



## When Markets Reach a Tipping Point, It's Too Late to React

Something feels different about 2026.

The market is weakening but hasn't broken.

There's war involving Iran and escalating instability in the Middle East. Other global conflicts continue simmering. Oil prices are reacting. Tariffs still shape trade flows and corporate costs. And just as geopolitical risk rises, millions of Americans are about to receive tax refunds — injecting fresh spending power into the economy.

That combination is unusual. Fear in the headlines. Cash in consumers' pockets. Energy prices climbing while markets try to remain calm.

When this many forces pull in opposite directions at once, markets don't glide forward smoothly. They wobble. And prolonged wobbling often signals a tipping point.

History shows that major shifts rarely announce themselves clearly. They begin with subtle divergences. Leadership narrows. Some sectors act strong while others weaken. Defensive assets quietly outperform. Volatility increases in pockets.

That's what we're seeing now.

Energy and defense stocks respond to geopolitical tension. Gold attracts cautious money. Meanwhile, certain growth sectors hesitate. Small caps struggle to gain traction. The surface looks *somewhat* stable, but underneath, capital is moving unevenly.

This isn't panic. It's uncertainty.

Oil prices matter here more than many investors realize. Conflict in the Middle East doesn't stay local. It affects shipping routes, insurance costs, and ultimately global

inflation. When energy prices rise, transportation costs rise. Food costs rise. Manufacturing costs rise. That puts pressure on margins and keeps inflation risk alive — which makes it harder for interest rates to fall.

At the same time, tax refunds may create a short-term boost in spending. Retail, travel, and certain consumer sectors could see temporary strength. That can mask underlying stress. The economy can look fine at the surface even while structural pressures build below.

Markets split before they move decisively. They rarely collapse without warning. Instead, they show confusion first.

That's where we are.

In environments like this, stories lose power. *Fundamentals* regain it.

Last week, I wrote about stock buybacks and how investors often assume all buybacks are positive. They aren't. Some companies repurchase shares because they generate strong free cash flow and their stock is undervalued. Others borrow heavily to buy back shares at high prices to flatter earnings per share.

The difference in long-term outcomes is dramatic.

This week I ran a back test back to 2002. In my *FAST Model*, A+ rated companies — those scoring highly with disciplined buybacks — generated 2,687% returns. F-rated companies with weak buyback quality delivered just 170%.

That gap isn't about timing headlines. *It's about business strength.*

I mention this not as a sales pitch, but as a reminder: when markets approach tipping points, the separating line becomes clear. Companies built on real cash flow, durable margins, and disciplined capital allocation tend to hold up far better than those relying on financial engineering.

2026 may not explode in one dramatic event. Tipping points rarely do.

They build quietly.

War risk. Energy pressure. Trade friction. Narrow leadership. Short-term consumer boosts masking longer-term strain.

At some point, the market resolves the tension. And when that moment comes, it's usually too late to react calmly.

The advantage goes to those who were *already* positioned in strength before the noise became obvious.

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