

## CROWELL WEEDON WEALTH MANAGEMENT

Our Q1 2026 commentary is timely as it relates to a new type of investment account (Trump Accounts) that will be available soon. We wanted to highlight the accounts as investors will be offered the ability to open a Trump Account when they file their 2025 tax return. While the commentary covers Trump Accounts in detail, we did want to touch on markets given weak Q1 results.

We now have significant uncertainty from the conflict with Iran. The price of oil is up, valuable infrastructure has been destroyed, shipping through the Strait of Hormuz has been affected, and we don't yet have a clear timeline of when the conflict might cease. There is fear the conflict could escalate, involve more countries, and see more lives at risk of being lost. The cause for concern is real and understandable. In times of uncertainty it's easy to want to do something, however, as we pointed out in our [Q1 2022](#) commentary written shortly after Russia invaded Ukraine, it's rarely wise to do so:

*"When it comes to investing, times of conflict and fear have typically resulted in initial market drops that have all eventually recovered. This includes other frightening events like the attack on Pearl Harbor, the Cuban Missile Crisis, JFK's assassination, Iraq invading Kuwait, the Oklahoma City bombing, and the September 11th attacks. Some of you may remember Bert the Turtle teaching you how to duck and cover during an atomic attack. Life has always been somewhat scary. While we don't know how the current situation ends or where it escalates to, it is worth remembering that humanity has always found a way forward. We're seeing a unified front condemn these horrible actions and millions of people showing kindness, love, and compassion for one another. The complacent have been awakened."*

Turns out, looking through our commentary from just the past six years highlights an enormous amount of uncertainty and fear we've all dealt with:

[Q1 2020](#): *"The first quarter of 2020 will be one for the ages. Shelter in place, self-quarantine, social distancing, and "out of an abundance of caution" will be engrained in all of our memories. The shock of empty grocery store shelves and inability to buy basic staples harken back to the Depression era and World Wars. Interest rates cut to 0%, a \$2 trillion government stimulus bill, and the fastest fall from new highs and into a bear market in history highlight the amount of uncertainty, fear, and panic engulfing the world."*

[Q1 2022](#): *"Just about two years removed from the COVID market crash of 2020, the decline witnessed in Q1 2022 saw the second worst January return for the NASDAQ composite ever and all major indexes enter correction or bear market declines .... As the quarter progressed, the narrative quickly shifted from fears of rising interest rates to fears that stretch well beyond investing. It appears most of the world now has a shared villain, a man that controls a military with more nuclear warheads than any country on earth, and he is now acting with aggression. Russia's invasion of Ukraine is real, it is scary, and it's quickly waking much of the world that has been blanketed in comfort largely dealing with "issues" of political correctness."*

[Q2 2022](#): *"As we've said before, when things happen these days it seems to be on a historic scale. 2022 is no exception with the first half off to one of the worst starts in market history. It has been absolutely brutal for young, innovative companies as funds have rotated to more defensive industries and predictable business models. However, even these mature and steady businesses have seen their stock prices hit. Further, flocking to the safety of bonds hasn't worked either as interest rates have spiked .... TINA (There Is No Alternative to stocks) has quickly turned to there is nowhere to hide."*

[Q3 2022](#): *"Markets do not like uncertainty and the world is currently full of it. An area where some clarity is starting to appear is in regards to inflation and interest rates. Inflation remains high and central banks around the world are pivoting. The days of next-to-zero interest are ending. As we entered this year, our hope was that rates could rise as the world returned to normalcy post COVID. Unfortunately, rates are rising to combat inflation."*

[Q1 2023](#): *"Blame for today's stress has been placed on the Fed. However, we've long held that next-to-zero interest rate policy had turned US government bonds from being risk-free assets to ones loaded with risk should rates move higher – this has happened. With the fastest hiking cycle in history, many financial institutions were somehow blindsided by this. Part of us can't blame them .... Despite numerous, credible voices calling for the Fed to pause or even cut rates, they remain steadfast in their hiking cycle. However, these past few weeks saw the first cracks revealed and has led to a slew of new questions about the health of the financial system."*

*Q2 2024: “There has been considerable discussion surrounding crippling government debt levels, the collapse of the US dollar, and imminent doom. These concerns should not be taken lightly. We do believe there are numerous benefits for countries that keep a rational balance between money supply and economic output, practice fiscal responsibility, and manage their finances in a prudent manner. Clearly, history has provided ample evidence of what could happen should financial discipline not be embraced.”*

*Q3 2024: “While the uncertainty of elections may cause near-term fear and angst, we believe there is a much more challenging long-term concern the US and much of the Western World faces - complacency. We see it all the time in business and sports. Dominance can turn into irrelevance rather quickly. Unlike business or sports which can see teams or companies lose their competitive edge in a relatively short amount of time, when observing the rise or fall of a country’s competitiveness, it typically plays out over several generations. We believe there are a few examples that serve as cautionary tales for what happens when a country allows complacency to replace ambition.”*

