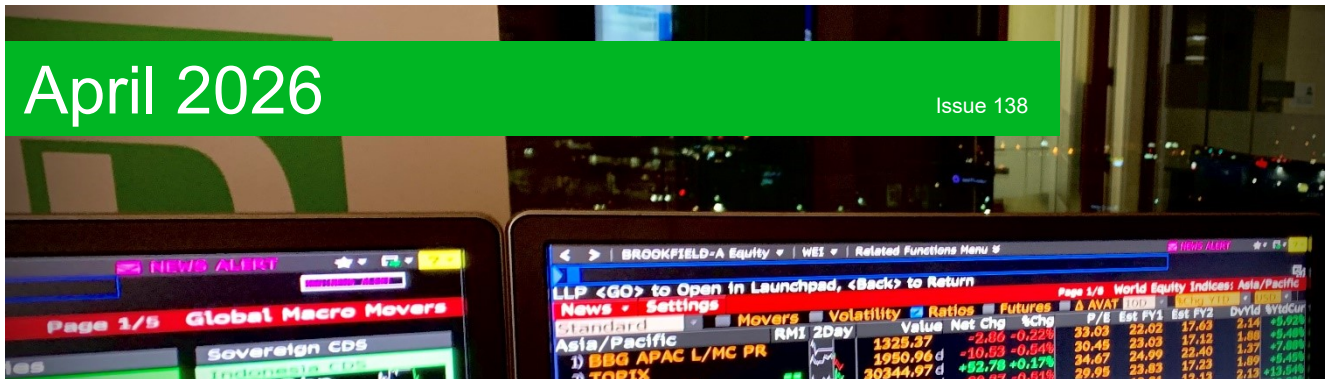


The Charter Group Monthly Letter

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Economic & Market Update

That '70s Oil

When I was seven years old, images of cars lined up for hours to buy gasoline were repeatedly shown on the news. I also remember watching a program where the honest conclusion was that we would be running out of gasoline by the early 1980s and that children my age might never experience the privilege of driving a car. I remember that revelation hitting me hard. Talk about a generational ripoff!

Over the last week, I have heard a number of commentators referring to the Strait of Hormuz chokepoint¹ as the focal point of the worst energy crisis we have ever experienced.² As a child of the 1970s, I can assure you that this is NOT true 😊.

I suspect that their current concerns with higher oil prices stems from the fact that those prices have been relatively low for ages and we are just not used to a world that more

The current oil crisis feels bad. Some commentators are saying it is the worst ever.

But how does it compare to what we saw in the 1970s?

¹ Discussed in our previous newsletter.

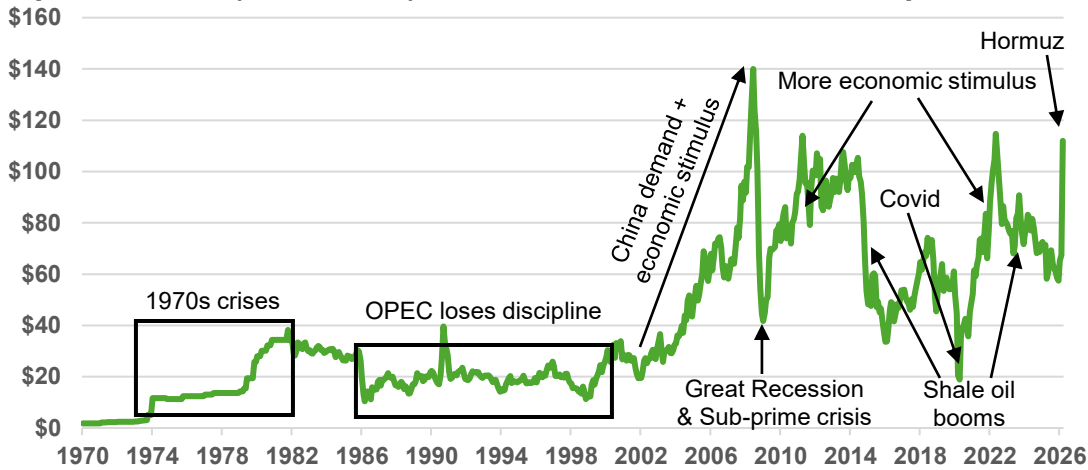
² One was a prominent Canadian fund manager being interviewed by Bloomberg News in the U.S. His context was that it was "the worst in our lifetime." From his LinkedIn profile, he looks to be in his early to mid-forties. So, maybe his lifetime, but not mine!



closely resembles the one from fifty years ago. It is a little like when interest rates began to rise from rock-bottom levels a few years ago. We were used to a world where it didn't cost much to borrow. The adjustment away from those low interest rates was painful for many. The adjustment to what might be more normal oil prices is similarly painful.

