CATMOCK DAILY CAPSULE

March 21, 2026

KAKURO

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10		
3		

SUDOKU

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THREE WEEKS OF WAR ***- Bloomberg***

Three weeks after the US and Israel launched a surprise attack on Iran amid ongoing negotiations over its nuclear program, President Donald Trump has found himself in a situation very different from his earlier effort at regime change.

With thousands dead, a widening war, spiking oil prices and now destroyed energy infrastructure, he is seeking $200 billion from Congress to continue a conflict which Democrats and some Republicans are quick to note was one of choice, since there is no public evidence the US faced an imminent threat. The funding request also comes as the US surpasses $39 trillion in debt, with the latest $1 trillion added in the past five months.

Trump has nevertheless pledged to continue attacking, and left open the possibility of ground forces. (Late Friday, he said almost the opposite in a new turnabout.) But with none of his various stated goals reached—denuclearization, total defeat of Iran's military or a popular uprising against a regime that's killed thousands of its citizens in recent months—Trump and Prime Minister Benjamin Netanyahu are left with an energy crisis, and one that appears to be getting worse. Iran, as it turns out, is not Venezuela. —David E. Rovella

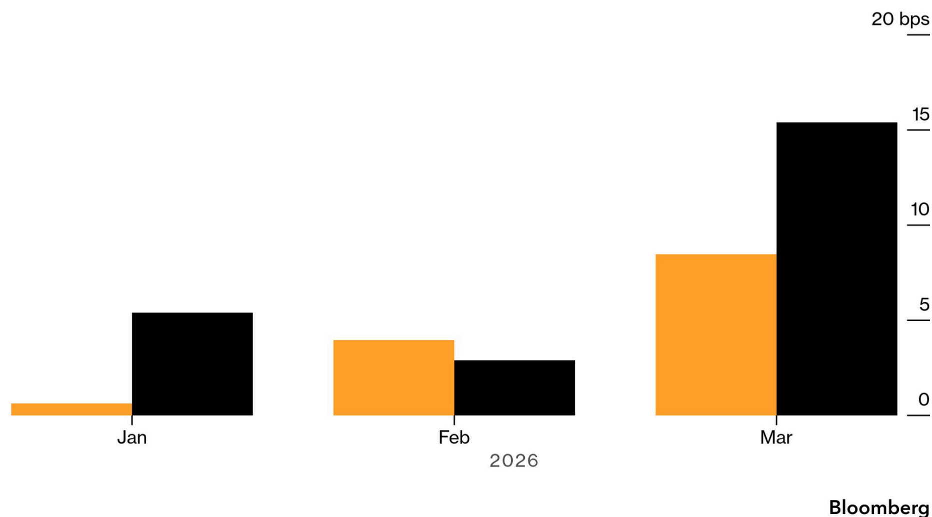
What You Need to Know Today

The one thing Trump appears to like just as much as tariffs is low interest rates. So much so, according to a federal judge, that he's spent the past year publicly berating, insulting, threatening and now (though the Justice Department denies any linkage) looking to maybe prosecute Federal Reserve Chair Jerome Powell.

But Trump's decision to go to war appears to have convinced Wall Street that rate hikes, not cuts, are in America's future. US Treasuries on Friday sank and bond traders increased bets that the central bank will raise interest rates. It's now a 50% chance by October, they say, as fears grow a quagmire awaits the US military, further stoking inflation.

"The Treasury market appears to be worried about further inflationary pressures as the conflict in Iran both escalates and drags on," Gennadiy Goldberg, head of US rates strategy at TD Securities, said. "The market is no longer pricing in rate cuts in 2026 and is now starting to price in some chance of rate hikes, which is pushing yields sharply higher."

Credit investors are increasingly in the driver's seat, scoring some of the highest new issue concessions in years. That's because companies that seize the occasional window for bond offerings are competing to entice buyers who want to be compensated for a growing list of risks.



Adding sweeteners is becoming an imperative to attract buyers, especially as companies have to compete with other borrowers on days when risk sentiment is strong enough to allow bond issuance to resume. The dynamic is turning into a money-maker for investors already having to navigate the disruption of artificial intelligence, an energy crisis and the prospect of higher inflation.

China's ravenous appetite for silver lifted overseas purchases to an eight-year high at the start of 2026, as importers fed a surge in industrial and investment demand. That demand has pushed local prices well above international benchmarks, whittling down already-low exchange stockpiles and scooping up metal from abroad.

