

TO BELIEVE TRUMP IS THE TEST OF STUPIDITY AND WALL STREET JUST PASSED.

Stock Prices it is said provide insights into the economy. That may be the case. But in the case of Wall Street, they provide no insight into politics. Not so much Artificial Intelligence as Artificial Idiocy. This is the first of a two-part article. The second part will appear after the 9th of April when the BEA releases corporate profits and industry turnovers.

To watch the gyrations on Wall Street this week is to watch a pantomime. But instead of an audience of children, it is an audience of overpaid childlike analysts, commentators and speculators, each hanging onto and second guessing every word Trump has uttered, despite them knowing he is a congenital liar. Each one, driven by greed, wants to jump on the trend at the earliest moment not to miss their chance to profit. Clearly the algorithms are not taking political assumptions into account particularly ones seeking to determine the true state of the war and reconciling this with stated objectives. They lack a world view riddled with contradictions which AI is incapable of dealing with.

The US faces three crises that are likely to overwhelm its economy. The first is growing stresses in the AI bubble, the second is the growing tremors in the private banking or unregulated banking sector. The final crisis is the war in Iran itself.

I will begin with the last first. The racism, arrogance and hubris with which Trump and Netanyahu entered this war is coming home to roost. Just days ago, Hegseth fired twelve of his most senior military officers. They were amongst thirty senior officers who publicly opposed a ground invasion of Iran. Seems the secretary of war has declared war against his own military. When this level of disaffection breaks out during the height of a war, including with NATO allies, it means the war is going disastrously wrong. In addition, there is mounting evidence that CENTCOM is being slow and cautious about releasing actual US military casualties in real time.

Credible reports have also surfaced that Usrael has not only run out of high-altitude defensive interceptors but increasingly out of long-range offensive missiles such as tomahawks. This is confirmed by the heaviest loss of planes by the USAF for 40 years because they were forced to fly into Iranian airspace to deliver shorter range munitions.

This depletion of interceptors and missiles, probably anticipated by Iran, Russia and China means the war has entered its second phase. The phase where Iranian and Hezbollah missiles and drones will dominate over the skies in the Gulf and Israeli regions. This establishes once more that we are now in the age of the missile, an age Iran prepared for but which the West did not prepare for, and which it is having issues catching up to. With at least half its missile arsenal still intact, according to the most negative western analysis, the advantage is sliding towards Iran.

This could be why the impetuous Trump has given Iran a [48-hour deadline](#) to submit, a deadline which ends "Tuesday, 8:00 P.M. Eastern Time!" Gone is talk of a ground invasion, though Trump once again spoke about [opening the Straits of Hormuz](#) having gone silent on it for a while. This is really make or break for the US. Whether it is a bluff, a Hail Mary or whether the USAF has something more up its sleeve will become apparent in the next 24 hours.

Trump has pledged to throw Iran back to the stone age. This proclamation represents an intention to commit of a war crime. But whenever I hear Trump escalate I am reminded of the words of a famous old melody, "anything you can do I can do better, no you can't, yes I can..." sung by [Ethel Merman and](#)

[Ray Middleton](#). What is true as well is that Iran retains escalation dominance. Given the evidence that Iranian missiles are hitting their targets with pinpoint accuracy and with Israel only having [five major and four more minor power stations](#), it is more likely that Iran could return Israel back to the stone age than the other way round and more swiftly.

A round up of recent economic data.

Below is a synopsis of the cost to the world economy after the closure of the Straits of Hormuz and likely the Straits of Aden as well.

The loss of 20 million barrels of oil a day delivered what the International Energy Agency calls the “largest supply disruption in the history of the global oil market.”

The Persian Gulf accounts for a big share of exports of two key fertilizers, a third of urea and a quarter of ammonia. Producers in the region enjoy an advantage: easy access to low-cost natural gas, the primary feedstock for nitrogen fertilizers.

Up to 40% of world exports of nitrogen fertilizer pass through the Strait of Hormuz.

Now that the passage is blocked, urea prices are up 50% since the war and ammonia 20%.

