MARKET REVIEW & OUTLOOK

2Q 2026

Crypto, yes. Oil and Gold, not so much.

Meme coins are a disaster, and we shouldn't call them cryptocurrencies – Pokémon cards are a better store of value. Markets and media are still working through what it means to be "on-chain," versus not.

Meanwhile, oil has acquired a new $10-20/bbl risk premium around the Strait of Hormuz drama. Either we will have a de facto toll, or we will be pricing in reduced supply to a similar value. This suggests it's really time to move on from the oil economy…

And if you thought you could ride out global uncertainty by hiding in a bunker with gold, we'd strongly recommend against it. Whatever the future holds, it is likely to place greater value on digital assets and computing power (and consequently electricity).

Markets to the Moon?

How is the market hitting new highs despite a deeply unpopular US administration, persistent inflation, and ongoing military conflict in the Middle East? We acknowledge that AI has unleashed new productivity and growth, but we are skeptical about flawless execution and adoption. Furthermore, it will take much more than jawboning the media to manage inflation and military conflict. Bumps ahead.

Meme coins are purely speculative.

Crypto

While volatility has felt like a feature of Bitcoin (BTC) since its launch, this year is only different in that the volatility has been biased significantly lower. As a proxy for the entire crypto industry, lower prices have been experienced across the asset class. As cryptocurrencies continue to mature as an asset class, it is worth noting that there is a lot of junk still out there.

Specifically, we need to revisit the difference between meme coins and on-chain cryptos. Hopefully, this is a review for most but given the way they are all lumped together in the media, we suspect there unfortunately remains much confusion.

On-chain cryptos, like BTC, are the future of digital finance, providing the backbone for digital economy transactions, clearing, and verification. **We would strongly urge avoiding ANY speculation in meme coins of any type, at any time. However, adding some exposure to the future of digital finance could be helpful if done thoughtfully** (we prefer cryptocurrency services, like wallets and exchanges, over the direct currency which, has proven volatile, much like other currencies).

Meme coins = Chuck E. Cheese Tokens

The reference here is that meme coins, which do not have regulated/netting supply nor a proper verification system, are essentially worthless. Investing in them is similar to speculating on a postage stamp collection; it only really has value if someone else wants it more than you do. However, at least with stamps you can utilize the postage system. Meme coins are purely speculative.

Conversely, on-chain cryptos, like BTC and ETH (Ethereum), are favored as mediums for exchange specifically because they can be verified. On-chain means recorded directly and permanently on a blockchain's public ledger, verified by the network itself rather than stored in a private database or app. An on-chain transaction or piece of data can be independently looked up on a block explorer, whereas "off-chain" activity (like trades on an exchange's internal books) never touches the blockchain until it's eventually settled there.

It's in the Numbers

It is not surprising that as this industry matures and more participants become aware of on-chain vs meme coins, the latter have performed terribly. We believe this will only increase as investor sophistication improves, particularly when participants try to liquidate meme coins- there's just no natural buyer beyond a speculator, and once prices are falling it's hard to convince anyone of a store of value.

Have a look at the table below for specific performance, which is also charted. We indexed three of the most popular meme coins to BTC as of the first common date (6/28/21) (we added TRUMP indexed to 100 at the start of its trading). All of the cryptos have had a tough year, but, based on our analysis, BTC has held up far better.

Exhibit 1 – Crypto Performance Table (Bitcoin vs. Top Four Meme Coins)

	Price Performance	
	Since Indexed (FLOKI launch)	Since TRUMP debut
Bitcoin (BTC)	81.9%	-39.8%
Dogecoin (DOGE)	-73.0%	-82.4%
Shiba Inu (SHIB)	-41.7%	-79.3%
Floki (FLOKI)	1449.1%	-87.9%
Official Trump (TRUMP)	-	-95.1%

Exhibit 2 – Time series of Bitcoin (on-chain) versus Meme coins

BTC vs. Meme Coins — Indexed to 100 on 2021-06-28 (BTC/DOGE/SHIB/FLOKI); TRUMP Indexed to Its Own Series Start. Log scale y-axis. BTC, DOGE, SHIB, and FLOKI are rebased to 100 on 2021-06-28 — FLOKI's inception date and the first day all four have data — so their relative performance since that shared point reads directly off the chart; each line still shows its own full history back to its actual first trading day, so pre-2021-06-28 values reflect price relative to that later baseline, not a start-of-life 100. TRUMP has no data on that date, so it keeps its own series-start=100. Source: CoinGecko exports, more sources end of document.

