GRYPHON INVESTMENT ADVISORS BAHAMAS

CONFIDENTIAL

Thoughts for the Day

Monthly Overview

A Month Like the Tide Going Out

Dear Fellow Investors,

June was the month the water went out. For four months we had been trading a war rather than an economy — an oil price with a fear premium stitched into it, a gold price doing much the same, and central banks frozen in place by an energy shock they could neither ignore nor cure. Then, over the space of a single fortnight, the premium drained away. What it left behind on the sand turned out to be rather more interesting than the water itself.

The month asked one question in three different accents: what is actually left when you take the war out of the price? Oil answered by falling roughly a fifth. Gold gave back much of its haven bid. And beneath a headline index that barely moved, the market quietly rearranged its furniture — out of the crowded winners and into corners that had been ignored for the better part of a year. The world did more or less what we expected of it on the geopolitics. It did something we did not expect at all on the Federal Reserve.

THE DOMINANT STORY

The Price of Peace

June opened with the war still live. Missiles and drones were still being exchanged, the Strait of Hormuz had been throttled since late February, and crude was sitting up near ninety dollars with an inflation premium baked into every barrel. The consensus was uncomfortably one-sided: over-hedged for calm, under-hedged for escalation. Then the diplomacy that had stuttered since April finally set. A memorandum of understanding was signed on the seventeenth, establishing a sixty-day roadmap to bring the conflict to a formal close; the American naval blockade was lifted; and tankers began, cautiously, to move. Late in the month the US Navy widened a route through the strait near Oman. By the thirtieth, oil sat near seventy.

That single move rippled through everything. West Texas crude fell by around a fifth on the month and Brent went with it. Breakevens eased, the near-term inflation path softened, and gold — which had spent the spring as the cleanest expression of geopolitical fear — surrendered close to a tenth of its value as the haven trade came off. Energy equities handed back their war gains; importers and airlines exhaled; the dollar, curiously, did not weaken. The relief was real, but it was also partial: crude did the easy part, pricing out the tail, while the hard part — whether barrels actually flow freely again — remains unresolved.

I would be cautious about how completely the market has priced this peace. A memorandum is not a settlement, and a sixty-day clock is not a treaty. It will be shipping insurers, not diplomats, who tell us when Hormuz is genuinely open, and the region's own producers think full flows may not return before 2027. The market has priced the intention. It has not yet priced the friction. My concern is not that the deal collapses in some spectacular fashion — it is that implementation proves slow and lumpy, and a market that has already banked the relief is forced to give a little of it back.

THE SECOND LAYER

A New Chair, and the End of Being Told

Running quietly beneath the oil story was something with a far longer half-life: a genuine change of regime at the Federal Reserve. Kevin Warsh chaired his first meeting on the seventeenth. Rates were held for a fourth consecutive time, in a range of 3.5 to 3.75 percent — that much was expected. What was not fully priced was the tone. The policy statement was cut to the bone, roughly a third of its former length; formal forward guidance was abolished outright; and projections that only months ago penciled in a cut now lean the other way, with the bulk of the committee expecting to raise rates before the year is out. The new chair declined even to submit his own forecast.

Here is the paradox of the month, and it is worth sitting with. Oil — the single largest inflation input we have — fell hard, which ordinarily hands a central bank room to ease. And yet the Fed turned more hawkish, not less. The reconciliation is that Warsh has told us plainly he intends to look through supply-shock inflation and worry instead about whether it has seeped into the core. May's inflation reading, the hottest in three years, was the energy spike working its way through the system. The question that will define the second half of the year is whether it stops there. A Fed that no longer tells you what it will do forces you to do your own thinking — which is, I rather suspect, entirely the point.

> ***"Unambiguous and unanimous."***
> *The new chair's framing of the committee's commitment to price stability — and a deliberate signal that the era of hints, dots and hand-holding is over.*

For portfolios, this matters more than any single decision. The end of forward guidance means more volatility around each data release, a higher premium on genuine analysis over Fed-watching, and — in the immediate aftermath — a dollar that posted its best single day in almost a year. It also quietly resets the discount rate beneath everything we own. And nothing on earth is more sensitive to the discount rate than the long-duration growth equities that have led this market for two years.

RATES, CURRENCIES & MARKET DIRECTION

What the Markets Are Telling Us

THE RATE NARRATIVE

The month's arc was a clean reversal of the easing story. We began June debating how soon the Fed would cut; we ended it debating whether the next move is a hike. Falling oil pulled the near-term path of headline inflation lower even as the Fed's own reaction function firmed — a genuine crossing of the streams. Short-dated yields jumped on the decision, with the two-year reaching its highest level in over a year. The bond market has stopped pricing a rescue.

CURRENCIES

The dollar was the cleanest expression of all of it — firmer on higher-for-longer expectations, on early-month safe-haven demand, and on the simple absence of an easing bias, posting its strongest day in nearly a year around the Fed meeting. The mirror image was the yen, which spent June pinned near multi-decade lows, closer to 162 against the dollar, even after the Bank of Japan finally lifted its policy rate to one percent. When a central bank tightens and its currency still will not hold, you are watching rate differentials and carry overwhelm domestic policy — and intervention risk accumulating quietly in the wings.

EQUITIES

This is where the month was most deceptive. The broad index finished within touching distance of where it began, which tells you almost nothing about what happened underneath it. Technology and the semiconductor complex came off hard — the growth benchmark shed around four percent — as investors began, for the first time in a while, to question whether debt-funded artificial-intelligence spending can keep compounding indefinitely. Capital did not so much leave the market as change address: into industrials, cyclicals and the value end, lifting the old-economy index while the growth benchmark sagged. A flat tape concealing a violent rotation is a late-cycle signature, and it deserves our respect rather than our complacency.

