

# The Charter Group Monthly Letter

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## Economic & Market Update

### The Stress of Hormuz



Source: Google Maps, March 10, 2026

Since peaking year-to-date on Monday March 2<sup>nd</sup>, the model portfolios have seen their most significant correction since early April of last year following the "Liberation Day" tariffs announcement. Almost all of this is due to the hostilities in the Middle East since the beginning of the month.

**The economic impact of events in the Middle East focus on the navigational chokepoint at the Strait of Hormuz and the risk of cutting off oil exports from the region.**

The focal point for much of the market consternation is the Strait of Hormuz, a shipping chokepoint similar in width to the Strait of Georgia. It is narrow enough to effectively close with threats of attack emanating from shore. In the past there have been numerous such incidents. In addition, past episodes have required the clearing of mines in order to make transits possible. It's a real bottleneck with real history.

**20% of global oil exports flow through the Strait of Hormuz.**

Because of oil's prominence in so many aspects of the global economy, a significant increase in its price can have ramifications in so many sectors and can also have a



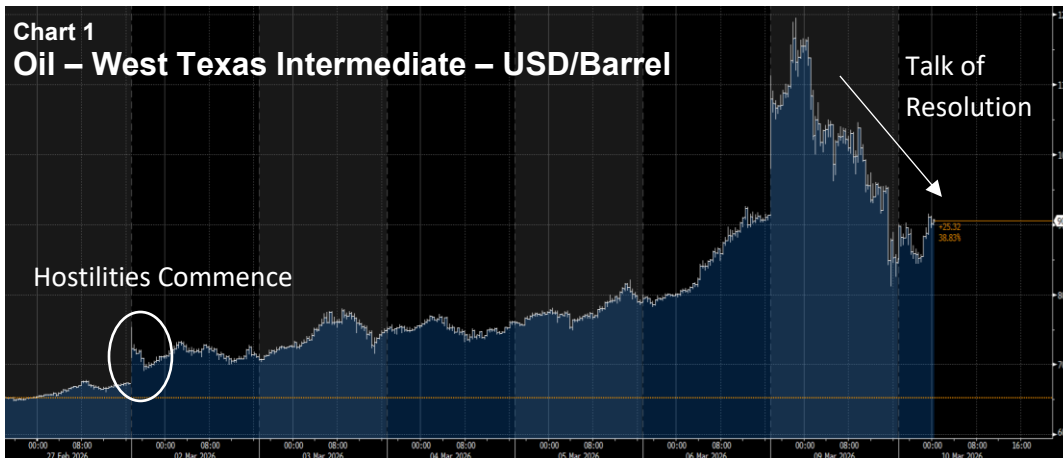
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general inflationary effect. Since about 20% of the world's oil passes through the Strait of Hormuz, any sustained blockage reduces supply and increases price.

From the start of hostilities through to early March 9<sup>th</sup>, the price of the current futures contract of West Texas Intermediate rose from \$67.30 to \$119.48 per barrel (all in USD)(Chart 1). That equates to a 77% increase. However, from that peak the price declined to around \$90 over the next trading day as President Trump made suggestions that military action would be resolved "very soon."

**The price of oil can fluctuate dramatically between news of a potential opening of the Strait of Hormuz to news of a prolonged blockage.**



One of the challenges is trying to establish visibility on how this issue is going to unfold. Rhetorical comments from the President can sometimes sound like things will go on for weeks or months. His other comments make it sound like the conclusion is imminent. The near- to medium-term looks like it could be a volatile stretch for oil. However, the least likely scenario from my perspective is a long, drawn-out affair because of the costs involved and the potential for adverse economic fallout ahead of the U.S. mid-term elections in November.

