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CAPITAL MANAGEMENT

INVESTMENT OUTLOOK – MAY 2026

Geopolitical Fear Is Reshaping Investor Behavior

"The stock market is a device for transferring money from the impatient to the patient."
– Warren Buffett



"You're watching the stock market WAYYYY too closely."

CartoonStock.com

Two of the greatest investors of all-time, Warren Buffett and his partner, the late Charlie Munger, were skeptical market timing strategies could add value for the vast majority of investors. They found, most timing strategies tend to subtract from one's wealth, which is in-line with the vast amount of financial literature on the subject. If an investor were to miss just a handful of the market's best-performing days while waiting for the perfect

time to buy, a portfolio's long-term performance was drastically reduced. And of course, there is no way of knowing which and when those days will be.

Charlie Munger once said, "The big money is not in the buying and selling, but in the waiting." However, if one tunes into CNBC or financial media in general, the message is usually the opposite. They encourage investors to transact – likely because, somewhere down the line, a greater number of transactions somehow could lead to higher compensation for the promoters.

Today, investors are on high-alert due to the Iran War and its effect on global trade via the Strait of Hormuz. I won't pretend to predict the future, but I believe it is more likely a resolution is reached sooner rather than later, as many of the global super-powers (China, Japan, European Continent and U.K.) cannot live with this waterway closed for an extended period of time. Their economies and citizens will suffer. More simply put, things that can't go on forever, don't.

I pulled the below article from Barron's, as the psychological component of staying invested and then calibrating one's market risk on the margin as risks fluctuate, is easy to do on paper, but much more difficult to accomplish in practice.

Geopolitical Fear Is Reshaping Investor Behavior. How to Avoid Overreacting.

By David Conti

Barron's

May 11, 2026

Blockades. Cease-fires. The Strait of Hormuz. Deployed troops. These aren't just geopolitical developments—they are becoming part of the mental landscape investors carry with them each day. Markets have stabilized for now, but for many investors, the unease hasn't gone away.

Advisors say the shift is subtle but significant. Clients are no longer focused solely on portfolio performance or near-term returns. Instead, they are beginning to question the durability of their broader financial plan. They are asking: Will this delay my retirement? Should I be more conservative right now? Is it still prudent to spend on travel or family events?

These aren't traditional market questions. They're life questions, shaped by uncertainty. What's emerging is less a reaction to market fundamentals and more a reflection of investor psychology under stress.

The current environment is surfacing familiar behavioral patterns—from recency bias to decision paralysis. The difference now is that these patterns are being reinforced not just by market volatility, but by a steady drumbeat of geopolitical risk. For financial

advisors, that shift is redefining the conversation. The challenge is no longer simply helping clients stay invested. It is helping them think clearly about world events.

“These conversations are really about separating emotion from evidence,” says Nathaniel Tilton, founder of Tilton Wealth Management in Newburyport, Mass. “Headlines drive short-term volatility, but long-term outcomes are still tied to earnings and economic resilience.” Below are some key tenets of behavioral finance and how advisors are using them to help temper investors’ fear.

Push back on recency bias. Periods like this expose this familiar behavioral trap. Joey Khoury, director of behavioral finance at Mission Wealth in Santa Barbara, Calif. says most investors are unknowingly conditioned by what they see every month. “Clients anchor to their most recent experience,” Khoury explains. “If they’re receiving 12 or 16 consecutive statements showing declines, that becomes their reality—even if it’s a normal market cycle.”

That’s a problem, because historical data tells a different story, says Khoury. The average market drawdown unfolds over roughly 16 months—far longer than the quick recoveries investors have grown accustomed to in recent years.

Khoury emphasizes that what’s missing for many clients is a clear framework for understanding “normal” market volatility. “A balanced portfolio might reasonably fluctuate from positive 30% to negative 15%,” he says. “That downside is the price of admission for achieving long-term returns—but most investors haven’t internalized that.”

The fact is, recent history has spoiled investors, says Khoury. “Outside of 2022, most recent corrections have been sharp and short-lived,” he says. “Covid, tariff scares—markets snapped back quickly. That’s created an expectation that declines should resolve fast.”

But that’s not the norm. “Over a 70-year period, the average drawdown takes about a year and a half to play out. Investors today aren’t emotionally positioned for that kind of timeline.”

