



War, Markets & Power: The Iran Conflict and the Unraveling of American Strategy

April 6, 2026

Francisco Rodríguez-Castro, President & CEO

A special report on Operation Epic Fury, the market impact of presidential rhetoric, the administration's internal upheaval, and what it all means for investors, institutions, and the republic

35 Days of active war (as of Apr. 4)	13 U.S. service members killed	36% Trump approval (Reuters/Ipsos)	-10% Dow from Feb. 10 all-time high	\$115 Brent crude peak (\$/bbl)
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Wall Street as a War Correspondent

Over the past sixty days, Wall Street has functioned less like a financial market and more like a real-time referendum on Donald Trump's words. Every statement out of the White House — every Truth Social post, every primetime address, every ultimatum — has sent the Dow, S&P 500, and Nasdaq lurching in one direction or another, sometimes within minutes. The pattern is now unmistakable: in the Iran war, the president's rhetoric is the market signal.

On February 10, 2026, the Dow Jones Industrial Average closed above 50,000 for the first time in its history. The S&P 500 had already set its own record in late January. Markets were operating in what strategists called a 'goldilocks' environment — cooling inflation, robust AI-driven earnings, and the expectation of Federal Reserve rate cuts on the horizon. The threats Trump had been making toward Iran since January — the 'locked and loaded' post on January 2nd, the deployment of a naval 'armada' on January 23rd — were being absorbed as noise. Investors had seen this movie before. They were wrong.

The Shock of Operation Epic Fury

On February 28, Trump ordered Operation Epic Fury. U.S. and Israeli forces launched a coordinated assault on Iran, killing Supreme Leader Khamenei within hours. The initial market reaction was surprisingly contained — the Dow briefly plunged 1,200 points at the open but recovered to close down just 400. Investors had been watching the military buildup for weeks and had partially factored the strike into their valuations. What they had not priced in was what came next.

By March 3rd, Iran had closed the Strait of Hormuz — the artery through which a fifth of the world's seaborne energy supply must pass — in a single, devastating strategic move. Brent crude surged past \$85 a barrel and kept climbing. The Dow fell another 785 points on March 5th. Oil jumped 8.5% in a single

session, its largest one-day gain since May 2020. The energy shock was no longer theoretical. It was at the pump, in supply chains, and embedded in every inflation forecast the Federal Reserve was running.

What followed was one of the most volatile stretches in recent market memory. By late March, all three major indices were on pace for their worst month in years. The Dow had fallen 10% from its February 10th all-time high, entering official correction territory. Note that this is distinct from the year-to-date figure of approximately 3.24%: the deeper correction reflects losses from the February peak, not from January 1st. The Nasdaq — more sensitive to interest rate expectations and already facing valuation pressure from AI skepticism — was down more than 12.5% from its October 2025 record. The S&P 500 sat 8.74% below its all-time high, erasing trillions in market capitalization.

The driving mechanism was brutally simple: as oil prices rose, stocks fell. The 10-year Treasury yield climbed toward 4.5% as investors recalibrated to a higher-for-longer interest-rate environment. Gold fell nearly 17% in March — its worst monthly performance since October 2008 — as rising yields made yield-free assets less attractive.

The TACO Trade

Wall Street coined a term for this dynamic: TACO — Trump Always Chickens Out. The core logic was simple: whenever markets dropped amid rising tensions or harsh rhetoric, many investors believed Trump would ultimately step back from the brink to protect market gains. They bought the dip, confident that presidential reversals would restore prices. The Iran war was supposed to be different — you cannot TACO a shooting war the way you walk back a tariff. But markets kept following the playbook anyway. Then came March 23rd — and one of the most extraordinary mornings in modern financial history. At 7:05 a.m., before markets opened, Trump posted in all-capital letters on Truth Social that the U.S. and Iran had engaged in **'VERY GOOD AND PRODUCTIVE CONVERSATIONS' toward 'A COMPLETE AND TOTAL RESOLUTION'** of hostilities. Oil plunged 13% within minutes. By the time traders had their coffee, the S&P 500 had added \$1.7 trillion in market capitalization in under an hour. Then Iran's foreign ministry denied any negotiations had taken place. Half the gains evaporated within the same session.

The April 1st Address: No Off-Ramp

The March 31st session offered a brief reprieve. Reports that Trump was prepared to halt operations sent the Dow up 841 points — the single best session since the conflict began. The Nasdaq surged 3.3%. For one afternoon, the 'peace dividend' was back. It lasted less than twenty-four hours.