**The longer-term limiting factor for the blockage might be the U.S. midterm elections as adverse economic impacts will want to be minimized.**

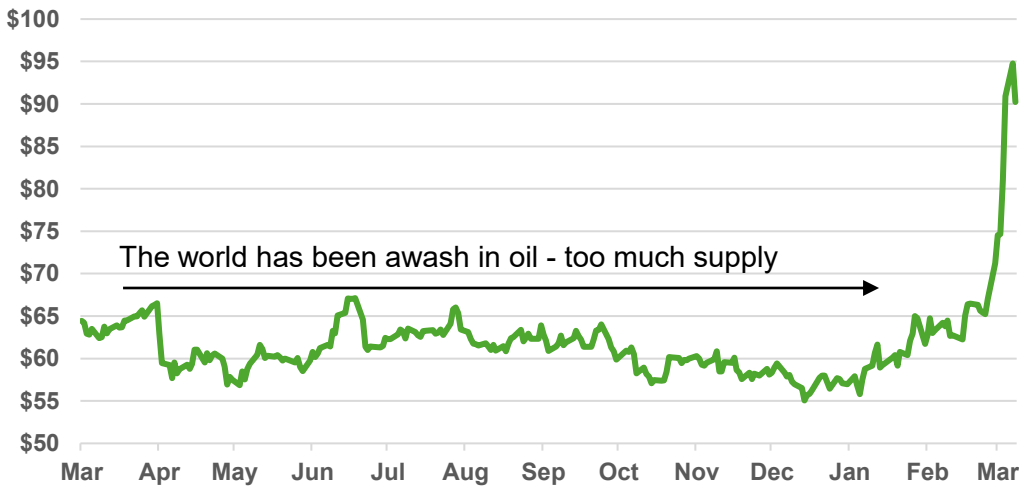
The trickiness of trying to time things is that developments can suddenly send the oil market in the opposite direction and correspondingly impact stock and bonds markets. If there is a tangible resolution soon, I might expect the price of oil to fall back to levels at the end of February. If a tanker gets hit, then the opposite.

My sense is that the markets are really hoping for a quick resolution in order to protect heady and often speculative gains in technology stocks over the last year. Wall Street often plays a cheerleading role in an effort to get things back on track. If someone had gone to cash, there is a real risk of missing any subsequent rally. With not much visibility

at the moment, it's hard to tell if there will or won't be a rally on the immediate horizon.

If events continue on for a while, then a higher oil price is a risk. Because oil is important in transportation and as a manufacturing input, this can lead to higher costs. If these costs can't be passed on to the consumer, then the related companies will face difficulties and their share prices could be vulnerable.

**Chart 2**  
**Oil - West Texas Intermediate - Closing Price in USD/Barrel**



Source: Bloomberg Finance L.P. as of March 10, 2026

A higher oil can also dampen economic activity. Resulting inflation puts pressure on household budgets. Consumers have less buying power. Less spending leads to lower economic activity as it is measured. Any stock that has some positive relationship to economic growth might come under pressure.

Another negative impact might involve liquidity and credit issues. Central banks have been relatively dovish and have kept the financial system flush with liquidity. This has encouraged the growth of alternative lending (lending not done by banks or financed with bonds). Before the issue with Iran, there was some increasing concern regarding some of the credit quality represented by these private loans. Now, with the possibility of higher oil prices impacting economic growth, a weaker economy has the potential to increase default rates. However, because these markets are private, it is difficult to get an early read on the condition of the loans. So, the news might come more as a surprise. And it would be reasonable to conclude that the risk of such a surprise increases with the longer that things continue in the Middle East.

**Higher oil prices are generally bad for the global economy. But they can affect some sectors more than others and can cause particular damage in overvalued parts of the financial markets.**

The model portfolios don't have any meaningful exposure to the world of private credit. However, if there is a notable deterioration in this area, it could induce the selling of publicly-listed investments in order to cover losses. That would likely negatively impact the model portfolios to some extent.

