

Gamification

Weekender

April 25, 2026

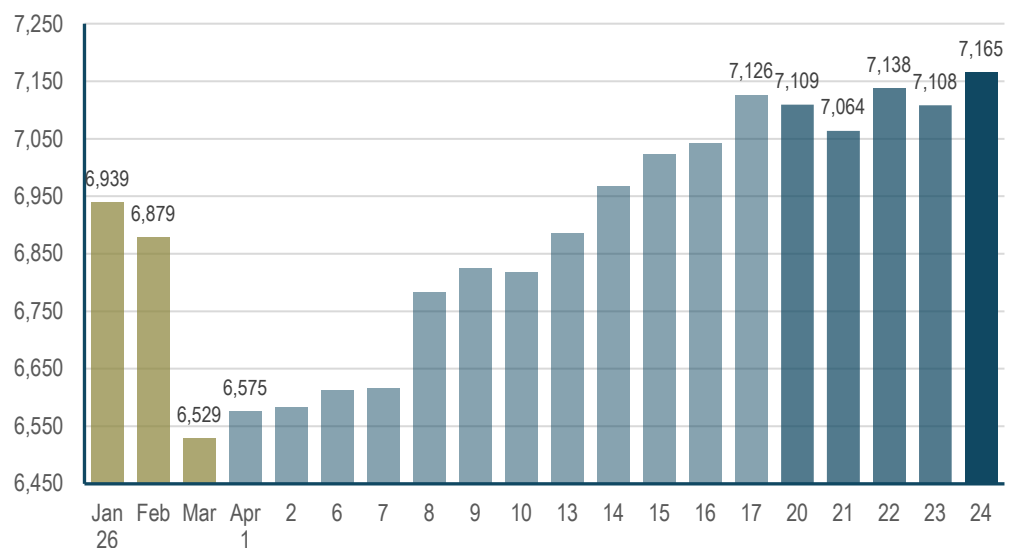
In your actions, don't procrastinate. In your conversations don't confuse. In your thoughts, don't wander. In your soul, don't be passive or aggressive. In your life, don't be all about business..

Marcus Aurelius

Good morning and welcome to the *Weekender* for Saturday, April 25, 2026. Financial markets, especially equities, hit new records before backing off a bit. For equities, the S&P 500 Index was higher by 0.5%, driven by three primary factors: 1. The seesaw realities and expectations of the US conflict with Iran continue to keep the market guessing, while the impacts are getting more and more entrenched. 2. Energy shocks, combined with the delayed follow-through impacts of last year's tariff increases, are proving less transient than expected, boosting inflation, reducing expectations of any near-term interest rate decreases, and stoking fears of stagflation and, 3. Earnings for the first quarter are in full swing, compared to expectations. They look robust, but expectations have been significantly reduced after President Trump's tariff shock-and-awe. Sales and earnings growth outside sectors influenced by higher commodity prices is modest.

S&P 500 Index Levels

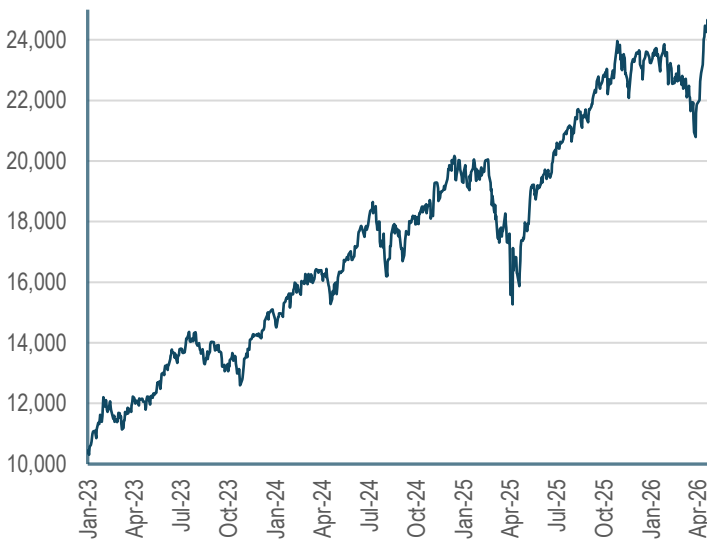
(Source: Bloomberg)