Oil Prices Will Remain, Pricey

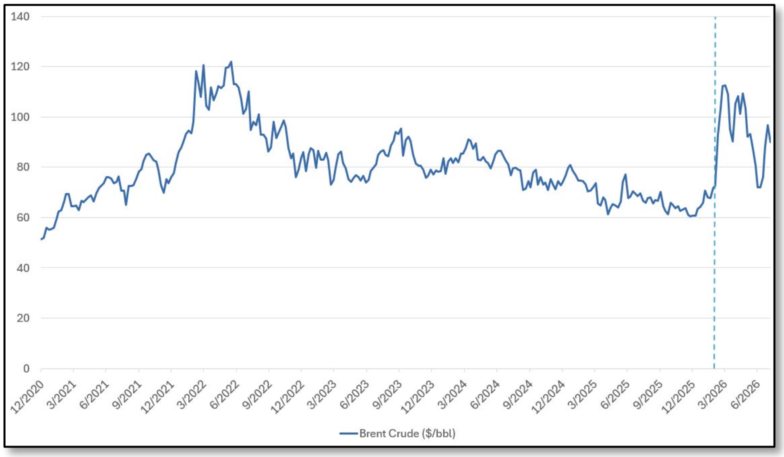
As you can see in the latter part of the chart below in Exhibit 3, oil prices are volatile, but they appear to be settling into a new range. We believe that the recent conflict with Iran adds a new risk premium to oil of $10-20/bbl that is likely to persist for the foreseeable future.

Mixing in a little bit of science and art, recent media headlines suggest multiple parties are looking at some variation of a tolling system for transit through the Strait of Hormuz. We have seen comments from Iran, the U.S., and even Oman has entered the fray. The U.S. boldly suggested a 20% premium, which equates to $20/bbl with prices at $100/bbl. **We suspect the risk premium will roughly equal this toll and add $10-20/bbl to pre-conflict levels.**

Since the start of the war, oil prices have ranged from $120 to $70, and near $80 at the time of writing (news of a new ceasefire, again, keeping prices lower), see chart in Exhibit 3. We had a spike above $100/bbl at the end of the COVID pandemic, as the economy came roaring back to life. However, oil prices had been in a $60-80/bbl range, which we don't believe we are likely get back to after the Iran conflict.

It is hard to gauge whether we end this conflict with an explicit toll on shipping through the strait, but it ultimately matters little to us as consumers. The mere threat of a toll, or extended conflict reducing supply, is enough to bake in a $10-20 premium on top of "normalized" pricing.

Exhibit 3 – Brent Crude Oil Prices (USD/bbl, 5 years)