With respect to the model portfolios, recent events haven't led to any changes in the holdings. In the Top Investment Issues table at the end of the newsletter, Global Geopolitics has been at the top of the list for a few years now. This is something that has received considerable attention when selecting the holdings. Although the headlines are dramatic, we were living in a world where the chance of something like this happening was pretty good. If anything, all of this reaffirms my convictions with respect to the investments.

The magnitude of the current decline in the model portfolios still pales in comparison to previous periods of volatility. However, the decline and the divergence of a number of the investments may be enough to warrant a portfolio rebalancing so that all the positions are brought back to their target percentages.



**Geopolitical risks have been a significant consideration in the model portfolios.**

**Many of the model portfolio sectors that have done well might have had some anticipation that hostilities would erupt.**

**The model portfolios, in terms of asset allocations and holdings, are still at where I would want to be a year from now.**

**A portfolio rebalance is more likely than portfolio changes.**

# Model Portfolio Update<sup>1</sup>

The Charter Group Balanced Portfolio (A Pension-Style Portfolio)		
	Target Allocation %	Change
Equities:		
Canadian Equities	15.0	None
U.S. Equities	34.0	None
International Equities	11.0	None
Fixed Income:		
Canadian Bonds	18.2	None
U.S. Bonds	9.8	None
Alternative Investments:		
Gold	7.5	None
Commodities & Agriculture	2.5	None
Cash	2.0	None

There has been no activity in the model portfolios since the last newsletter at the beginning of March.

During the period of events in the Middle East the most significant general declines have been in international stocks. Since the beginning of March, the MSCI EAFE (Europe, Australia, Far East) Index has declined over 8%.<sup>2</sup> The MSCI Emerging Markets Index is down even more, but the model portfolios have avoided that asset class for years due to insufficient financial market reforms and a history of quickly giving back gains.

The MSCI EAFE Index has been a stellar performer going back to the summer of 2024, bolstered by a European industrial comeback driven by forecasted defense spending, and by stimulative economic policies in Japan. As these markets got stretched, they became more vulnerable to selloff.

**No changes in the model portfolios since the beginning of the month.**

**International stocks have been hit the hardest. They had been up the most.**

<sup>1</sup> The asset allocation represents the current *target* asset allocation of the Balanced Model Portfolio as of March 10, 2026. The asset allocations of individual clients invested in this Portfolio may differ because of the relative performance of the asset classes since the last rebalancing and because of differences in the timing of deposits and withdrawals. The Balanced Model Portfolio is part of a sequence of five portfolios ranging from conservative to aggressive: Conservative, Balanced Income, Balanced, Balanced Growth, and Growth.

<sup>2</sup> Source: Bloomberg Finance L.P. as of March 10, 2026.

One area that has done well since the beginning of March is the Canadian dollar versus the U.S. dollar. Normally in times like this, the U.S. dollar attracts capital due to its perceived safe-haven status. The other dollar-block currencies have also done well compared to the U.S. dollar. Much of this may be a continuation of the sentiment that led to the relative decline in the U.S. dollar going back to the Liberation Day tariffs of April last year.

**The Canadian dollar has been doing surprisingly well this month considering it is not a safe-haven currency.**

Going back to the start of the year, it has been a good run for the asset classes and sectors that are featured in the model portfolios. In a way, the market was ripe for a selloff and was looking for a catalyst to justify it. Well, it found one. Without the Middle East hostilities, perhaps investors would have focused on fiscal and monetary policy missteps, especially with an apparent new Federal Reserve chair to be installed in May. So, we might have faced volatility regardless in the near-term.

