GOELZER INVESTMENT MANAGEMENT

Iran & Inflation: What Comes Next?

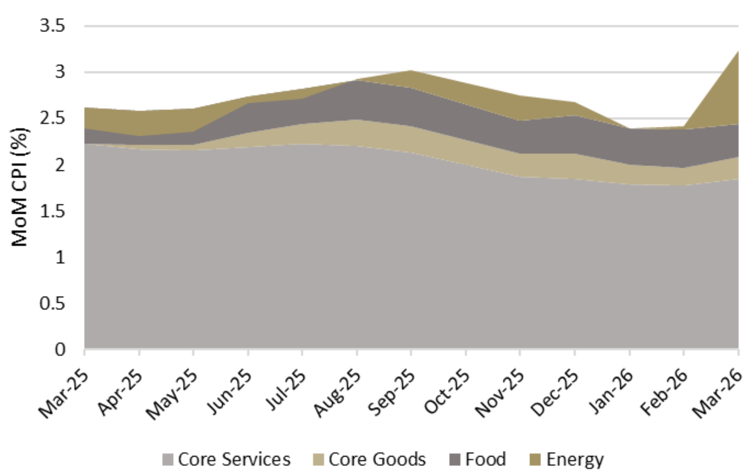
The war in Iran and the closure of the Strait of Hormuz have driven a sharp increase in oil prices. Although the U.S. is a net energy exporter, it is not immune to rising global oil prices. In the near term, inflation will be felt not just in gasoline prices, but in plastics, fertilizers, and many other products that require oil.

As households pull back on discretionary spending to offset higher costs, economic growth is likely to slow. Early signs of this pullback may already be emerging, with the University of Michigan Consumer Sentiment Index falling to a record low of 47.6 last week. Slower growth could eventually ease inflation, but primarily through weaker demand rather than improved supply conditions.

Over the longer term, the cost of funding the war—already estimated at $25 billion[1] and potentially rising into the hundreds of billions—could add upward pressure to inflation by widening government deficits.

The ultimate impact on growth and inflation will depend on the duration of the conflict. With recent peace talks breaking down, a swift resolution appears unlikely. The longer the war persists, the greater the effect on near-term inflation, medium-term growth, and long-term debt. In the interim, investors should expect elevated inflation volatility and a Federal Reserve likely to remain on hold until conditions become clearer.

CPI Inflation Components



[1] Wall Street Journal
Chart source: Bloomberg

Economy

Last Week	This Week
- ISM Services: 4/6 54 vs. 56.1 prior	*- Existing Home Sales (Mar): 4/13*
- PCE Price Index (Feb): 4/9 0.4% vs. 0.3% prior	*- PPI (Mar): 4/14*
- CPI (Mar): 4/10 0.9% vs. 0.3% prior	*- NFIB Small Business Optimism (Mar): 4/14*
- U. of Michigan Sentiment (April): 4/10 47.6 vs. 53.3 prior	*- Industrial Production (Mar): 4/16*

Equities

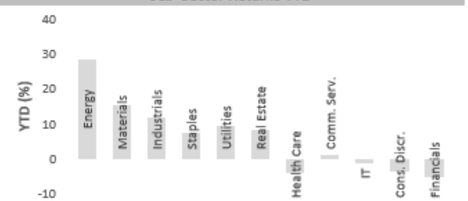
Returns (%)

Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	6886	4.17	5.52	0.93	29.96	20.11	12.39
Russell 1000 Growth	4555	4.81	6.11	-4.26	29.78	23.61	12.84
Russell 1000 Value	2201	3.29	4.65	6.81	29.38	15.51	9.88
FTSE High Dividend Yield*	563	3.04	3.45	7.41	29.77	15.99	11.66
S&P Small and Mid Cap	19875	4.23	5.73	8.74	35.08	14.07	6.83
MSCI EAFE	3033	4.07	7.01	5.85	36.18	15.89	9.42
MSCI EM	1536	5.98	10.03	9.90	50.83	18.65	5.80

Characteristics

Index	NTM P/E	NTM P/E (20Y med)	Div Yield
S&P 500	18.4	15.7	1.2
Russell 1000 Growth	22.0	18.2	0.6
Russell 1000 Value	15.5	13.6	1.9
FTSE High Dividend Yield*	13.4	13.1	3.8
S&P Small and Mid Cap	14.2	15.4	1.8
MSCI EAFE	14.9	13.5	3.0
MSCI EM	10.6	11.1	2.5

S&P Sector Returns YTD



** Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.*

Fixed Income

Returns (%)

Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.51	0.39	0.53	0.48	6.69	3.81	0.28
U.S. Int. Gov/Credit	4.15	0.38	0.38	0.36	5.71	4.32	1.33
U.S. Corporates	5.04	0.48	0.89	0.35	8.42	4.97	0.73
High Yield	6.97	0.72	1.38	0.88	11.16	8.79	4.37
Municipals (1-10)	3.03	0.47	0.75	0.52	6.80	2.80	1.27

Levels (%)

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.78	3.79	3.48	3.48	3.85	3.97	0.16
10-yr Treasury	4.29	4.30	4.17	4.17	4.34	3.45	1.63
30-yr Treasury	4.90	4.87	4.85	4.85	4.78	3.69	2.31
SOFR	3.63	3.62	3.87	3.87	4.36	4.80	
6-mo. CD rate	3.82	3.84	3.62	3.62	4.28	5.19	0.20
Prime Rate	6.75	6.75	6.75	6.75	7.50	8.00	3.25
30-yr fixed mortgage	6.47	6.52	6.25	6.25	6.97	6.80	3.12

Data as of 9:15 AM ET, April 14, 2026. Returns through April 13, 2026.