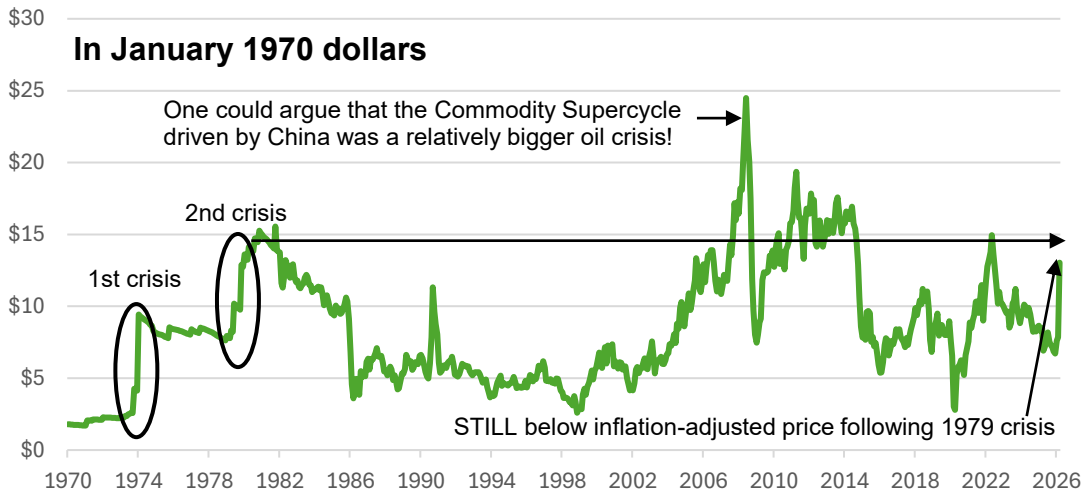
The current crisis may feel bad because we have gotten so used to a world with low oil prices.

**Chart 1:
Spot Oil Price (Cash Price) - West Texas Intermediate USD per Barrel**



Source: Bloomberg Finance L.P. as of April 8, 2026

**Chart 2:
Spot Oil Price - WTI USD per Barrel - ADJUSTED FOR INFLATION**



Source: Bloomberg Finance L.P. as of April 8, 2026

Another argument as to why the current crisis is the worst ever rests on the fact that about 20% of global crude shipments pass through the Strait of Hormuz. In comparison, the OPEC oil embargoes in the 1970s only reduced the world's oil supply by about 5% to 7%.

However, that earlier crisis was heightened by appearing to be a permanent problem. There was no solution to OPEC and, as mentioned, we thought we were on the verge of

running out of gasoline for good. Plus, the economy back then was more energy-intensive than it is now.

Eventually with the benefit of hindsight, it turned out that the energy crisis of 1970s was not permanent. Discipline amongst the OPEC producers broke down in the 1980s as the temptation for smaller members to over-produce proved to be too great. New reserves were luckily discovered. Drilling techniques vastly improved. Oil became a less important part of the economy with the tilt towards services and away from goods. Energy consumption became more efficient. But, in the 1970s, none of this was part of the consensus forecast. There was just not enough evidence at the time.

In contrast, I don't think that the Hormuz chokepoint is a permanent problem. It can be circumvented by rerouting trade to elsewhere. On some measures that would be very expensive, and it would take time. In response to the Persian Gulf "Tanker War" in the 1980s, Saudi Arabia and the United Arab Emirates built pipelines and trade corridors to bypass Hormuz. Saudi Arabia's East-West Pipeline to the Red Sea has helped to alleviate some of the pressure over the last few weeks. Also helping is the UAE's pipeline which extends to its outer coast as well as to a loading facility in Oman, both of which are situated beyond of Hormuz.

The costs of doubling capacity of the East-West Pipeline might be at around \$5 billion for Saudi Arabia.³ But, considering that the value of oil passing through Hormuz before hostilities was about \$2 billion *per day*, maybe those costs aren't too severe.⁴

In addition to the pipelines, there is already vast trade-corridor infrastructure in the region that has been mothballed for decades but that is designed to be reactivated in situations like we are seeing.⁵

Then there is the possibility that the Strait will be safe for shipping again at some point. It might involve a ceasefire agreement or military action. Because access to the Strait benefits almost all countries, it would be tenuous to maintain the closure if almost *everyone* is against it.