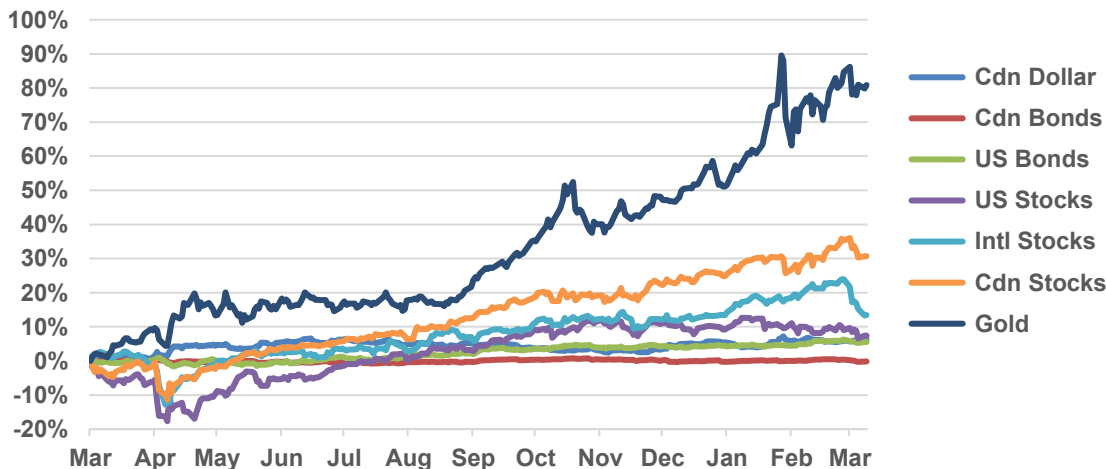
**The market was looking for an excuse to selloff, and it found one.**

Going forward, the U.S. midterm elections are likely the most economically impacting event on the horizon (barring a prolonged battle in the Middle East). Elections tend to focus on unrealistic or ill-conceived promises which, for better or worse, can create some enthusiasm in markets.

**Expect stimulative policies to counter the market stress and economic fallout.**

Below is the 12-month performance of the asset classes that we have used in the construction of The Charter Group's model portfolios. (Chart 3).<sup>3</sup>

**Chart 3:  
12-Month Performance of the Asset Classes (in Canadian dollars)**



Source: Bloomberg Finance L.P. for the interval from March 1, 2025 to March 10, 2026

<sup>3</sup> Source: Bloomberg Finance L.P. – The Canadian dollar rate is the CAD/USD cross rate which is the amount of Canadian dollars per one U.S. dollar; Canadian bonds are represented by the current 3-year Government of Canada Bond; US bonds are represented by Barclays US Aggregate Bond Index; U.S. stocks are represented by the S&P 500 Index; International stocks are represented by the MSCI EAFE Index; Canadian stocks are represented by the S&P/TSX 60 Composite Index; Gold is represented by the Gold to US Dollar spot price.

# Top Investment Issues<sup>4</sup>

Issue	Importance	Portfolio Impact
1. Global Geopolitics	Significant	Negative
2. Global Trade Wars & Alliances	Moderate	Negative
3. Inflation from Tariffs (Portfolio Impact)	Moderate	Positive
4. Tariffs: Slowing Economic Growth	Moderate	Negative
5. Canadian Dollar Decline	Medium	Positive
6. U.S. Fiscal Spending Stimulus	Medium	Positive
7. Growing U.S. Credit Risks	Medium	Negative
8. Canadian Federal Economic Policy	Medium	Positive
9. China's Economic Growth	Light	Negative
10. Long-term U.S. Interest Rates	Light	Negative

<sup>4</sup> This is a list of the issues that we currently deem to be the ten most important with respect to the potential impact on our model portfolios over the next 12 months. This is only a ranking of importance and potential impact and *not* an explicit forecast. The list is to illustrate where our attention is focused at the present time. If you would like an in-depth discussion as to the potential magnitude and direction of the issues potentially affecting the model portfolios, I encourage you to email me at [mark.jasayko@td.com](mailto:mark.jasayko@td.com) or call me directly on my mobile at 778-995-8872.



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Accountability is further enhanced by the fact that we commit our own investable wealth to the same model portfolios in which our clients are invested.





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The information contained herein is current as of March 10, 2026.

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