On the evening of April 1st, Trump addressed the nation in primetime. Markets had hoped for a timeline, a framework, a signal that the worst was behind them. Instead, Trump declared that the U.S. would hit Iran 'extremely hard over the next two to three weeks' and threatened to destroy the country's power infrastructure if no deal was reached. Deutsche Bank told clients the address 'delivered little to nothing new on potential timelines.' UBS warned that further escalation risked Iranian counterattacks that would extend the economic damage well beyond any reopening of the Strait. The Dow opened down 600 points the following morning.



Market Snapshot Week Ending April 3, 2026

MARKET SNAPSHOT		
Week ending April 3, 2026		
Birling Capital Advisors Think Strategically		
DOW JONES	S&P 500	NASDAQ
+1,338.03 pts	+223.74 pts	+930.82 pts
▲ +2.96% weekly	▲ +3.52% weekly	▲ +4.44% weekly
WTI CRUDE	BRENT CRUDE	10-YR TREASURY
~\$103/bbl	>\$109/bbl	4.35%
▲ Near 3-yr high	▲ 4-year high	▼ -9 bps on week
2-YR TREASURY	U.S. GASOLINE	FED RATE ODDS
3.84%	\$4.09/gal	Hold
▼ -4 bps on week	▲ vs. \$2.80 Jan. 1	Cut unlikely near-term



What the Chart Tells Us

The line chart for this period reveals something beyond standard geopolitical market analysis. In past conflicts — from the Gulf War to the post-9/11 period to Russia's invasion of Ukraine — markets absorbed the initial shock and then began a slow recovery as the range of uncertainty narrowed. Historically, the S&P 500 has lost an average of just 0.9% in the month following a major geopolitical event, and recovered 3.4% over the subsequent six months.

This conflict is different for two reasons. First, the Strait of Hormuz closure is not a peripheral disruption — it is a systemic one, touching every economy that depends on seaborne energy. Second, and more unusually, the primary source of market volatility is not the war itself but the commander-in-chief's narration of it. Trump's statements — made on social media, in press gaggles, in primetime addresses — have become the most powerful short-term price signal in global equities. The market is not trading the war. It is trading Trump's next sentence.

The War Within The Cabinet, Noem, Bondi, and The Dam Breaks

As Operation Epic Fury enters its sixth week with no clear endgame in sight, the Iran war has begun to consume not just the geopolitical landscape but the Trump administration itself. A cascade of high-profile firings, collapsing poll numbers, and a dramatic battlefield reversal are reshaping the political terrain in Washington just as intensely as the military campaign is reshaping the Middle East.

For the first fourteen months of his second term, Trump maintained what observers described as a surprisingly stable Cabinet — a disciplined, loyalist operation run with an iron hand by White House Chief of Staff Susie Wiles. That stability ended abruptly in March.

Trump announced the removal of Homeland Security Secretary Kristi Noem in March, following months of damaging headlines and internal complaints — the first major departure from his senior ranks. Noem's fall was well-telegraphed: she was ousted after a disastrous series of congressional hearings and mounting bipartisan criticism over immigration enforcement controversies. She was replaced by then-Senator Markwayne Mullin of Oklahoma. The Noem firing was merely the prelude. Trump fired Attorney General Pam Bondi just weeks later — frustrated by her handling of the Jeffrey Epstein files and by his belief that she had not pursued his political opponents aggressively enough. Bondi served what Fortune reported as the shortest tenure of any confirmed attorney general in sixty years. Deputy Attorney General Todd Blanche stepped in as acting head, while Trump was reported to be eyeing EPA Administrator Lee Zeldin as a permanent replacement.

What unnerved Washington most was not the firings themselves but their logic. Trump has grown increasingly willing to remove officials he believes are underperforming, driven by declining approval ratings and fears of a midterm wipeout.

The Military Purge: Firing the Army Chief of Staff in Wartime

On April 2nd — the morning after Trump's primetime address — Defense Secretary Pete Hegseth took the extraordinary step of removing the Army's top uniformed officer in the middle of active combat operations. Hegseth told U.S. Army Chief of Staff Gen. Randy George to retire immediately. He also fired two other Army generals: the chief of chaplains, Maj. Gen. William Green Jr., and the commander of Army Transformation and Training Command, Gen. David Hodne.