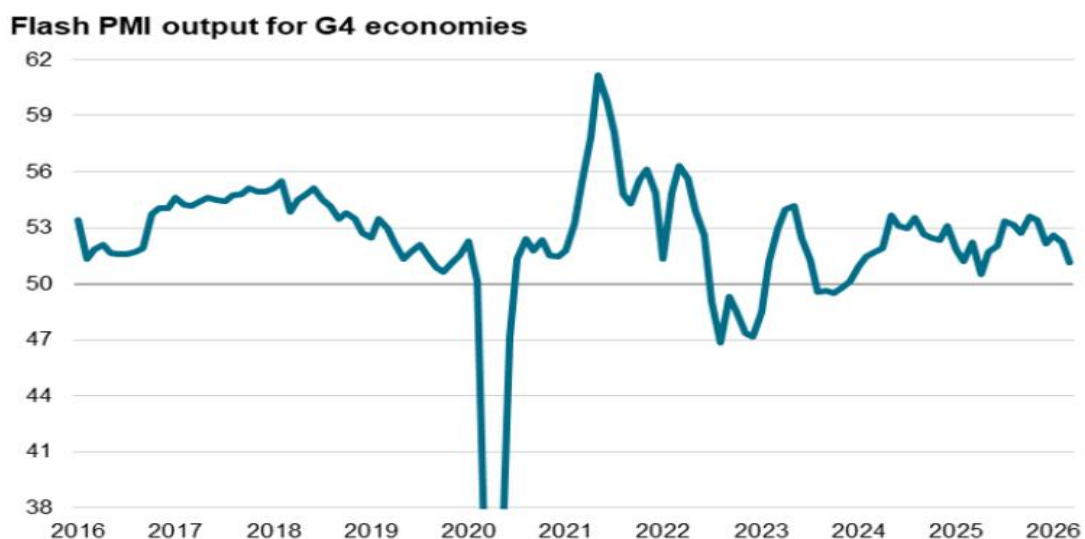
“Historically, oil price shocks like this have led to global recessions,” Knittel said.

Qatar makes helium at the Ros Laffan facility and supplies a third of the world’s helium.

Not everyone is losing. The two largest gainers are the USA and Russia. With WTI oil up over 50% shale oil is profitable once again. In addition, with oil prices up, the demand for petrol dollars has shot up strengthening the Dollar. The other major gainer is Russia. Not only in terms of the pricing of its oil, but the lifting of sanctions on its oil and fertilizer shipments, noting that Russia is the world’s largest exporter of fertilizer.

Below are the latests Purchasing Managers Indexes compiled by [S&P Global as at 24th March](#).

Graph 1.

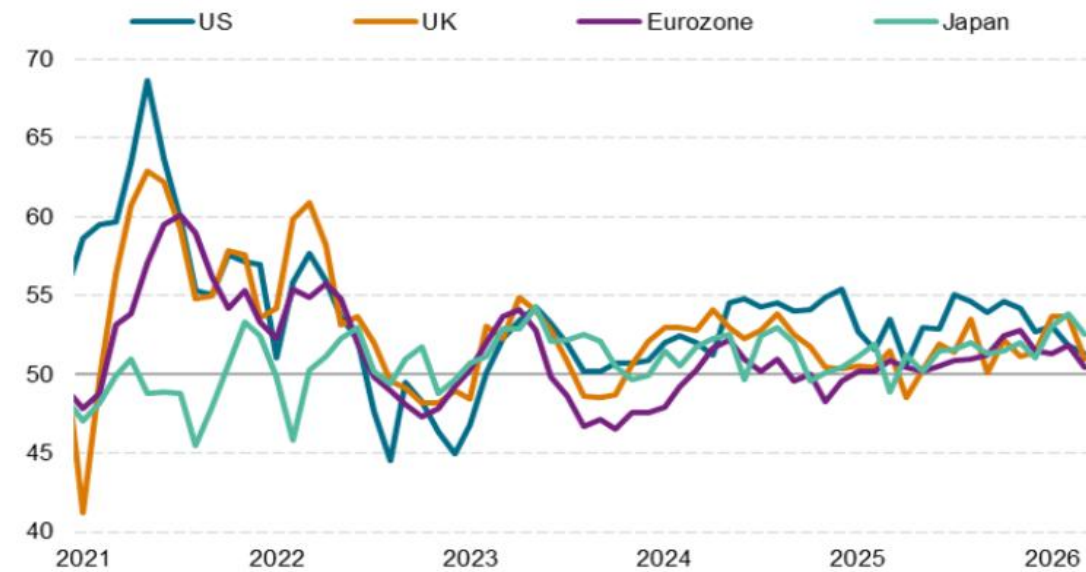


Data compiled March 24, 2026.
PMI covers manufacturing and services. 50 = no change on prior month.
Source: S&P Global PMI.
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Here are the output indicators.

