

OWA Markets Memo: Geopolitics, Energy, and the Fed

March 24, 2026



A Rise in Geopolitical Tensions

March certainly came in like a lion, and we hope it goes out like a lamb. At the start of the month, the U.S. and Israel carried out coordinated strikes on Iranian military infrastructure (Operation Epic Fury). Iran responded with attacks across Israel and parts of the Gulf region. This raised concerns about potential disruptions near the Strait of Hormuz, a critical chokepoint for global oil shipments. Markets tend to react quickly to even the possibility of supply disruptions, which is why energy prices and safe-haven assets like gold and Treasury prices moved higher at the outset of the conflict.

The Strait of Hormuz is particularly important because roughly 20% of the world's oil supply passes through this narrow waterway. Even limited disruptions, whether from military escalation, shipping delays, or heightened security risks, can create outsized effects on global energy markets. In recent weeks, we've seen oil prices move higher and volatility increase as traders price in the risk of constrained supply.

Higher energy prices can ripple through the broader economy. They tend to increase transportation and production costs, which can feed into inflation and weigh on consumer spending. For businesses, especially those with thinner margins, sustained energy price increases can create additional pressure. While it is still too early to determine whether this becomes a prolonged disruption, markets are clearly taking the risk seriously.

A More Cautious Tone in Financial Markets

Even before the escalation, markets were already adjusting to a more uncertain macro backdrop. The Supreme Court struck down the President's use of the International Emergency Economic Powers Act (IEEPA) to impose tariffs; worries about Artificial Intelligence (AI) upending the U.S. economy and labor markets persisted; technology stocks continued to struggle; and concerns about private credit were gaining more media attention. There was already a pullback in riskier areas of the market, and the geopolitical news only added to the caution.

We are also seeing a rotation beneath the surface of the market. Areas that had led in prior years, particularly large-cap technology, have shown more volatility, while other segments such as energy, select value-oriented equities, and certain international markets have provided relative stability. This type of rotation is typical in periods where macro uncertainty rises and leadership broadens.

Inflation and the Federal Reserve

New U.S. inflation data show price pressures remain sticky, which has reduced expectations for near-term Federal Reserve rate cuts. In its latest meeting on March 18th, the Federal Reserve held interest rates steady, signaling a more patient approach as it continues to assess inflation trends and economic resilience.

Importantly, the Fed acknowledged that while inflation has moderated from its peak, it remains above target and could be influenced by external factors such as higher energy prices tied to geopolitical

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events. As a result, policymakers emphasized a data-dependent stance, indicating that rate cuts may come later than previously expected if inflation proves persistent.

This dynamic has contributed to the recent “risk-off” tone. When markets push out expectations for rate cuts, it can place pressure on equities, particularly growth-oriented sectors, and support yields in fixed income.

What This Means for Portfolios

Periods like this are exactly why Octavia Wealth Advisors uses a disciplined, diversified investment process. We build portfolios to handle short-term volatility and unexpected events through:

- **Diversification** – Across regions, sectors, and asset classes, helping reduce the impact of any single event
- **Quality** – In both equities and fixed income, which can provide resilience during periods of uncertainty
- **Balance** – Exposure to areas that may benefit from rising rates or commodity strength, alongside long-term growth assets
- **Long-term focus** – Ensuring that temporary market movements do not derail a well-constructed financial plan

It’s also worth noting that markets have historically navigated geopolitical shocks. While headlines can drive short-term volatility, long-term returns are more closely tied to earnings growth, innovation, and economic expansion over time.

The Bottom Line

Markets are reacting to a combination of geopolitical tension, evolving inflation data, and shifting expectations for monetary policy. The situation in the Middle East, particularly risks tied to the Strait of Hormuz, adds an additional layer of uncertainty, primarily through its potential impact on global energy prices and inflation.

That said, these developments do not change the core principles of long-term investing. Portfolios are designed with resilience in mind, built to navigate periods of volatility while staying aligned with your broader financial goals.

As always, we remain focused on helping you achieve those goals with a thoughtful, plan-driven approach. If you have any questions or would like to discuss how current events may impact your portfolio, please reach out to your Octavia wealth advisor.

Past performance shown is not indicative of future results, which could differ substantially.

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