GEOPOLITICS & THE INVESTMENT CYCLE

The World Beyond the Markets

The war's formal wind-down was June's defining geopolitical event, but the more durable lesson sits beneath the ceasefire. For four months the world was reminded that a single strait carries a fifth of the planet's seaborne oil, and that the assumption of frictionless energy is a convenience rather than a law of nature. The premium has now come out of the price. The vulnerability has not come out of the map.

That lesson is already redirecting capital. The G7, meeting mid-month, placed energy security, critical minerals, artificial-intelligence governance and defence at the very centre of its agenda — and those four words are, increasingly, an investment thesis rather than a communiqué. Energy security is being re-rated as a structural bid rather than a wartime spike. Critical minerals, and the unglamorous physical supply chains that sit behind both defence and the energy transition, are migrating from the margins of portfolios toward the centre. Where the last cycle rewarded the asset-light and the intangible, this one is quietly rewarding things you could drop on your foot.

The tail the market seems most willing to look straight through is a Hormuz relapse. Crude has been marked back to pre-war levels as though reopening were a settled fact; it is not. A shipping incident, a stalled inspection, a dispute over sanctions sequencing — any one of these could put a premium back into oil inside a single session, and a market that has spent its haven hedges would feel it acutely. The second under-priced risk is subtler still: that the peace holds, oil stays low, and inflation proves sticky anyway — which would strip the market of its favourite excuse for the Fed to ease.

THE INVESTMENT CYCLE

Where Capital Is Moving — and Why

CAPITAL SPENDING & THE AI BUILD-OUT

If June had a single emblem, it was the SpaceX listing — the largest initial public offering in history, pricing at 135 dollars a share, raising some 75 billion and briefly carrying a market value north of two trillion. Strip away the spectacle and the deal is the purest expression of this cycle's central question: how much capital will the AI build-out ultimately absorb, and who pays for it? The listing pulled tens of billions of speculative liquidity out of other corners of the market — crypto, notably, drained lower through the month — and it put a public price on a private empire that is spending at an extraordinary rate. This is no longer a story about clever software. It is a story about capital intensity, debt, power and the physical infrastructure of compute — and, in the end, about whether the returns will ever justify the outlay.

CREDIT & PRIVATE MARKETS

The month's most important shift was the market beginning to split the AI trade into two. Investors rewarded the suppliers — the memory and chip names, where strong forecasts revived confidence in the hardware cycle — while turning sceptical on the capital-intensive platforms funding the build-out. A late-month wobble crystallised the divide: when a mega-cap raised its prices and, in doing so, exposed the cost inflation now running through AI hardware, the platform end of the market flinched. A two-speed AI market, with suppliers re-rating and spenders de-rating, is a healthier market than one that owns the whole complex indiscriminately. It is also a warning that the days of the entire theme moving as a single block are ending.

DEAL ACTIVITY & CAPITAL MARKETS

On June's evidence, the IPO window is wide open at the very top end — but selectively so. A single deal can command the entire tape and drain liquidity from everything around it; that is scarcity behaviour, not breadth. The refusal by the main index provider to fast-track mega-cap newcomers into the benchmark was a quiet act of discipline in a month that otherwise celebrated sheer size. Corporate behaviour tells the same story the equity market does: confidence at the top, caution underneath.

> ***“The market has banked the good news of June — cheaper oil, a contained war — and quietly ignored the invoice that came with it. Resolved uncertainty is not the same thing as reduced risk.”*** — Leonard Watson, Thoughts for the Day, June 2026

CLOSING THOUGHTS

Where We Stand

So where does June leave us? Better informed, and slightly more exposed. Better informed, because the two questions that hung over the spring — would the war end, and would the Fed pivot to cuts — were both answered, and answered clearly: the war is winding down, and the Fed is emphatically not pivoting. Slightly more exposed, because the market has banked both pieces of good news — cheaper oil, a contained conflict — while quietly ignoring the invoice that came with them: a firmer dollar, higher real yields, and a central bank that has stopped holding our hand.

What I am watching in July:

1. Hormuz in practice, not in principle. The sixty-day clock that started on the seventeenth runs into August; July is the month we learn whether tankers and war-risk insurance actually normalise, or whether reopening is a headline the physical market cannot yet honour.
2. The late-July Federal Reserve meeting — the first genuine test of governing without forward guidance. If the hawkish projection hardens into an explicit signal, the market will have to price a hike it has so far only half-believed.
3. June's inflation data, released through July. Falling oil should pull the headline lower; the number that matters is the core. If price pressure has broadened beyond energy, Warsh has already told us what he will do about it.
4. Second-quarter mega-cap earnings in late July, where the hyperscalers funding the AI build-out will either justify the capex with visible returns — or confirm the two-speed market the month has already begun to price.

I have been at this long enough to distrust the months that feel like relief, and June — for all its noise — ended in a suspiciously quiet place. The tide going out is not the same as the storm being over; it simply lets you see who was ready for it. I would sooner be straight with you about the sand than comfortable about the water. We will know a great deal more by the time I write to you again.

Leonard Watson
Portfolio Manager
Gryphon Investment Advisors Bahamas (GIAB)
June 2026

DISCLAIMER: This document is produced by Gryphon Investment Advisors Bahamas (GIAB) for informational purposes only and does not constitute investment advice, a solicitation, or an offer to buy or sell any security. All views expressed are those of the author as at the time of writing and are subject to change without notice. Past performance is not a reliable indicator of future results. Investors should seek independent professional advice appropriate to their own circumstances before making any investment decision.