Demand has come from both retail investors piling into silver bars (an alternative to increasingly pricey gold) and solar manufacturers front-loading production ahead of the removal of export tax rebates come April 1. The solar industry consumes about a fifth of annual supply, and is overwhelmingly located in China.

UBS Group has been given the green light for a full-blown US bank license, a boost for the bank's ambitions to grow. The Swiss lender said it "has received approval to convert our US bank, UBS Bank USA, to a nationally chartered bank," calling it "an important milestone which underscores our long-term commitment to the US and the continued investments we're making."

The charter is a cornerstone of the effort by Chief Executive Officer Sergio Ermotti and UBS Americas President Rob Karofsky to boost profitability. While the division is big—it oversaw $2.3 trillion in invested assets across the Americas at the end of last year—UBS has long been vocal about the need to improve performance.

FREE LUNCH IS CANCELLED ***- FT Alphaville***

Forty to 60 per cent of the time, it works every time.

If your reaction to the news last month that the US and Israel had begun airstrikes against Iran was to buy Fartcoin, congratulations, you win. Nearly everyone else lost.

According to Goldman Sachs calculations, crypto is the only investable asset class to rise in value since the war started. Between then and Thursday morning, the value of global assets had fallen by $11tn.

Eleven trillion dollars sounds a lot but isn't particularly. GS's everything index tracks about $300tn in global assets, so it's only a 4 per cent drawdown. That's less than half a Liberation Day, and barely a fifth of a Covid:

More notable than the depth of drawdown is the breadth. Oil has kicked the chair out from under all the stuff the average investor has been favouring over the past year, like old-economy European stocks and dollar diversifiers. Equities and bonds have fallen together as markets seek to price in an inflationary shock of unguessable size and scope. Rising real yields eroded the defensiveness of defensives. Going by what the average punter can trade, that only really leaves cash and (not investment advice!) crypto.

The sound you may hear is of financial commentators refreshing their obituaries for the 60/40 portfolio. A strategy of using bonds to cushion equity volatility has been declared dead every other month since the pandemic, so they have plenty of archive material:

Stock and bond returns tend to correlate whenever inflation is sticky above 2.5 per cent. Some version of this rule is now widely accepted, the solution being to add to the mix things like commodities, real estate, art, whatever. It's fair advice. Buying a Bored Ape NFT probably won't do much for your Sharpe ratio but, for those of us not blessed with foresight, any type of portfolio diversification is going to be better than none. So long as the assets are not perfectly correlated, their average volatility should be reduced.

What's unfortunate is that things have a habit of happening all at once, and "could be worse" won't pay for many carefree retirements. Gold, for example, would normally be the safe option when bombs are falling. But dollar avoidance and the debasement trade earlier in the year turned gold into a meme. Charts via SocGen:

US Treasuries? Nope. They've been correlated with risk assets more often than not this decade so, while yields are rising and interest rate expectations are being repriced, the protection they offer is minimal:

Real estate? AI bubble.

Private credit? Ha. It's never smart to ride into battle on a cockroach.

What's the solution? No idea. Lots of smart people have been proposing improvements to modern portfolio theory, such as sausage-slicing how asset correlations are measured, while other types of people have been loading up on shitcoins. It's the latter group who are out in front. The only conclusion to take from all of the above is that investing is hard.

HOW 3 BILLIONAIRE INVESTORS USED AI TO DOUBLE THEIR FORTUNES IN A YEAR - *Forbes*

After a rough stretch, investment firm AQR is on a 5-year hot streak thanks to a new AI infused investing strategy and strong tax-friendly returns, beloved by financial advisors.

Last year was a banner year for many hedge funds and quant shops, and Greenwich, CT-based Applied Quantitative Research—better known as AQR—was no exception. Its assets under management have ballooned to $187 billion, increasing $73 billion in 2025. All three of its billionaire founders saw their net worths double.

Cliff Asness, AQR's PhD-holding chief investment officer and largest individual shareholder with an estimated 30% stake, is now worth $6.3 billion, making him the 664th richest in the world. Cofounders John Liew and David Kabiller each saw their net worths jump to over $2 billion. The three founders—who started AQR in 1998 after working together at Goldman Sachs Asset Management—are all heavily invested in AQR's funds, tying their own fortunes to the firm's performance.