Graph 2.

Flash PMI output indicators of 'G4' economies



Data compiled March 24, 2026.

And finally, we note the spike in input prices or producer prices due to supply disruptions caused by the Gulf War. And as S&P reports, delays on average across the G4 economies are occurring to a degree not seen since October 2022, and they are most concentrated in Europe. Clearly higher input prices which cannot be passed on as higher output prices due to a lack of consumer demand and uncertainty are bound to crimp profit margins, finally returning them to pre-pandemic levels. On the other hand, [FactSet](#) covering the revenue and income for the S&P 500 remains optimistic.

Graph 3.

Flash PMI input prices of 'G4' developed economies



Data compiled March 24, 2026.

G4 PMI covers the US, Eurozone, UK and Japan. 50 = no change on prior month.

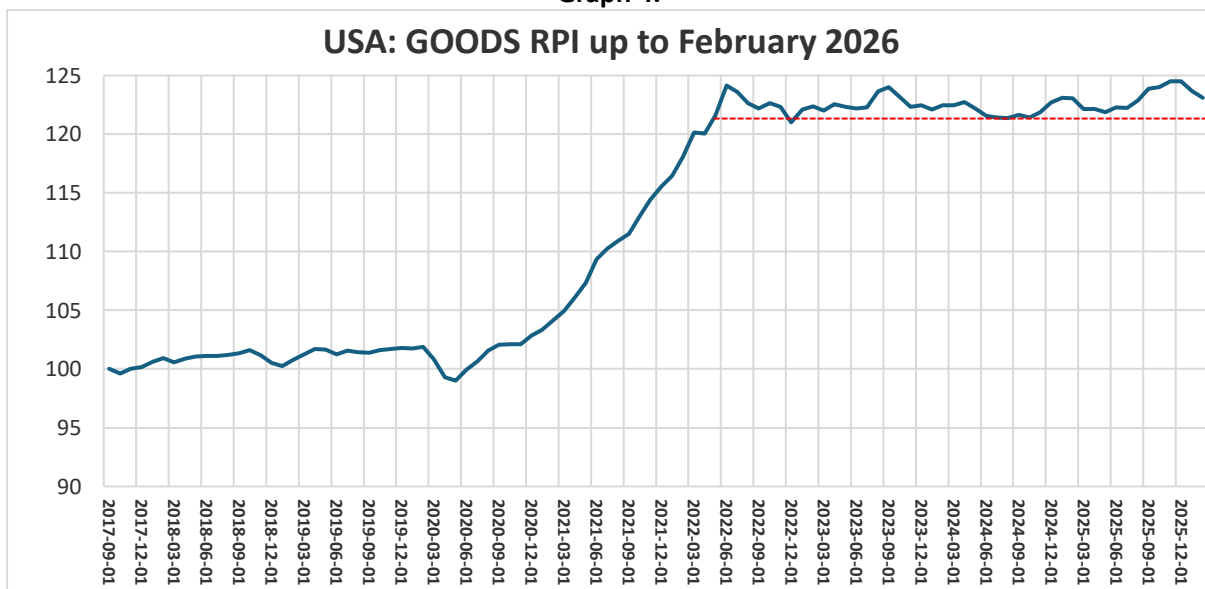
As expected, the war bore down on consumer confidence. [University of Michigan](#) consumer expectations fell sharply in March.