I think it is virtually impossible to accurately estimate a probability on the timing of a

The crisis in the 1970s was perceived to be permanent at the time.

There weren't any immediate remedies and weren't many clues that things would improve in the 1980s.

The current crisis has a number of potential resolutions and workarounds.

³ Malcolm Moore, Mehul Srivastava, and Abigail Hauslohner, "Gulf states consider new pipelines to avoid Strait of Hormuz." *Financial Times*, April 1, 2026.

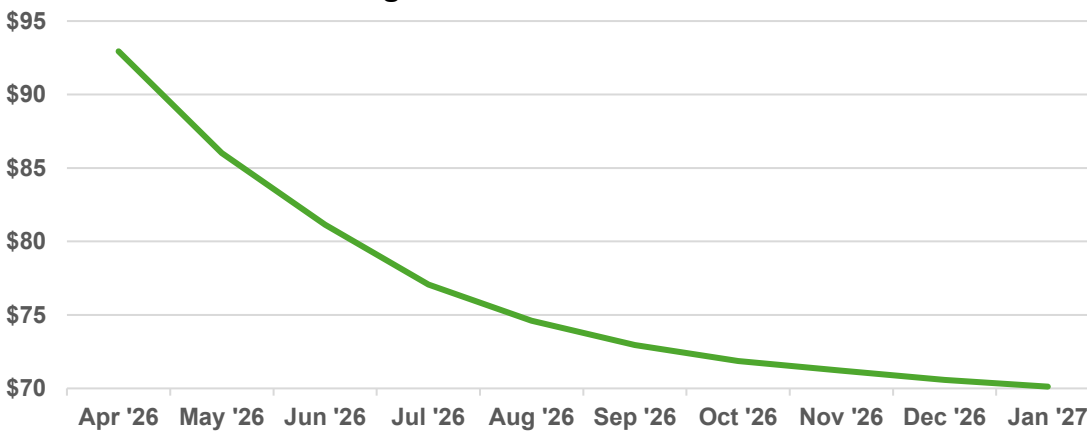
⁴ All dollar figures are in USD.

⁵ Badr Jafar, "The future of global trade won't depend on the Strait of Hormuz." *Financial Times*, April 6, 2026.

reopening. However, it would be reasonable to assign some chance. Again, compared to the 1970s crisis, at least there are plausible resolutions over the short- to medium-term.

In the end, I don't envision the disruption and anxiety that the double oil crises of the 1970s caused. Obviously, there are worst case scenarios where that might be the case. But that doesn't feel likely. In recent weeks, I have read almost every related article in *The Wall Street Journal*, *Barron's*, the *Financial Times*, *The Economist*, *Foreign Policy*, and *Foreign Affairs* and there is no consensus on how things will turn out with respect to the length of time or the severity of events. If anything, much of the commentary feels like many are just guessing and that the media is still getting accustomed to the return of geopolitics to the scale that we saw decades ago. So, we are left with best case scenarios, worst case scenarios, and every scenario in between all having similar weights - although oil futures traders seem to be pretty optimistic (**Chart 3**).

Chart 3:
Futures Contracts Pricing for WTI Oil - USD/Barrel



Source: Bloomberg Finance L.P. as of April 8, 2026

However, I would conclude that everything that has happened so far will add to the price of oil for the foreseeable future – maybe for many years. This is in line with the deglobalization theme that I have written about in this space for much of the last half dozen years. In my estimation, the benefits of open international trade peaked sometime between 2008 and 2012. Since then, less free and fair trade has added to manufacturing costs, transportation costs, the costs of levies and tariffs, and the costs of holding more goods in inventory for safety. The eventual price of a barrel of oil is likely to also contain many of these costs. Even if oil prices settle down somewhat, it will be very difficult to eliminate any premium that gets baked in. The “just-in-time” world of the post-Cold War era now kind of looks like we were driving without a seat belt and without insurance.



However, the possibility of a resolution doesn't reduce uncertainty that much.

There are still too many scenarios with respect to the length and intensity of hostilities.

Super optimistic and super pessimistic forecasts can probably be discounted.

However, there is a real risk that an additional layer of costs gets added to the price of oil for the foreseeable future.