Last year AQR's core multi-strategy Apex fund, which has $6.7 billion in assets, returned 19.4%, while its Delphi long-short fund (also $6.7 billion in assets) returned 16.7%, according to a person familiar with the matter who asked for anonymity to share private information. On average over the last five years the two funds have each returned 16.6% on an annualized basis, the person added. (For comparison, the S&P 500 returned 14.4% annualized over that same time period). Among the firm's more than two dozen open-ended mutual funds, AQR's Equity Market Neutral Fund, with $3.2 billion in assets and around 2,000 positions, held both long and short, gained 26.5% in 2025. Over the last 5-years it has averaged 19.6% annually versus around 8% for most funds in its category.

If AQR maintains last year's growth trajectory it will soon eclipse its previous all-time high of $226 billion in assets (in 2018), which would cap an impressive comeback for the firm, which managed less than $100 billion as recently as four years ago amid underperformance and customer outflows.

AQR's turnaround has coincided with its full-throated embrace of AI and deliberate expansion of machine-learning techniques across research and trading. As a factor-based investor, AQR traditionally sought to use value investing metrics like price-to-book or return on equity to determine which equities in the market are over or undervalued. It then relied on human input to assign weights to the various factors they use to drive stock selection. Now, machine learning is helping do that—detecting complex interactions between factors, recalibrating their weights in real time, mining huge datasets for predictive signals. On the research side, natural language processing (think ChatGPT or Claude) is helping analysts comb through reams of data to improve their models.

AQR, whose founders Asness and Liew were schooled under the University of Chicago's efficient market Nobel Laureate economist Eugene Fama, was late to the AI party compared to peers like Renaissance Technologies and D.E. Shaw. AQR hired its first head of machine learning in 2018, and that person lasted just seven months in the job. But his replacement, Brian Kelly, a Yale finance professor, has made a big splash. In December 2021, Kelly co-published a 141-page academic paper, The Virtue of Complexity in Return Prediction, which concluded that more sophisticated machine learning models outperformed simpler models in forecasting stock returns and constructing investment portfolios. Several academics wrote their own papers in response that disputed Kelly's findings saying that the research relied on an overly narrow dataset. AQR has defended the paper and continues to stand by its findings.

More recently, Asness himself has taken up the mantle of AI evangelizer-in-chief. He remarked that AQR has "surrendered more to the machine" and that AI was coming for his own job. Despite all the talk, AQR insiders insist AI has not extinguished human input. "ML and AI are

definitely paying dividends in our process, but they're evolutionary, not revolutionary, to what we do," says a person at the company.

To wit, the revolutionary stuff appears to be happening in the less sexy distribution side of the business, where AQR is meeting rising demand from financial advisors seeking tax-friendly funds for their wealthy clients. This category of investor—rather than AQR's traditional institutional client base like pension funds and endowments—is now its largest source of inflows. The CEO of Affiliated Managers Group, which owns a minority stake in AQR, said during last month's earnings call that AQR's advisory client base is "driving significant organic growth," and that its own full-year net inflows of $51 billion were "primarily driven by AQR."

In particular, AQR's Flex separately managed accounts—a long-short investment vehicle for advisors and high-net-worth clients—is on a tear. This sort of long-short tax-advantaged portfolio buys stocks it expects to rise and bets against those it expects to fall, aiming to profit from both while reducing market swings and limiting taxable payouts so investors may keep more after taxes. One year ago, Flex counted $23.2 billion in assets, according to its webpage. Nine months later it had nearly doubled in size to $45.4 billion. Flex now makes up nearly a quarter of AQR's total assets (as of the end of 2025).

According to Justin deTray, a Bay Area-based advisor at $580 billion (assets) advisory firm WealthSpire, Flex is winning over so many RIAs because AQR charges lower fees and has more "cache" than the upstarts seeking to muscle in. On top of that, secular tailwinds are at play, with newly minted tech millionaires looking to lock in their wealth after a yearslong stock market boom. "There's a lot of prospects who are sitting on a ton of unrealized games in Mag Seven or hyperscalers," says deTray, citing his own experience with clients. "AQR is really well positioned to move into this space."

Can AQR keep up its great run? Market volatility—which Trump is providing plenty of—tends to boost hedge funds and quant shops, but AQR's comeback story now hinges on whether its models can keep outrunning the market—and other hedge funds now embracing their own AI-infused quant strategies.

SOLUTION : -

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