George was three years into the traditional four-year term of an Army chief of staff, having been nominated by President Biden and confirmed by the Senate in 2023. He had been expected to serve until summer 2027. Gen. Christopher LaNeve — whom Trump personally praised after he called into the Commander in Chief's Ball from South Korea on inauguration night — was named acting chief of staff. The removal of George added to a sweeping purge that has, since Trump's inauguration, included the chairman of the Joint Chiefs, the chief of naval operations, the commandant of the Coast Guard, the head of the NSA, and now the Army's top general — part of a broader removal of more than a dozen senior officers in total. The timing raised immediate questions about how Hegseth handles military advice that runs counter to his wishes, particularly against the backdrop of speculation about a possible U.S. ground invasion. Analysts warned the firings could undermine the American tradition of military leadership giving frank counsel to political leaders — a tradition that has never mattered more than in the sixth week of an active shooting war.

The instability inside the White House is not merely a political story. It is a strategic one — because the question of who is giving the president frank military counsel has never been more consequential.

Iran Shoots Down Two U.S. Aircraft

In the most dramatic military development since the war began, Iran shot down two U.S. military planes in separate attacks on April 3rd — the first time American aircraft had been downed by enemy fire in more than twenty years. Iranian forces shot down a U.S. Air Force F-15E Strike Eagle from the 494th Fighter Squadron over western Iran. One crew member was rescued by U.S. special forces inside Iranian territory; the fate of the second remains unknown as of this writing. In a separate incident, a U.S. A-10 Thunderbolt II was struck by Iran near the Strait of Hormuz, forcing the pilot to eject. That pilot was subsequently rescued.

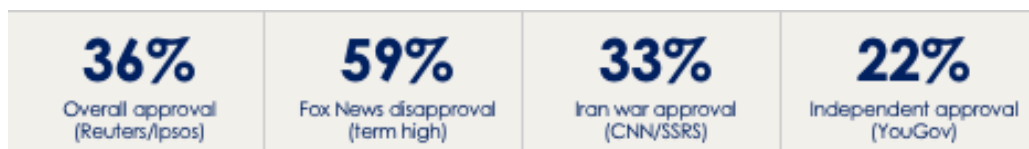
"They have no anti-aircraft equipment. Their radar is 100% annihilated. We are unstoppable as a military force". — President Trump, primetime address, April 1, 2026 — 48 hours before Iran shot down two U.S. aircraft.

Defense experts offered a sobering correction. 'A disabled air defense system is not a destroyed air defense system,' said Behnam Ben Taleblu of the Foundation for Defense of Democracies. American planes flying at lower altitudes — required by the operational environment — are more vulnerable to shoulder-fired missiles, weapons far harder to detect, reflecting how Iran remains 'weak but still lethal.'

The Polls: A President Running Out of Runway

The cumulative effect of rising gas prices, a falling stock market, thirteen

American service members killed, and no clear path to victory has translated directly into the worst approval ratings of Trump's second term. The most defensible composite figure comes from Reuters/Ipsos,



which put Trump's overall approval at 36% — down from 40% just before the war began — with 62% of respondents disapproving. Across other major pollsters, the range runs from 33% (CNN) to 41% (Fox News), reflecting the usual variation in methodologies and sampling frames.

The erosion cuts across his own coalition. In the five weeks since the war began, Trump is down six points to 76% among his 2024 voters, down five points to 81% among Republicans, and down five points among self-described 'MAGA supporters'. Among independents, his approval has collapsed to just 22%. GOP support for his handling of Iran has fallen from 83% in early March to 68% — a 15-point drop inside his own party in a single month.

Two-thirds of Americans now oppose the war. A 71% majority opposes Congress authorizing \$200 billion for further military action. And 68% oppose sending ground troops. The political arithmetic is straightforward and alarming for Republicans heading into November's midterms. As one strategist told *The Hill*, the president is fighting a war the people did not ask for, on behalf of objectives that keep shifting, with a cabinet that is visibly fracturing.

Why Trump's Iran Strategy Defies Reason and History

Wars are, at their best, instruments of a coherent strategic logic. They begin with defined objectives, unfold according to a doctrine calibrated to achieve those objectives, and conclude when those objectives have been either secured or abandoned. By any honest accounting, the Trump administration's prosecution of Operation Epic Fury fails this test — not merely in execution, but at the level of foundational strategic conception.

