

Quarterly Booklet Spring 2026

"Uncertainty is an
uncomfortable position.
But certainty is an
absurd one."

~ VOLTAIRE, 1767 letter to
Frederick II of Prussia



Spring 2026

ONE DAY
IN JULY

Issue XXXV

A Note from Our Founder

With oil in the daily headlines, this quarter we decided to dig deeper into this volatile hydrocarbon compound and its implications on investments and the economy. While historical comparisons are interesting, the complexity of oil markets and the evolving relationship between oil and productivity may limit their predictive value.

One hundred and sixty-seven years after Edwin Drake struck “black gold” in Titusville, Pennsylvania, oil is still with us, at the heart of global and investing affairs.

~ **Dan Cunningham**
Founder, One Day In July

Outline of the Current Shock

Like spring weather, oil markets often move in sudden shifts—rain showers one moment, sunshine the next. The last five years have seen significant fluctuations in the price of crude oil, reaching a peak of \$123.64 per barrel on March 8, 2022, when the United States issued a ban on all oil products imported from Russia. In the previous year, Russia contributed less than 10% of American oil imports, but complications in rerouting and refining increased prices. By the end of 2025, the price had fallen to \$57.26 per barrel; the inflation-adjusted average price since 1946 is \$58 per barrel.

The Strait of Hormuz closed on March 1, 2026, following news of American and Israeli strikes against Iran. As the primary global export route, roughly 25% of the world’s seaborne oil typically passes through the Strait. The region’s geography makes the prospect of rerouting complex and expensive, if it is even possible. Because of this, prices may remain elevated when the Strait reopens. At the close of the first quarter, the price of oil stands at \$101.38 per barrel.

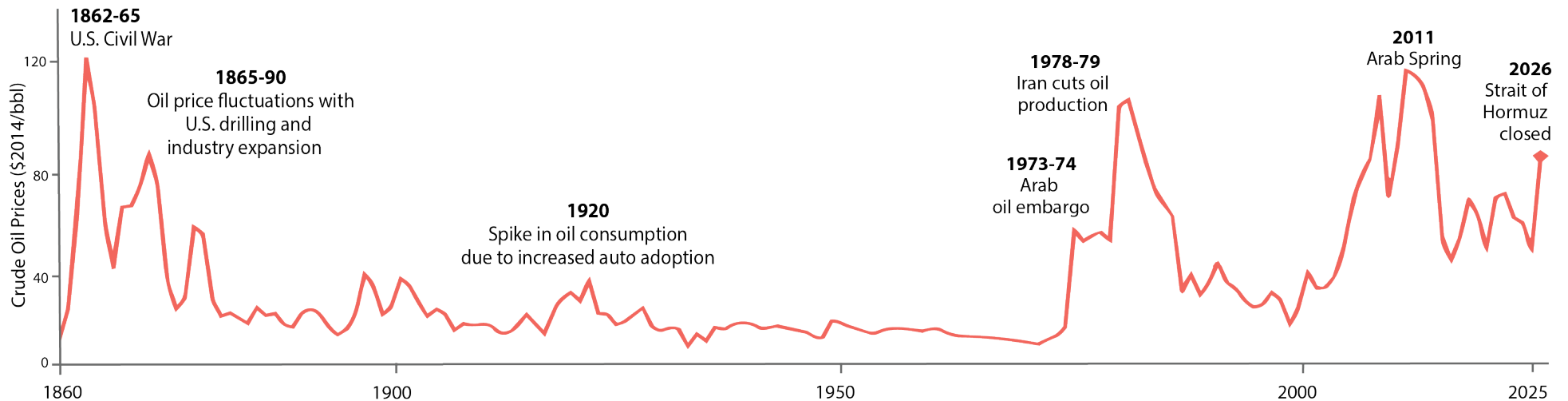
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Oil Shocks Throughout History

Geopolitical tensions in the Middle East have a long history of disrupting oil markets. As of March 31, 2026, the Strait of Hormuz blockade had disrupted an estimated 11–17 million barrels of oil per day. In raw volume, the supply stranded exceeded the supply lost during the shocks of the 1970s, which collectively removed about 10 million barrels per day. Relatively small disruptions can still have outsized effects on prices. When adjusted for inflation, oil prices today are not yet as high as during past crises. This implies that while markets remain highly sensitive to disruptions in key supply routes, they have become more diversified.

Sources: ft.com, "Echoes of History," 3/26/2026
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A More Resilient Economy

The global economy is less dependent on oil today than it once was. In 1973, the Arab oil embargo quadrupled prices from roughly \$3 per barrel to \$12. The 1979 Iranian Revolution and the 1980 Iran-Iraq War caused further supply disruptions and price spikes. Later shocks, such as Iraq's invasion of Kuwait in 1990 and the Arab Spring in 2011, pushed prices even higher but had less pronounced and shorter-lived economic effects.

These crises led to major changes in energy policy, efficiency, and security. Global oil intensity—the amount of oil used per unit of economic output—has declined significantly in the last 60 years. The global economy is still vulnerable to supply shocks but is structurally more resilient.

Broader Market Implications

An oil shock rarely stays confined to the energy market. When prices rise quickly, the effects can spread through a number of industries that depend on petroleum as a fuel source, feedstock, or transport input. Manufacturing, plastics, pharmaceuticals, chemicals, transportation, and agriculture may all feel pressure as input costs climb and supply chains stall. In some cases, companies can pass those costs through to consumers, but that usually depends on pricing power, demand resilience, and the shock's duration.