*Q1 2025: “When markets decline people get nervous. We are hard-wired to feel the pain of losing money more intensely than the pleasure of gaining it .... At the time of this writing, the market (S&P 500) has entered a correction, down 10% from its previous peak, and it’s all over the news .... Narratives come and go. Some are more easily remembered like COVID, wars, and financial crises, while others fade into obscurity. However, at the time they’re happening they all seem to be the most important event taking place in the world. Recently we’ve heard about inflation, interest rates, supply chains, elections, and now we’re back to tariffs and trade wars.”*

After reading through our recent commentary one can’t help but feel some frustration and burnout with having to endure yet another seemingly catastrophic event. While we can’t speak definitively as to when this conflict with Iran may end, we can speak definitively about what happened after each of the previously mentioned events took place. In every single instance, stock markets declined, recovered, and eventually made new all-time highs. Those all-time highs were made despite a pandemic, economic shutdowns, inflation, record hikes in interest rates, bank failures, tariff and trade wars, and a war between Russia and Ukraine. While it’s helpful to revisit these times of fear and uncertainty, it’s probably more valuable to revisit the advice we gave to keep investors on track:

*Q1 2020: At a certain point these market drops are like going back in time and eventually become severely disconnected from reality. Reality is our economy has grown dramatically over the past 20 years with GDP growing from \$10.3 trillion in 2000 to \$21.4 trillion in 2020. In the year 2000 iPhones didn’t exist, apps weren’t a thing, people still talked on land lines, Netflix only delivered DVDs by mail, talk of the cloud was handled by meteorologists, electric vehicles were golf carts, and a small up-start named Amazon just opened their marketplace to 3rd party merchants.*

*Q2 2020: While selling investments during a panic might sound like a good idea, history has proven this can only provide a temporary benefit. The comfort gained from not having to watch stock prices and account balances go down is more than offset by the lost potential of creating wealth and participating in your share of corporate profits. Investors cannot fund permanent, long-term goals with temporary, short-term benefits.*

*Q3 2022: Remember that we’re investors, not traders. The stock market exists as a way to bring together buyers and sellers in an efficient manner, hence the name, exchanges. Don’t fall victim of personifying the market. When you hear about the market struggling, diving, or staggering it’s typically a sign that emotions have taken over. Emotion is the enemy of long-term financial success. Investors focus on owning businesses. We look to own businesses with promising long-term prospects. The daily, weekly, or even yearly stock price is of little relevance when we’re thinking about what a company can build over the long-term.*

*Q3 2022: Today, we’re hearing similar pessimistic outlooks for “the market” calling for another lost decade. When you read these scary headlines, please remember that all businesses are not the same. To lump them together as “the market” and proclaim they will be horrible for the next decade is not wise. Certain entrepreneurs have a better vision of the future, attract better talent, create better products, and will go on to produce amazing things. We are fortunate to be able to invest in their visions.*

*Q2 2023: TV hosts and their guests are entertaining and typically speak with heavyweight-like conviction. As investors, when we speak with conviction it’s typically boring. However, our conviction is grounded in the truth that investing in human ingenuity has proven to be a fantastic way to build wealth. Far too often investors are convinced that they need to take action when it comes to managing their portfolio. That they should be “making moves” with each economic or corporate press release. Though we often find this advice entertaining, it’s typically useless. In investing, making more decisions will not lead to greater success.*

While the current conflict in Iran is unique, our advice remains the same. The greatest reward comes from keeping your emotions in check and allowing the magic of compounding to work for you. The American economy is filled with many of the world's greatest businesses and entrepreneurs. We're fortunate to be able to invest in their visions alongside them.

As always, we welcome your feedback and would love to talk about these and any other topics that may be important to you. We thank you for your continued confidence and the opportunity to manage your investments. We take very seriously our responsibility. **Montecito Investment Portfolio's Mission: To provide diversified, disciplined long-term investment solutions, service and guidance to help our clients achieve, and maintain, their "Financial Independence".**

Sincerely,

Andrew Crowell, CWS®  
Vice Chairman,  
Wealth Management  
[acrowell@dadco.com](mailto:acrowell@dadco.com)

Blake Todd, CWS®  
Senior Vice President,  
Financial Advisor,  
Portfolio Manager  
[btodd@dadco.com](mailto:btodd@dadco.com)

Jarrett Perez, CFA®  
Senior Vice President,  
Financial Advisor,  
Portfolio Manager  
[jperez@dadco.com](mailto:jperez@dadco.com)

Summer Odin, CFP®  
Senior Registered Financial  
Planning Associate  
[sodin@dadco.com](mailto:sodin@dadco.com)

Michelle Brandt, CFP®  
Senior Registered Financial  
Planning Associate  
[mbrandt@dadco.com](mailto:mbrandt@dadco.com)

Elen Arakelyan  
Client Associate  
[earakelyan@dadco.com](mailto:earakelyan@dadco.com)

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