Table 1.
Final Results for March 2026

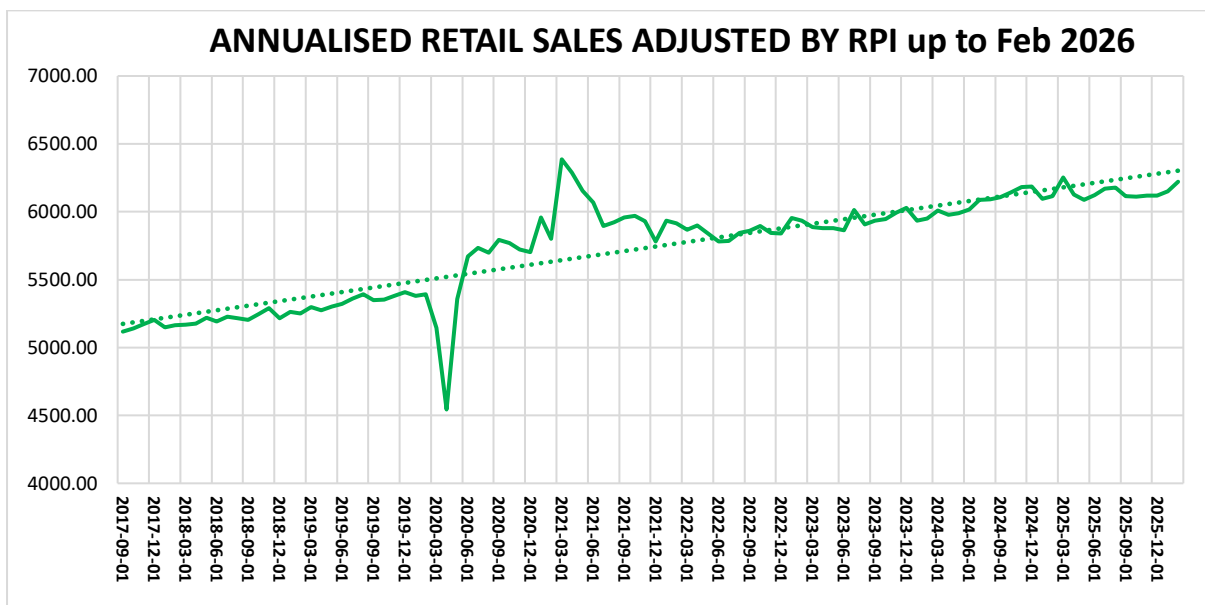
	Mar 2026	Feb 2026	Mar 2025	M-M Change	Y-Y Change
Index of Consumer Sentiment	53.3	56.6	57.0	-5.8%	-6.5%
Current Economic Conditions	55.8	56.6	63.8	-1.4%	-12.5%
Index of Consumer Expectations	51.7	56.6	52.6	-8.7%	-1.7%

The graphs below all relate to data from **February** immediately before the war. It shows a degree of price stability and mixed volume data. It forms base data with which to measure the effect of the war.

Graph 4.

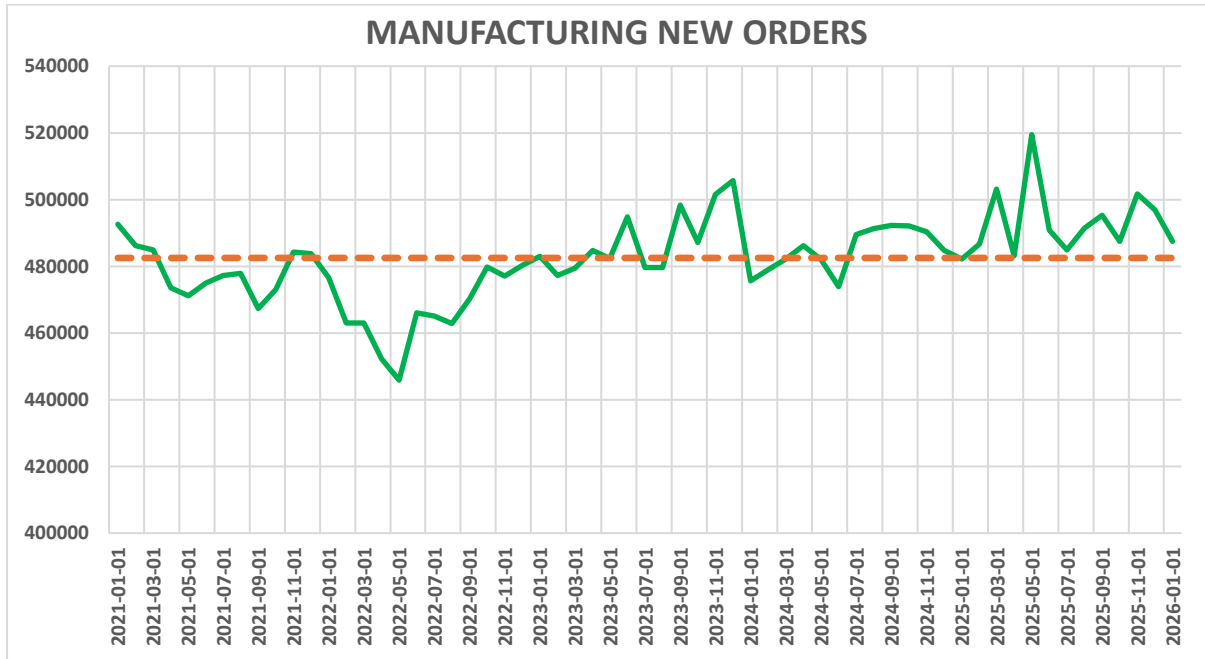


Graph 5.