For many businesses, the result is a margin squeeze rather than an immediate sales collapse. Investors often see the impact first in earnings guidance, shipping costs, and inventory management. Over time, markets tend to favor companies that can adapt over those that are more exposed to commodity inputs.

Oil shocks matter well beyond the energy sector. They can influence inflation expectations, corporate profitability, and relative sector performance across the broader economy. In times like these, a low-fee, diversified, and patiently managed approach can help investors stay focused on long-term fundamentals rather than short-term disruptions.

Source: [iea.org](https://www.iea.org), "World Energy Outlook 2025," 11/2025

Oil, the Dollar & Global Markets

From 1944 to 1971, one American dollar was equivalent to roughly 1/35 of an ounce of gold. All other major currencies were valued relative to the dollar and could not be directly exchanged for gold.

After President Nixon suspended conversion of the dollar to gold, the U.S. came to an agreement with Saudi Arabia and the Organization of the Petroleum Exporting Countries (OPEC) for oil to be priced exclusively in USD and for OPEC countries to convert their oil revenues into U.S. Treasuries. These revenues are referred to as petrodollars. There is no direct conversion between petrodollars and other currencies, but since oil is priced and settled in USD, it functions as both a commodity and a financial asset.

Because oil is embedded in global currency markets, changes in its price redistribute wealth between the countries that import and the countries that export, which in turn influences exchange rates and affects capital flows. On the other hand, exchange rates, monetary policy, geopolitical risks, and broader global economic cycles all significantly influence the price of oil.

Sources: Barry Eichengreen, *Globalizing Capital*, 2019
[imf.org](https://www.imf.org), "Optimal Exchange Rate Policy with Oil Shocks," 2/20/2026
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The Cleanest Dirty Shirt

In addition to the supply-side effects in energy, fertilizers, and transportation, the conflict in Iran is affecting asset prices of equities, fixed income, and currencies.

In equities, dispersion began shortly after the conflict. While most broad-based indexes declined, U.S. equities proved more resilient than many developed and emerging markets. The U.S. is a net exporter of total petroleum—meaning that it sells a higher volume of crude and refined oil products than it buys—which provides a partial natural hedge against rising oil prices. However, oil is a global market, and the U.S. is far from immune to price shocks. As energy prices surged in February and March, the energy sector rose sharply while the broader market declined, with losses concentrated in consumer staples and industrials.

The end of the first quarter was also marked by increased correlations between equities and fixed income. Given the widespread impacts of an oil shock on the economy, inflation expectations rose, contributing to the higher correlation between stocks and bonds. Corporate bonds, which trade on a spread to similar maturity Treasuries, also weakened as their spreads widened, indicating increased credit risk. The next phase for fixed income will depend largely on how long the shock persists and how deeply it impacts economic growth and inflation.

In currency markets, the dollar strengthened significantly. During the month of March, the 10-day correlation between the dollar and U.S. equity markets was largely negative as the dollar rose 2.4%. During the same period, the euro fell 2.2%. These flows are typical during periods of uncertainty, as investors seek out the safest of many unpredictable options, or what economists call the *cleanest dirty shirt*. Interestingly, gold declined more than 10% in March, calling into question its status as a reliable safe-haven asset.

The broader investment lesson from this crisis is the importance of diversification. Short-term bonds and U.S. value stocks provided some stability for investors recently, but they may drag future returns. Staying invested, maintaining diversification, and aligning portfolios with long-term goals and risk tolerance remain the most reliable strategies for navigating uncertainty.



Sources: etfreplay.com, U.S. Equity Proxy: \$SPY / U.S. Dollar Proxy: \$UUP / Fixed Income Proxy: \$AGG
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saga.com, "Sector Tracker," retrieved 3/31/2026
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Energy Security & Investing

Periods of disruption may sharpen investor attention on the full energy landscape, including traditional producers, utilities, infrastructure, and renewables. Higher oil prices can improve the near-term balance sheet for conventional energy companies, but they also highlight the importance of a comprehensive approach to energy security.



When supply chains are strained or geopolitical risks rise, reliable access to energy becomes just as important as cost. That is why domestic extraction and refinement, grid resilience, storage, and diversified sources often receive renewed attention during times of stress. Renewables may not react instantly during a crude oil shock, but continued developments in the sector can play an important role in reducing dependence on volatile global fuel markets over time. Policy support, advances in storage, and grid investments are key factors shaping this market.

Sources: [iea.org](https://www.iea.org), "World Energy Outlook 2025," 11/2025
[weforum.org](https://www.weforum.org), "Global Energy in 2026," 12/12/2025
[blackrock.com](https://www.blackrock.com), "2026 Global Outlook," 2025

Crude oil isn't always black. It can be clear, yellow, orange, red, brown, or green, depending on its chemical composition.

Did You Know?

For investors, the central point is not that one source of energy replaces another overnight, but that shocks often accelerate existing trends. In that sense, renewables could serve as part of the response to instability. One Day In July's diversified, steady investment model is designed to work especially well in this environment by helping investors stay focused on resilient, long-term fundamentals.

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ONE DAY IN JULY

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"Where the fog is thickest, begin."

~ **MARTY RUBIN**, Canadian Author

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