A weekend headline about financial markets led with a dire description, “He Has the Market in a Chokehold.” Such a headline would be more prescient going into the internet crash, Credit Crisis, or Pandemic. Using it today borders on the ridiculous. Let me explain. The Standard and Poor’s 500 index is meant to reflect the US economy. It is the most cited index in the world. On Friday, it hit an all-time high. The tech-heavy Nasdaq equity index also hit an all-time high.

Nasdaq Daily Levels

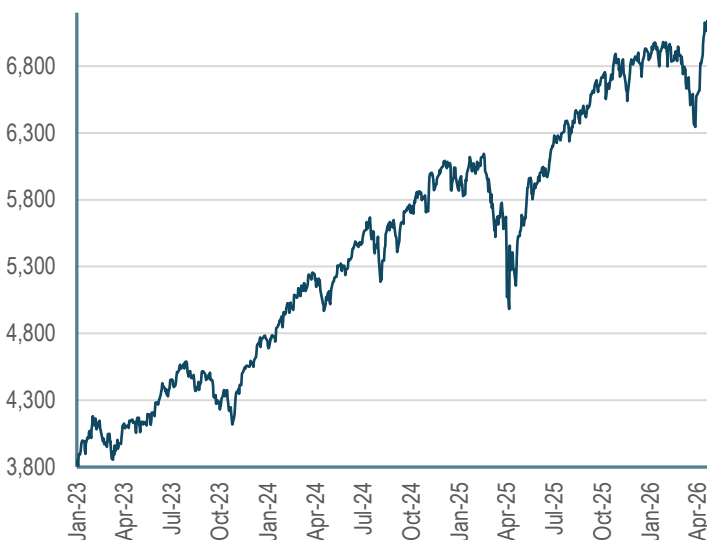
January 2, 2023 - April 24, 2026
(Source: Bloomberg)



Since the beginning of the Trump administration (January 2025), the Nasdaq has grown by 28.8%. Over the same period, the S&P 500 is higher by 22.1%.

S&P 500 Daily Levels

January 2, 2023 - April 24, 2026
(Source: Bloomberg)

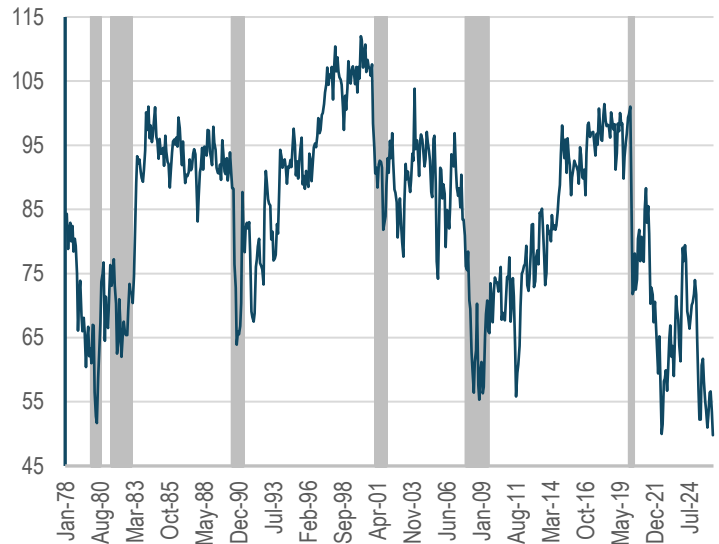


From the beginning of 2023, the index has posted a 143.2% gain. That is absolutely remarkable.