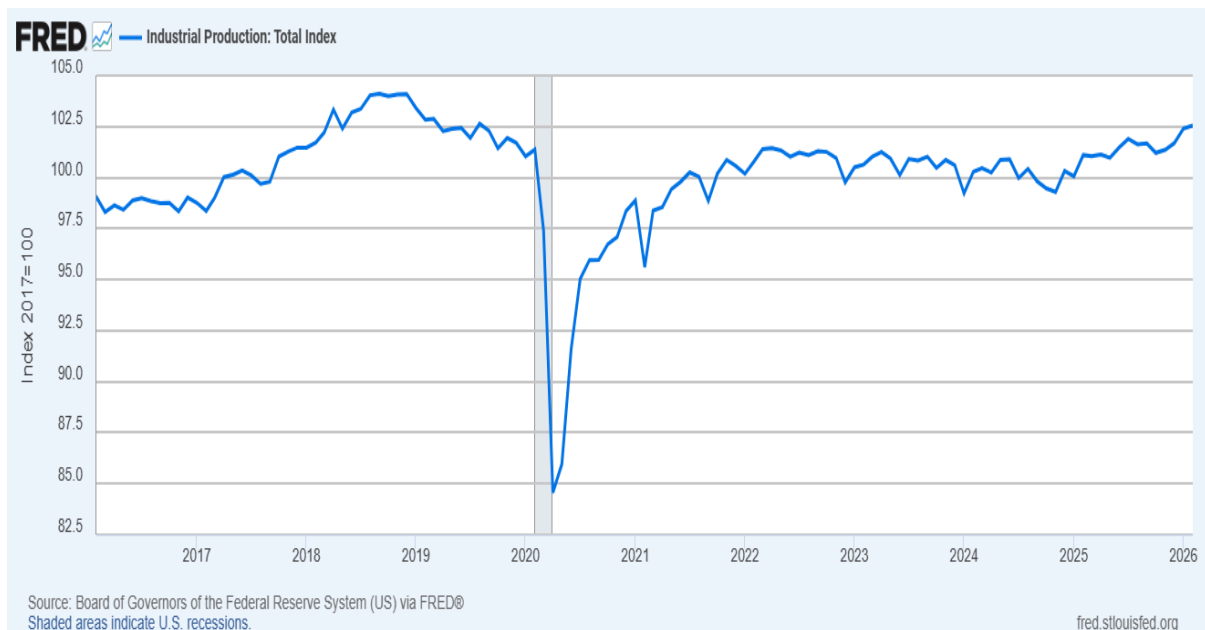
Manufacturing orders do not reflect the AI bubble, or alternatively, the contraction of orders in other spheres of the economy appear to be cancelling out orders related to data centres, energy production and chips.

Graph 6.



Production has recently improved, but it has still not reached the levels pre-Covid. In other words, there is no significant break out from trends established post-Covid.

Graph 7.



On the foreign trading front there has been some progress. Recently, exports have risen faster than imports driven mainly by the growth in the trade in services as Graph 8 below shows. It appears that tariffs have had a restraining effect on imports as has a weakening economy.

Graph 8.