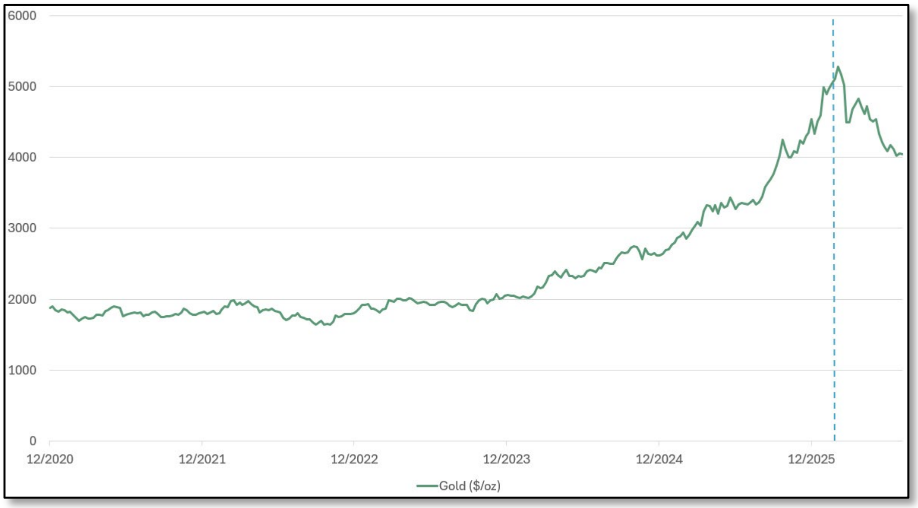
Gold Has Lost its Luster

Gold mattered before the digital age- now, greater value is placed on digital assets and computing power than physical metal. Gold was the ultimate reserve currency that could be used across economies as a store of value. However, as the digital economy has matured, many find greater value in digital assets that now serve literally the same purpose. Cryptocurrencies can be instantly transacted around the world and verified to eliminate fraud. Gold is prone to all sorts of issues in the physical realm (loss, theft, transportation, etc.).

Previously, as a reserve currency that could be exchanged in any economy, gold acted as a risk hedge. As other assets struggled with economic expansions and contractions, gold offered a safe haven as the most widely held and fungible asset. As economic risks accumulated, gold demand increased, and prices climbed- higher periods of risk were met with higher prices of gold.

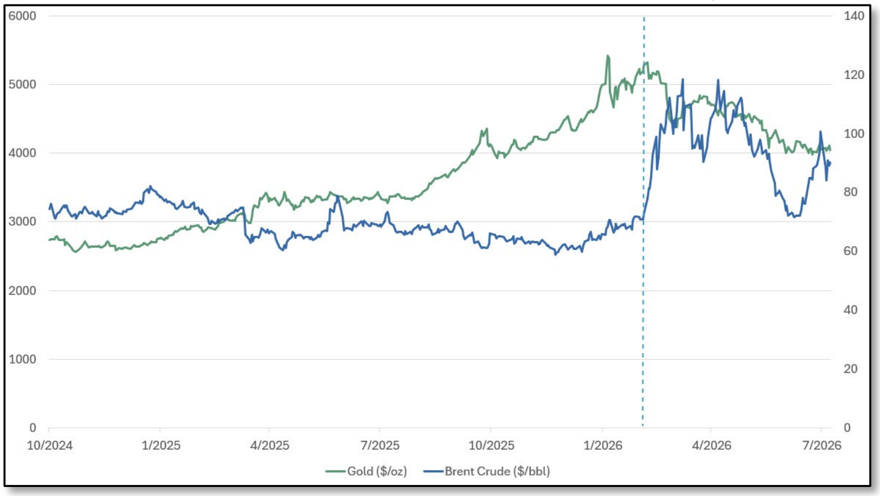
However, as you can see from Exhibit 4 below, gold prices peaked at the end of January this year. At the time, there were some headlines around the nomination of the next Federal Reserve Board Chair, viewed as a signal for higher rates for longer. A nuance in larger margin requirements for a couple of large gold exchanges may have exacerbated that fall, but the precious metal has been in decline ever since.

Exhibit 4 – Gold Prices Miss Risk: Iran conflict and oil spike have limited impact (USD/oz, 5 years)



This is surprising since the Iran conflict began with US and Israeli bombings late on February 28th of this year- a full month after gold had peaked. Gold initially jumped a bit, but then began declining fairly steadily ever since. Conversely, oil prices spiked over $100/bbl four times over the same time period. Clearly, oil is discounting a risk environment that gold is not.

Exhibit 5 – Gold and Oil Prices Before and After Iran Conflict ($/bbl, $/oz, 1 year)



We would have thought that a major war in the Middle East, specifically with military action against a looming nuclear threat like Iran, would have sent gold to new highs. Major shipments of oil have been blocked and sent fuel prices sharply higher, which not only suggests likely additional military conflict ahead but also exports significant inflation globally that can wreck economies. Certainly, this is a time for risk hedges, but gold continues to slide…

With gold declining as a safe haven asset, and with cryptocurrencies still not very well understood, what does that leave us for a risk hedge? Perhaps, it's the US equity market which appears to endlessly grind higher – backed by an aggressive presidential administration, this may not be far-fetched. But it also won't last. Eventually. Sooner than many may expect. Cryptocurrencies, on-chain, will likely begin to function as risk hedges (or perhaps some other digital-related asset).

