and 28. Does that mean they're running out of munitions, running out of supplies? Maybe. It may not, but it's a data point worth considering.

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They launched over 1,000 drone attacks in the first three days. In the last two days they've launched 40. So I think it's a reasonable expectation that the sophistication, size, and capability of the combined U.S. and Israeli forces here are going to prevail, but I don't have an ability to say how, when, et cetera, or what lies in store on the other side of such prevailing.

I think the oil prices are clearly a temporal condition, but I don't know if temporary means four days or four months. I would venture to guess it's somewhere in between, with a bias towards shorter rather than longer.

What ought investors to be doing at this point? They ought not be altering their asset allocation strategy. This should go without saying. If you had an asset allocation a week ago, two weeks ago that didn't factor in the possibility of a geopolitical disruption, including Middle Eastern military operations, then you had a bad asset allocation, because these things are permanent possibilities that an appropriately allocated portfolio always takes into account.

To right now say, "I want to overweight energy," after oil is up 32%, after some of the U.S. producers have moved the way they have, is somewhat irrational. Those that happen to already have an overweight position in energy going in—I think, as you saw in my white paper a couple months ago, you know what my thesis for that was. It was not based on predicting any war, but it was an economic and fundamental investor case, and I think an overweight position in energy has served people well. But it doesn't mean that one ought to move into that now after the fact.

Investors should be prepared for more day-by-day volatility, but they should not care about it. Accept it, but don't respond in any way, shape, or form. The length of the conflict will determine much of market direction from here. That goes without saying. The magnitude of the conflict will also speak to political repercussions.

But day by day, week by week, investors who are compounding dividends through a period like this—from real companies continuing to do what they do—have a portfolio working by design. Those are the portfolios we believe in.

I continue to pray for very minimal loss of human life as this incident continues, as this operation plays out, and I do continue to say proudly: God bless America.

Thanks for listening. Thanks for watching, and thank you for reading the Dividend Cafe. Have a wonderful weekend.
