



## *Wrecking Ball*

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**Berkshire Hathaway, founded and managed by the legendary, but now retired (aged 95) Mr Warren Buffet, is reportedly sitting on a \$382bn mountain of cash (and near cash short-term investments).**

This is the largest cash hoard ever assembled in the 250-year history of the United States. Why does this matter? Mr Buffet made his reputation not overnight as might a high-flying hedge fund manager but over six decades of painstaking work, eschewing narratives and sticking to what he knows best. Price is what you pay, value is what you get! More than just an investment portfolio, Berkshire owns numerous businesses, some outright (Dairy Queen, BNSF Railway, See's Candles and many more). The common denominator, a rigid and disciplined approach to investing that in these uncertain and highly volatile conditions should serve as a reminder well worth heeding.

While Berkshire's cash pile grows with each quarter that passes, the firm can and does make investments, striking with the precision and power of a highly venomous snake and often where least expected. One such example might be the stakes acquired in five Japanese financial institutions back in 2020. The Japanese stock market was moribund and friendless at the time, but the gimlet-eyed Buffet knew better. Buy low and hold for the ride higher. How that careful strategy has paid off as Japanese stocks have risen to hit a series of all-time highs, propelled upwards by an economic reflation promised by the hugely popular and landslide lower house election victor, Prime Minister Ms Sanae Takaichi.

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*“I demolish my bridges behind me – then there is no choice but forward”*

Fridtjof Nansen | **Norwegian explorer**

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## RAYMOND JAMES

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The fortunes of the Japanese and other Asian stock markets, carried ever higher on wave after wave of capital inflows, stand in marked contrast to those of the US. This is not to say that there is no value to be found in the US stock market, simply that following a year in which performance without breadth was driven by a handful of technology giants, 2026 has opened very differently, each week that passes feeling like a year in and of itself. Kinetic energy at its most highly visible, a market of noise but also, arguably, less signal. Case in point, an S&P 500 headline index level only little changed from where it started the year, but a wrecking ball beneath the surface as momentum stalled and software became the epicentre of AI-loser anxiety.

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Traditionally, software has been highly prized and highly rated due to its embedded intelligence, its capacity to deliver workplace efficiencies, augment business decisions and improve logic. AI agents, including those such as Anthropic and Altruist can disrupt this, delivering additional layers of potential augmentation including reasoning, planning and orchestration. In the fast-disappearing old-world, applications contained intelligence and humans operated them, leveraging the output. In the new world, not so far away as Microsoft’s Mr Mustafa Suleyman muses, darkly, AI agents will contain and harness intelligence and applications merely service them, leaving little place left for the carbon-based lifeform!

Yet, whilst wary as to where AI disruptors might challenge next, the real economy continues to enjoy an extension of its cyclical upturn. Forward-looking business surveys in both Europe and the UK are pointing to better times ahead; a fact not lost on

stock market benchmark indices replete with so-called “old economy” names. As Mr Buffet would surely have approved, businesses thought to be beneficiaries of the upturn, whilst simultaneously delivering reliable pricing power, free cash generation and dividend payments are highly prized in the new normal, especially when they trade on valuation discounts to their US peers.

Whilst the term “UK exceptionalism” feels somewhat uncomfortable, especially after a torrid few weeks for the Prime Minister, the index of leading 100 shares has continued to make good headway after gaining an almost spectacular 21.5% in 2025. In part the resilience of an index whose constituents derive more than 80% of aggregate revenues from overseas operations, has to do with the global upswing and strength in markets elsewhere, notably in Europe and the emerging universe. Geopolitical turbulence has played its part too, concerns regarding an attack on Iran served to drive the crude oil price and energy stocks higher. On the domestic front, interest rate-setters at the Bank of England have signalled the likelihood that domestic inflationary pressures should ease further in coming months, increasing the chances of a further (seventh) rate cut in the policy easing cycle and maybe even more if prices remain quiescent.

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This about-turn, abetted by market uncertainty surrounding the Prime Minister’s grip on power (a replacement administration could prove less committed to the fiscal probity, policy highly valued by government bond markets) has served to undermine the pound on the foreign exchanges. In 2025 a weak dollar supported sterling and acted as a “translational headwind” for firms earning revenue

and profits abroad. If that changes as 2026 unravels then an already robust business operating performance should derive even greater support. Having broken through the 9,000 barrier in July last year and 10,000 as recently as January the benchmark UK index is gaining admirers all the time.

Yet in this world of myriad uncertainty, nothing can be taken for granted. President Trump has once again invoked yet another trade tariff regime,

this time in response to the US Supreme Court's decision to strike down those implemented around the world last April using international emergency powers. Persistent adjustments such as these make life hard for businesses planning and investing for the long-term and awkward for investors picking their way through kaleidoscoping financial markets. In such circumstances, it is good to have a seasoned wealth manager to help guide your portfolio.

### A NOTE ON RECENT DEVELOPMENTS

Recent US and Israeli actions against Iran, and Iran's retaliation, have intensified tensions. Markets had expected contained conflict, but recent rhetoric points to a broader and more unpredictable scenario. Oil reflects some of this risk adding an estimated geopolitical premium of **\$5–6 per barrel**. A disruption to the Strait of Hormuz could push crude above **\$100**, while sanctions relief could **remove \$5–8 per barrel**. Despite this, the broader oil market is likely to loosen later this year as new supply comes online.

Near-term inflation could edge higher, particularly if oil spikes, but we still expect roughly **one rate cut in the second half of the year**, alongside more cautious central-bank guidance. Despite headline risks, long-term market drivers remain rooted in economic fundamentals, which continue to show resilience rather than fragility.

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