Even more remarkable is that the gains occur during a period when consumer sentiment has fallen to its lowest level on record. Lower than any period of distress, angst, inflation, and war since the end of the 1970s.

Consumer Sentiment

January 1978 - April 2026
(Source: Bloomberg)



In this *Weekender*, we will review what we consider the long game in Iran, lay out the framework for the first-quarter earnings season, and discuss a structural shift in financial markets that we call gamification. In the next *Weekender*, we will lay out our *House View* on the US and global economy as they pertain to managing individuals in institutional investments. Be sure to consult a qualified financial advisor before making financial decisions.

The Long Game in Iran

Global supply chains, strained to their breaking point during the pandemic, are now being stretched by the war in Iran. Already the biggest oil disruption since the 1970s energy crisis, the closure of the Strait of Hormuz has endured long enough to cause meaningful damage to the global economy. Europe will be the primary victim. Inflation is likely to be the primary transmission mechanism of the pain. Prolonged high-

er energy prices will squeeze household incomes and erode purchasing power. But the impact goes beyond prices. Europe's gas storage stands at less than 30% of capacity. Jet fuel stocks are so low that some European airlines are considering canceling flights.

Beyond direct petroleum, the conflict is also affecting sulfur supplies, with Gulf countries accounting for 45% of global production. Sulfuric acid prices are up 30% since the war in Iran began, driving related price increases in products such as fertilizer. Tungsten prices are up 50% in a month and more than 300% since December 2025. The semiconductor and aerospace sectors are about to pay the bill. Qatar produces approximately 40% of the world's helium, also used in semiconductor production.

We do not doubt that a free Iran is a better option than one run by pirate zealots. But such a change comes with unpredictable risks. Anticipate no quick fixes. Extremism births regimes of a thousand faces. Add to that the unpredictable nature of President Trump's negotiating style, and we conclude that predicting an outcome is impossible. What is certain to us is that the economic impact of the war in Iran has not yet been felt.

Earnings in the Pen

Wall Street's earnings expectations enter this season looking more like a limbo bar than a high jump — lowered steadily through March as analysts absorbed the fog of tariff uncertainty, softening consumer data, and the Federal Reserve's stubborn patience on rate cuts. That recalibration may actually be the market's best friend: when the bar is low enough, a decent result feels like a triumph. S&P 500 companies are expected to report mid-single-digit year-over-year growth, a figure modest enough that even a handful of high-profile beats from the mega-cap cohort could shift the narrative from anxiety to cautious relief.

The real question isn't whether companies have clear expectations — it's what they say about the rest of the year. Guidance, in this environment, is worth more than the headline number. A company can beat Q1 and still send its shares lower if it signals that customers are pausing orders, that input costs are rising, or that the macro picture has grown too murky to fore-

cast with confidence. In short, the scoreboard matters less than the press conference.

We believe earnings will continue to be strong through most sectors. With slightly more than one-tenth of US companies having reported earnings for the first quarter, sales are up 9.2%. Higher commodity prices are helping energy, materials, and industrials. AI is pushing technology forward. But beware the Jabberwock. Within two quarters, higher inputs squeeze margins and erode demand.

Carry Trade and Rate Differentials

For years, the investment community had a comfortable routine: overweight the US, underweight everywhere else, and collect your returns. For decades, emerging markets quietly trailed the field. That script looks increasingly dog-eared. The MSCI Emerging Markets Index surged roughly 30% through 2025, lapping the developed world, and entered 2026 with genuine momentum behind it — a weaker US dollar, attractive valuations trading at a steep discount to developed peers, and an earnings growth outlook that has analysts penciling in expansion well above what Wall Street is expected to deliver. The structural case is not hard to make: younger demographics, rising domestic consumption, reform momentum in key markets, and a technology buildout — particularly in semiconductors across South Korea and Taiwan — that has made emerging markets more than just a commodity-and-currency story.

Tariff turbulence and geopolitical noise remain real risks, and the divergence within the asset class is wide enough to swallow careless index investors whole. But the broad direction of travel, after years of disappointment and decline, has reversed with little attention.