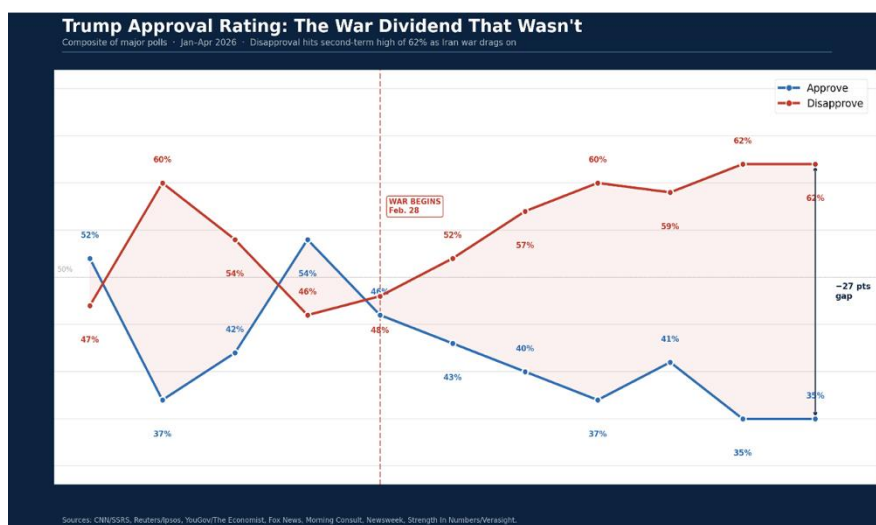
The administration has offered no fewer than six distinct rationales with shifting stories for the war since it began on February 28th. Officials have said the purpose is to: pre-empt Iranian retaliation against U.S. assets after an expected Israeli attack; ward off an imminent Iranian threat; destroy Iran's missile and military capabilities; prevent Iran from obtaining a nuclear weapon; secure Iran's oil resources; and achieve regime change by bringing the Iranian opposition to power.

These are not complementary objectives. They are, in several cases, mutually contradictory. Regime change requires a political endgame that the administration has not articulated. Securing oil resources is a war aim that no American ally — in the region or in Europe — is prepared to publicly endorse. Destroying missile capability is a military objective that Pentagon officials themselves have acknowledged is incomplete: degraded capability is not eliminated capability, as Iran's April 3rd shootdowns made viscerally plain.

The International Atomic Energy Agency was unambiguous on the central point: there was no evidence of a structured nuclear weapons program in Iran when the 2026 war began — the stated *casus belli* for Operation Epic Fury. The IAEA did acknowledge that it could not certify Iran's broader program as exclusively peaceful, having been denied access to key sites since the 2025 Twelve-Day War. The administration launched the largest American military operation in more than two decades on the basis of a threat assessment its own intelligence community had not confirmed.



Trump's Approval Rating



The Hormuz Paradox: A Weapon the U.S. Cannot Reach

Iran's most powerful strategic move in this conflict has not been its missiles or its drones. It has been the closure of the Strait of Hormuz — and it is the one weapon the United States cannot bomb away. The Strait is not a military installation. It is a geographic chokepoint, 21 nautical miles wide at its narrowest, through which approximately 20% of the world's daily oil and LNG supply transits. Iran does not need a functioning navy or air force to deny passage; it needs only the credible threat of mines, shore-based missiles, and swarm boat attacks. The U.S. military can — and has — destroyed Iran's conventional navy and degraded its radar networks. It cannot destroy the geography.

And it cannot force ships through a strait that insurance underwriters have effectively closed.

This is the central logical contradiction of Operation Epic Fury: the administration launched a war with the explicit goal of reopening the Strait of Hormuz, yet deployed tools structurally incapable of achieving that goal. Military force can degrade Iran's ability to attack ships. It cannot compel the maritime insurance market to underwrite their passage. Only a negotiated settlement — or an Iranian decision to voluntarily reopen the strait — can do that. The administration appears to have grasped this belatedly, which explains the whiplash of Trump's March 23rd Truth Social post and the subsequent confused messaging about negotiations that Iran continues to deny.

The Silence of Allies

Perhaps the most damning strategic indictment of Operation Epic Fury is the silence — and in several cases, the open opposition — of America's traditional allies. The United Kingdom has explicitly refused to join the war. British Prime Minister Keir Starmer said flatly: 'This is not our war and we're not going to get dragged into it.' Ten European nations issued a joint statement calling for de-escalation. No NATO ally has offered military support. This is not merely a diplomatic embarrassment. It is a strategic handicap with material consequences. The U.S. is prosecuting a war that has disrupted global energy markets, threatened the economies of its European partners, and endangered shipping lanes used by every major trading nation — without the legitimizing framework of a coalition and without a United Nations mandate. World leaders are now actively bypassing Washington to address the Hormuz crisis directly, negotiating with Iran through back channels that exclude the United States entirely.

The historical precedent for unilateral American wars of choice launched without allied support, without a clear exit strategy, and against an adversary capable of sustained asymmetric resistance is not encouraging.