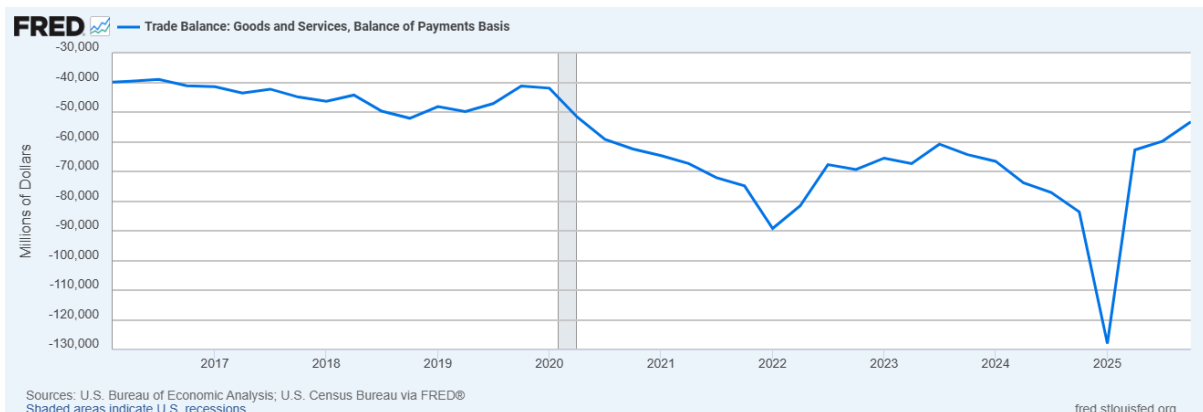


Graph 9.



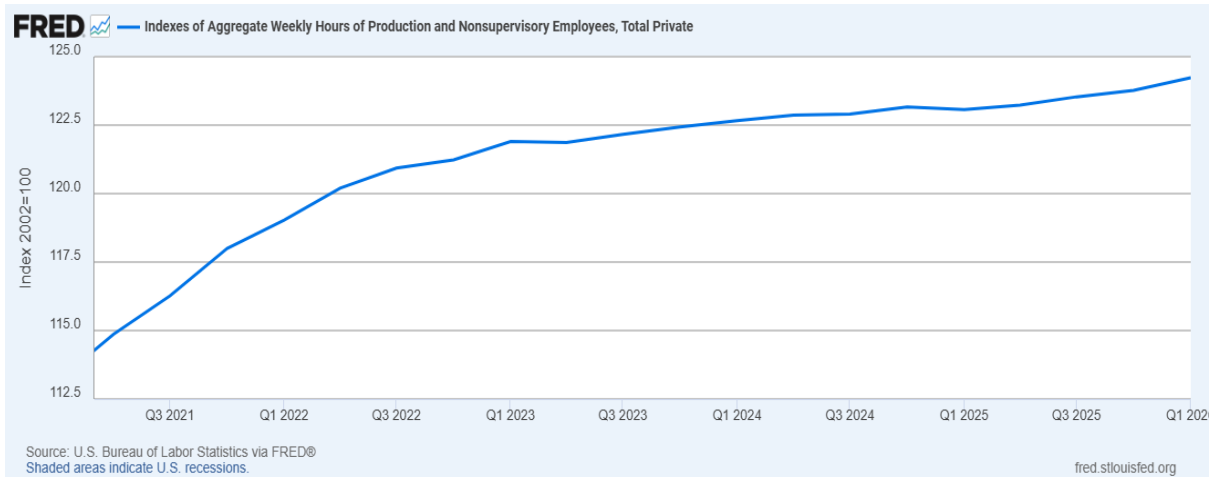
Since the panic a year ago when Trump announced his tarrifying vision for the world in the Rose Garden, the balance of payments has returned to pre-Pandemic levels.

Graph 10.



Finally, official employment data held steady, that is until it gets revised downwards as has happened in the last three annual revisions. I prefer aggregate hours worked as it blends full time with part time work.

Graph 11.

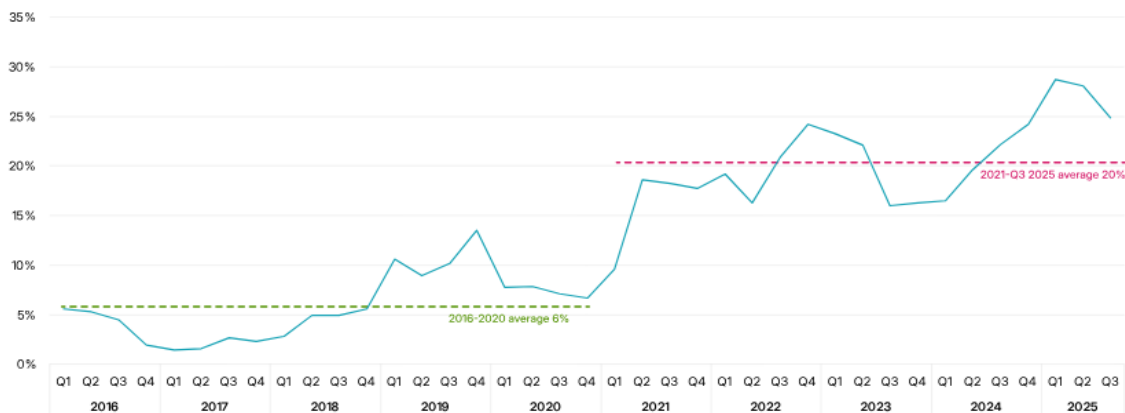


Private Equity or the Unregulated Banking Sector.