Building more storage and more supply lines to increase reliability costs money.

Model Portfolio Update⁶

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 have been no changes to the asset allocations or the holdings in any of the model portfolio during March.

Despite most of the major stock and bond markets being negative for the year, your statements tell a different story with respect to how the model portfolios have done. The primary themes (energy, including nuclear, and inflation protection) have been rewarded. Also, the bond maturities are very short which limits bond-related volatility in the portfolios. Finally, the Canadian dollar, despite a spike upwards at the end of January, has been relatively weak, which has benefited the portfolios. So much for being a petrocurrency!

Markets and the portfolios crested in early March. Since then, gold is down about 10% while the rest of the asset classes are down between 1% and 5%. My sense is that much of gold's previous ascent was in anticipation of hostilities in the Persian Gulf as the rhetoric and staging increased. Between that and the beginning of hostilities, it was likely a case

No portfolio changes last month.

The model portfolios have not followed most markets into negative territory since the start of the year.

Stocks, bonds, and gold are down from their peaks around the beginning of March.

⁶ The asset allocation represents the current *target* asset allocation of the Balanced Model Portfolio as of April 8, 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.

of “Buy on rumour, sell on news.” Looking forward, gold still has much potential as currencies continue to get debased due to excessive budget deficits.

Understandably, the uncertainties involved with war can lead to stock market declines, which is what most markets have seen. Canada has been an exception with the country’s higher sector weighting to commodities which can provide a safe harbour in such times.

As mentioned in the first section of the newsletter, I don’t think there is a clear outcome in terms of result and timing with what is happening in the Middle East. At the time of this writing, there has been a proposed ceasefire. My instinct is that the situation will stretch on for a while without a definite conclusion, heating up and then cooling off repeatedly – similar to the never-ending tariff saga. This would at least be consistent with President Trump’s “Art of the Deal” philosophy.

This might keep stocks trading in a confined channel until the campaigning begins for the U.S. midterm elections. At that point, potential promises of handouts and economic stimulus might buoy markets again. But that might be more of a late-summer scenario.

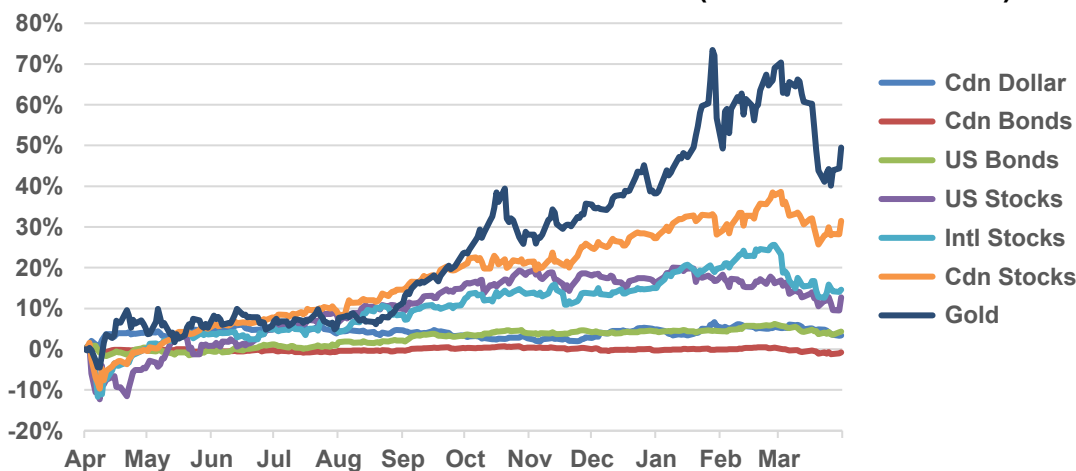
Below is the 12-month performance of the asset classes that I have used in the construction of The Charter Group’s model portfolios. (Chart 4).⁷

Canada is one of the few stock markets that are higher. Mainly due to commodities doing well.

I expect the Middle East hostilities to stretch out, heating up and cooling off along the way.

That might keep stocks in a relatively narrow trading band until attention shifts to the U.S. midterm elections.

**Chart 4:
12-Month Performance of the Asset Classes (in Canadian dollars)**



Source: Bloomberg Finance L.P. for the interval from April 1, 2025 to March 31, 2026

⁷ 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 Issues⁸

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

⁸ 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 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.





The information contained herein is current as of April 8, 2026.

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