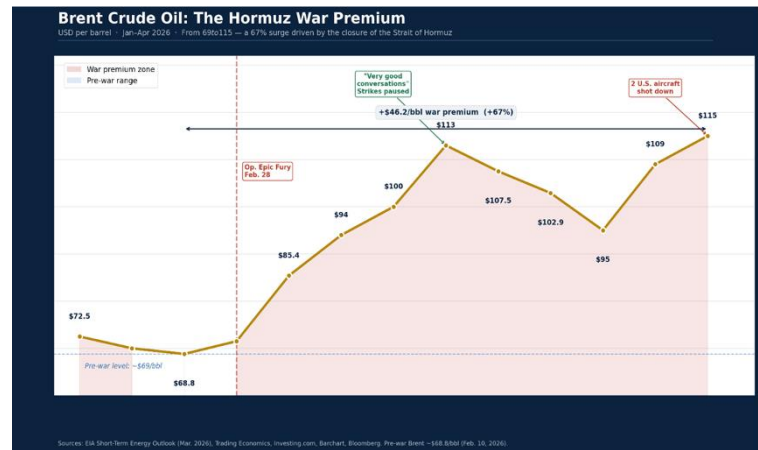
In more than five weeks of active combat, no senior administration official has articulated a coherent answer to the most fundamental question in any military campaign: What does victory look like, and how do we get there?

The Final Word: Don't Play Geopolitics With Your Portfolio

The confluence of events documented in this report — a prolonged and strategically incoherent war, a fracturing Cabinet, a military leadership purge conducted in wartime, the first downing of American aircraft by enemy fire in over twenty years, and presidential approval ratings at generational lows —



Brent Crude Oil: The Hormuz War Premium



represents a risk environment without modern precedent in the second term of an American presidency. Uncertainty at this scale does not stay in the headlines. It migrates into portfolios. Before it migrates into yours, consider one number: U.S. equity markets are down approximately 4% year to date, after three consecutive years of double-digit gains. Read that slowly. The headlines suggest catastrophe. The portfolio math suggests a correction — painful, but well within the range that diversified portfolios are designed to absorb.

For investors navigating this environment, the framework is clear. The Strait of Hormuz remains the single variable that matters most — everything else is secondary noise. The moment credible evidence emerges that it will reopen, oil falls and equities rally. Position around that signal now, before the market prices it in a single session. Trade the TACO, but hedge the tail asymmetrically — a war has no clean reverse gear, and the tail risk is larger than current options pricing implies. Watch the midterms not as a political event but as a fiscal one — a shift in the congressional majority changes the entire funding equation for the war, the tax cuts, and the regulatory environment. Rotate toward defense and domestic energy; reduce exposure to rate-sensitive growth. The Fed cannot cut into an oil shock — it can only wait, and that waiting is toxic for long-duration valuations. And for Puerto Rico-based institutions, recognize that this island absorbs the Hormuz disruption simultaneously at the fuel terminal, the factory floor, and the pharmacy counter — a triple exposure that demands a more conservative and more liquid posture than any mainland baseline.

The instinct right now is to act impulsively — to reduce, to rotate, to respond to every alarming headline. That instinct is exactly what geopolitical volatility is designed to provoke. We counsel a different approach: check your strategic alignment, take inventory of your dry powder, and deploy it selectively into quality assets that have repriced on fear rather than fundamentals. The investors who build wealth through cycles are rarely the ones who called the bottom. They are the ones who had the discipline and the liquidity to buy when others could not.

The war in Iran will end. The Strait of Hormuz will reopen. A new equilibrium will be priced. It always has been. The investors best positioned when that moment arrives will not be the ones who played geopolitics with their portfolios — but the ones who trusted their plan, managed their risk, and kept their powder dry. History does not repeat, but it rhymes. Markets will eventually price the gap between the administration's narrative of imminent victory and the operational reality on the ground. The question is not whether they will — but how much further the damage runs before they do. The investors who navigate this best will not be the ones who correctly predicted the war. They will be the ones who built portfolios resilient enough to absorb the uncertainty, and liquid enough to act when the fog lifts.

Every Truth Social post has become a market event. When a president fires his attorney general, his army chief, and his cabinet in the middle of a war, the market is not watching politics — it is watching risk management. And it does not like what it sees.
Francisco Rodríguez-Castro



Francisco Rodríguez-Castro, President & CEO • frc@birlingcapital.com
PO Box 10817 San Juan, PR 00922 • 787.247.2500 • 787.645.8430

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