The carry trade between Japan and the United States exploits the long-standing interest rate differential between the two countries: investors borrow cheaply in Japanese yen — where the Bank of Japan held rates near or below zero for decades — and deploy that capital into higher-yielding U.S. dollar assets like Treasury bonds or equities, pocketing the spread. This trade has been enormously popular, with trillions of dollars in estimated yen-carry positions built up over many years. For Japan, capital outflows exert per-

sistent downward pressure on the yen, which simultaneously helps Japanese exporters (by making their goods cheaper abroad) but hurts them.

Japanese consumers face higher import costs, particularly for energy and food. For the United States, inflows of Japanese capital help suppress long-term interest rates and support asset prices, effectively subsidizing U.S. borrowing costs. The danger to world markets lies in the trade's unwind: when the Bank of Japan raises rates — as it began doing in 2024 — the yen strengthens, and carry traders rush to repay their yen loans, triggering rapid yen appreciation, forced selling of global assets, and sharp volatility across equities, bonds, and currencies worldwide.

We saw a dramatic preview of this in August 2024, when a surprise Bank of Japan rate hike triggered a sudden unwind of the carry trade, causing a brief but severe global market selloff and illustrating just how deeply this single bilateral rate differential is woven into the fabric of global financial stability.

We believe the carry trade is unlikely to serve as a reliable source of investment capital for US markets. Such a change will alter the fundamental landscape of real investing in the United States' fixed-income and equity markets.

Let the Gamification Begin

Markets have always attracted speculators. Tulip bulbs in 1637, railway shares in the 1840s, Florida real estate in the 1920s, the internet at the turn of the millennium — every era produces its own mania, its own cast of true believers, and its own brutal reckoning. What's different today isn't human nature. It's the infrastructure. Zero-commission trading apps, Reddit forums with millions of members, and real-time social media have compressed what once took months of speculative excess into hours. The stock market has become, for a generation of retail traders, something closer to a multiplayer video game — one with real money, real consequences, and a leaderboard that refreshes by the second.

In January of 2021, users of the subreddit r/WallStreetBets coordinated a massive buying campaign in GameStop — a struggling video game retailer that institutional short sellers had bet heavily against. The

stock surged almost 1,625% over a week, followed by similar rallies in BlackBerry, AMC Entertainment, and Nokia. It wasn't investing in any traditional sense. It was a coordinated cultural event, a couch trader block party — part “put it to the man” financial rebellion, part internet spectacle, part dare. From line cooks to salespeople to high school students, these amateur traders were brought together by a single platform to beat hedge funds at their own game.

The hedge fund Melvin Capital, caught badly short, required nearly \$3 billion in additional capital, with overall short squeeze losses nearing \$25 billion. The message had been sent: retail traders, armed with smartphones and a subreddit, could move markets.

The playbook didn't stay confined to GameStop. By November 2021, it had spread to Avis Budget Group, a perfectly ordinary car rental company, in a sequence that illustrated just how untethered these episodes had become from any underlying business reality. Following an earnings call in which Avis's CEO mentioned that the company planned to be “much more active in electric scenarios,” shares tripled to a record \$545 in a single morning — bringing total gains for the year to 1,300 percent. Avis was the number-one trending stock on StockTwits and dominated the WallStreetBets discussion. The CEO had said roughly four words about electric vehicles. The market added billions of dollars to the company's valuation in a matter of hours. In the first 1.5 hours of trading on November 2, the stock skyrocketed nearly 207 percent, according to Market Realist, before gravity inevitably reasserted itself. It was a perfect encapsulation of the gamified market: a narrative trigger, a crowded trade, a violent move, and a hangover. The company's actual business — renting cars — had not changed in the slightest.