Said differently, **the stone age didn't end for a lack of stones; the oil age isn't collapsing on peak-supply; and the gold age isn't ending because it's hard to find- we just collectively as a society placed greater value on what came next…**

(Check out our 4Q 2025 write-up for more specific discussion on the end of the gold and oil era.)

Outlook

We continue to fret over equity markets that continue to bust out and make new highs despite a deeply unpopular US administration, persistent inflation, and ongoing military conflict in the Middle East (at a scale we haven't seen in decades). On top of which, AI companies continue to sink huge amounts of capital into "investments" with little to show in the way of returns while presenting existential threats to large chunks of the labor force.

The net of which leaves us preparing some defense for the portfolio while also focusing on what we think the next evolution of the digital economy will bring. AI plays heavily into the themes, for obvious reasons, as it is the new technological breakthrough that we are all digesting.

Regarding defense, we like our holdings in Food & Agriculture, Access to Health Care, and Circular Economy. These areas are classic economic contraction plays as they hold up relatively better than other areas. Food companies are less volatile as products here are comparatively less discretionary, with similar themes permeating Health Care. Circular

Economy is marginally less defensive than the former two mentioned, but waste remains a continuous struggle with slight swings in demand from rising or falling economic activity.

Probably the area we are most positive about has far longer thematic longevity than the economic cycle. Clean Energy has come a long way and worked through favorable and unfavorable environments. The latter has forced efficiency and additional technological gains to compete with classical fuels and power, so much so that even in the absence of subsidies they are economically competitive.

As such, with new price spikes and a potentially increased risk premium for oil, the entire fuel economy is now heading towards obsolescence. We will always be using oil- in fact, probably too much of it – but we are extremely unlikely to be funding new projects and developments for growing demand. That new demand will most likely be met with more independent and reliable power sources, heavily favoring renewables and related solutions.

From an economic perspective, AI companies plowed enormous amounts of money into the economy, and that has clearly been helpful. There is a pronounced ripple effect from the large investment dollars that are funding data center buildouts, which hits just about every industry in the geographies hosting them. Not to mention all the indirect vendors and services also leveraged towards technology.

The stock market has shown us some of this by rotating from the AI "hyper-scalers" to the chips that enable them and even shifting through various portions of the equipment supply chain as bottlenecks shift. We have long posited that the users of AI will be seeing the next large benefit from technology, but the transition is decidedly messy.

We maintain a portfolio approach to AI, diversifying horizontally and vertically, as the fortunes will continue to shift with the bottlenecks in this rapidly growing industry. Energy is a clear favorite as an enabler to AI, but also as an alternative to an increasingly costly crude oil and fuel market.

Clean Energy remains our largest allocation of the 8 vectors, with nearly 25% of the portfolio allocated here. Access to Finance and Circular Economy are the next two largest with nearly 15% each, as we have been finding good value and solutions in Access to Finance while also favoring exposure to Circular Economy for the waste names that we highlighted earlier.

Looking geographically, we continue to favor the Americas- North for relative stability (most mature market), and South for better growth and muted inflation (resource self-sufficiency).

Footnotes and Sources

Exhibits

1- Crypto Performance Table (Bitcoin vs. Top Four Meme Coins); CoinGecko.com, Harmony Capital Advisors – data available upon request
2- Time series of Bitcoin (on-chain) versus Meme coins; CoinGecko.com, Harmony Capital Advisors – data available upon request
3- Brent Crude Oil Prices (USD/bbl, 5 years); Bloomberg Data Services, Harmony Capital Advisors
4- Gold Prices Miss Risk: Iran conflict and oil spike have limited impact (USD/oz, 5 years); Bloomberg Data Services, Harmony Capital Advisors
5- Gold and Oil Prices Before and After Iran Conflict ($/bbl, $/oz, 1 year); Bloomberg Data Services, Harmony Capital Advisors

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