This mismatch between expectation and reality is fueling anxiety—and the risk investors will react negatively to volatility. Khoury encourages advisors to proactively normalize volatility before it arrives. “The best time to talk about market corrections is when markets are strong,” he says. “If clients understand that downturns are part of the plan—not a failure of it—they’re much less likely to react emotionally.”

Khoury recommends advisors stress-test portfolios. Mission Wealth, for example, uses detailed stress testing that maps each portfolio position to macroeconomic variables such as inflation and interest rates.

“We can model how a geopolitical conflict—like what’s happening in the Gulf—might impact different asset classes and how those relationships interact,” Khoury explains. The goal isn’t prediction. It’s preparation. By showing clients how diversified portfolios behave under stress, advisors can reframe uncertainty as something manageable—not existential.

Get free from decision paralysis. While some investors react impulsively, others do the opposite. Khoury says he’s seeing a surge in the number of clients who are simply unable to act. “I’m seeing more people—especially those nearing or entering retirement—who feel shellshocked,” he says. “They know decisions need to be made, but they can’t move forward.”

This is the behavioral flip side of panic selling: paralysis. “It’s analysis paralysis,” Khoury says. “There are so many potential paths that clients default to doing nothing.”

The psychology is subtle but powerful. “An act of commission—making a change that goes wrong—feels worse than an act of omission,” he says. “Even if the outcome is identical.”

For advisors, the implication is clear: inaction isn’t neutral. It’s a behavioral choice that often needs to be coached just as actively as overreaction.

In extreme cases, geopolitical anxiety is driving life-altering financial decisions. Christine Alexis Concepción, an international tax attorney in Miami, recently worked with a high-net-worth California couple moving \$15 million in assets to France and buying an apartment in Paris—motivated largely by current political dissatisfaction.

“There’s an emotional bucket that people’s money lives in,” she says. “And sometimes no amount of tax logic will change their minds.”

The financial consequences can be significant. “From a cross-border tax perspective, moves like this can be extremely costly,” Concepción notes. “But when fear and frustration take over, rational planning often takes a back seat.”

Still, she emphasizes that most wealthy clients aren’t making such drastic shifts. “Clients with diversified portfolios already have global exposure,” she says. “In many cases, they’re more insulated than they realize.”

Dial back on risk if necessary. Wealth manager MacKenzie Richards of SK Wealth in Providence says the dominant client emotion today isn’t panic selling—it’s ambient anxiety. “There’s a general sense of unease,” Richards says. “Clients are watching oil prices, inflation, and geopolitical headlines, and trying to connect the dots.”

Some concerns border on the unconventional. “I’ve had clients worry about whether they’ll have trouble buying gasoline for a two-week Canadian road trip—or whether the

grid will hold up there,” he says. “These aren’t scenarios you see on a CFP exam.” Often, those fears don’t align with reality. “The way some clients talk, you’d think the market is down 30%,” Richards notes. “It’s not.”

That disconnect creates an opening for advisors. “People are still traveling, still renovating homes, still spending,” he says. “Markets are driven by companies making money—and that’s still happening.”

For clients who remain uneasy, Richards advocates measured adjustments—not wholesale changes. “If someone says they don’t need to be as aggressive, we’ll dial back risk,” he says. “But we’re not going to all cash.”

Perhaps the most important message advisors are delivering right now is also the simplest. “Just because you’re feeling nervous about the next year doesn’t mean you have to scale back everything that matters,” Richards says.

That includes weddings. Travel. Helping family. Living life. Because in the end, the greatest risk may not be market volatility. It may be letting fear rewrite a plan that was built to endure it.

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OVERWEIGHT	NEUTRAL	UNDERWEIGHT
Cash & Money Markets	Healthcare	Mortgage-Backed Securities
U.S. Treasury Notes & Bonds	Consumer Discretionary Sector	Investment Grade Corporate Bonds
Large Capitalization Technology	Communication Services Sector	Leverage Loans (Floating Rate Debt)
Energy Related Equities	Materials Sector	Treasury Inflation Protection Securities
Utilities	Financial Services Sector	High Yield Corporate Bonds
Aerospace & Defense	Consumer Staples	Local Currency EMG Bonds
Precious Metals	U.S. Real Estate & Related Equities	Leisure & Hospitality
International Developed Market Equities	Small Capitalization Stocks	
Emerging Markets Equities		

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