Turning to the hidden swan-like-cockroaches, unregulated banking or private equity. [Continuation vehicles](#) are the new sub-prime. When the original fund matures, these vehicles are set up to roll the assets over into them to avoid the fund having to cash out and repay investors. Their purpose is to avoid outflows. Their rise is a sign of falling liquidity in these markets.

Graph 12.

Higher flows to continuation funds that extend the lives of assets



Rolling 1-year share of contributions to continuation funds vs. mature private-equity fund distributions. Mature funds are those 10 years or older, thus more likely to pursue liquidity events for limited partners. See also [Night of the Living Fund: The Rise of Zombie Private Equity](#). Continuation-fund data for the vehicles tracked by MSCI; distributions data from the MSCI Private Capital Universe.

Phase two of the banking crisis occurs, not when outflows are boxed in, but when inflows become difficult if not impossible to raise, due to concerns of risk. [This is happening now](#). Commercial banks and investors are becoming more cautious about lending and demanding more oversight. For

example,” [JPMorgan’s](#) decision to mark down select private credit loans and pull back on leverage stands out. It directly ties into concerns about hidden risks in private markets and the bank’s own balance sheet resilience.” The problem is that much of the lending recently has originated in the shadow banking system which has been willing to embark on more leveraged loans in an already indebted environment.

Another sign of distress is the increase in commercial paper outstanding. These are loans with a typical duration of just 90 days often secured by trade invoices or accounts receivable. These are really loans of last resort reflecting liquidity shortfalls. [Small companies](#) report that 47% of their invoices, amounting to one in ten, were overdue by 30 days or more hence the need for additional liquidity.

Graph 13.



Finally, all this data leads to only one conclusion, [a surge in bankruptcy filings](#), which increased significantly in February the most recent month of data. Note the increase in commercial filings. Chapter 11 for larger corporations rose 67% while Subchapter V filing rose by 91% compared to February 2025. No doubt March and the months that follows will see the trend escalate further.

Were it not for the surge in investment by the hyperscalers it could be said the credit cycle is ending.

“February 2026 Highlights

- *Bankruptcy filings including **all chapters** totaled 45,891, a 14% increase from the February 2025 total of 40,304.*
- ***Commercial chapter 11 filings** increased 67 percent to 814 in February 2026 from the 487 filings recorded in February 2025.*
- ***Commercial filings** were 2,666, a 21 percent increase in February 2026 compared to the 2,200 filed in February 2025.*
- ***Subchapter V small business elections** increased 91 percent to 314 in February 2026 from the 487 filings last February. For more on subchapter V filing stats from ABI's analysis, please [click here](#).*
- ***Individual filings** increased 13% to 43,225, up from the February 2025 individual filing total of 38,104.”*

Conclusion.

The US stabilised in the first two months of the year though the underlying and more fundamental financial stresses deepened, and this even before the outbreak of war. These stresses will be aggravated by the war especially given the perspective of an enduring war. This applies to private equity as well as the AI bubble especially now that energy prices are rising.

It is unlikely that Iran can defeat the might of the US military. But it can bleed it to the point it will become debilitated and unable to confront Russia or China. The same cannot be said for Israel. The combined forces of Iran, Yemen and Hezbollah are severally damaging the country. The extent of which is unknown due to strict censorship. However, opposition to the war is increasing as we saw in Tel Aviv where [mounted police](#) were used to break up a demonstration.

The trend continues. The shift in power away from the US which began in the Ukraine has accelerated in Iran. Economics lags politics until it does not. Wall Street still believes in the invincibility of the USA, of its technology and military. But the cracks are appearing. With each week that the war continues and with mounting losses on the Usrael side, this aura of invincibility is fraying.

This coming week will be one of the most decisive of the war both for Iran and the markets. If Trump launches Armageddon and Iran follows suit, then we will have taken a step closer to the use of nuclear weapons. It is more likely this war will go out of control than it will be settled. I will continue the conversation and the analysis next week when I review the latest US profit data as well as the stresses in AI. By then the picture and the outcome will become clearer.

Brian Green, 5th March 2026.