In April, equity markets delivered a new victim, except this time the trigger wasn't electric vehicles. It was artificial intelligence. Allbirds — the once-beloved maker of merino wool sneakers that had become Silicon Valley's favorite casual shoe — spent the last several years in a slow, painful decline. Founded in 2015, Allbirds went public in November 2021 at a valuation above \$4 billion, with shoes worn by Barack Obama and Leonardo DiCaprio. Sales then dropped nearly 50% between 2022 and 2025; the company closed all its full-price U.S. stores; and the stock lost 99% of its value. Last month, it sold its brand and intellectual property — the Allbirds name, the shoe

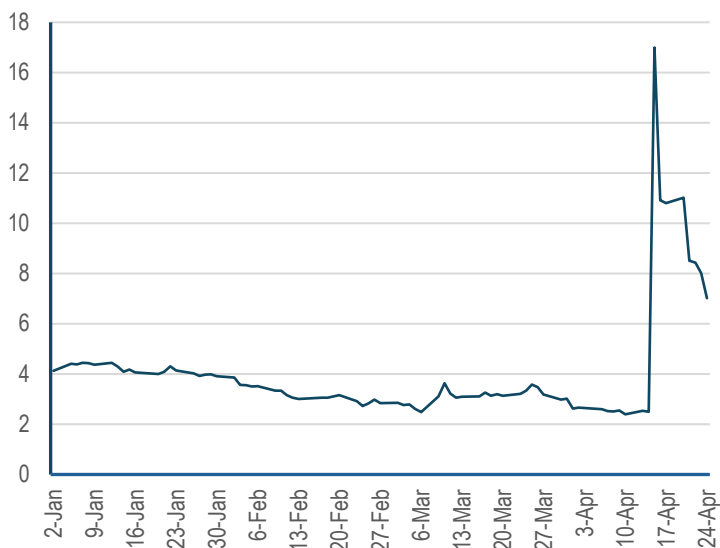
designs, the whole identity — to American Exchange Group for \$39 million.

Then, a fortnight ago, the empty corporate shell announced it was pivoting to AI compute infrastructure and rebranding as “NewBird AI.” Couch potato traders drove shares up between 400% and 582% in a single trading day, sending the market capitalization from roughly \$21 million to as high as \$148 million. Net purchases by retail investors hit a record \$5.2 million in a single day, surpassing even the demand seen during the company’s 2021 IPO. Less than 24 hours later, the stock fell 31%. “The market is not pricing risk,” said Mark Malek, CIO at Siebert Financial. “It is pricing narrative.”

Allbirds Stock Price

January 1 - April 25, 2026

(Source: Bloomberg)



That sentence may be the cleanest summary of what market gamification actually means. It isn’t irrational, exactly — narratives do matter, and markets are always partly forward-looking. But there is something qualitatively different about a market where the word “AI” attached to a bankrupt sneaker company is sufficient to generate a 580% single-day move. The historical pattern — tulips, railways, Florida land, dot-coms — tells us that every mania eventually finds its floor. What changes with each cycle are the speed, the audience, and the tools. The GameStop era gave retail traders a lever. The AI mania has given every struggling company a buzzword. And platforms built to make trading feel like a game have ensured there will always be someone ready to pull the trigger.

Allbirds is an insignificant punter. Its flight to the moon had no real impact on markets. But in many ways, it’s a canary in the coal mine—a harbinger of changes afoot. History suggests trying to mimic or mollify the trend is a fool’s errand. We remain dedicated to generating strong investment returns following fundamental analysis. Neighborhood parties may be more boring, but financial futures will be more secure.

Conclusion

That’s it for this *Weekender*. We hope you have a great week ahead and enjoy the coming of Spring.

Disclosure Statement

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors cannot invest directly in an index. Past performance does not guarantee future results. Investing involves risk, including loss of principal.

The statements provided herein are based solely on the opinions of the author(s) and are being provided for general information purposes only. The information provided or any opinion expressed does not constitute an offer or a solicitation to buy or sell any securities or other financial instruments. Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful. The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete. Consult your financial professional before making any investment decision.