2 Gray Beards — Week 166 Executive Summary

March 7, 2026 | Andy & Nick

Macro Backdrop

The dominant driver this week is the war in Iran, which has severely disrupted oil supply chains. Front-month crude nearly doubled from $56 to the low $90s in a month, while longer-dated contracts rose 16–18%, reflecting deep uncertainty about the geopolitical outcome. The initial risk-off bid for bonds and gold on Monday's open failed spectacularly—gold finished the week only slightly lower, but bonds sold off meaningfully, with 10-year yields rising from 3.95% to 4.13%. Two-year notes traded a wide, volatile range (3.40%–3.63%). Equities were down modestly (S&P ~1.75%), with pain concentrated in crowded winners—Korean semiconductors, emerging markets, and anything non-dollar. Software stocks were the exception, bouncing hard. VIX futures spiked to ~26, up 6 vol points—notably driven more by a lack of put supply than aggressive put buying, a different dynamic than typical crises.

Key Data: First Negative NFP

Friday's nonfarm payrolls printed negative—potentially the first in recent memory—directly contradicting the consensus that the economy was reaccelerating and the Fed would never cut. Andy cautions against extrapolating this into a recession call; the data is noisy and still catching up from prior disruptions. Critically, the weakness has **not** yet appeared in weekly claims, ADP, Challenger, or GDP nowcasts. Whether it spreads into those indicators will be the defining signal in coming weeks.

Fed & Rates

Market pricing for a March cut swung from ~100% probability to nearly 0%. Both Andy and Nick favor the short end of the curve (1–5Y maturities) but for slightly different reasons. Andy believes the reacceleration narrative is overpriced and expects cuts. Nick frames it through the yield curve: the oil shock is supply-side inflation the Fed is supposed to look through, so they could still cut on employment weakness while the long end stays pinned or sells off. Both agree: don't extend duration. The long end carries 30–50bps of downside risk versus just 5–10bps at the short end.

Equity View & Options Positioning

Neither is buying equities here. The "double whammy" logic: in a strong economy, the Fed won't cut (removing a key catalyst); if the Fed does cut, it'll be because data has deteriorated—also bad for stocks. They'd be interested in adding exposure 3–5% lower, particularly during a panic driven by negative geopolitical headlines. The portfolio's existing puts expire March 13. With vol at 26, buying puts outright is expensive. Andy favors **put spreads** over outright puts (skew is steep, making the structure more attractive) and does **not** favor selling upside calls, which he views as too cheap to be worth selling. Gold was sold at good levels; commodity exposure trimmed with small losses. Cash is being held deliberately for deployment at lower levels.

Action Items

No trades before Tuesday. Nick will send a note Tuesday morning with specific put/spread recommendations after reviewing prices at his desk. Market posture: maintain current delta, sit tight, and prepare to deploy aggressively on a panic-driven dip.