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Fighting the Loop

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Most people have never heard of John Boyd, even though he was one of the greatest fighter pilots in U.S. history.

His nickname was “40-Second Boyd” because he could beat any opponent in a dogfight in less than 40 seconds.

Boyd was a rebel, never hesitating to speak his mind. Some say *Maverick* in *Top Gun* was loosely based on John Boyd. (*Spoiler alert* for a movie released 40 years ago!) And like *Maverick*, Boyd became an instructor in the Navy’s Fighter Weapon’s School.

He wasn’t just a great pilot—he was a smart and stubborn thinker who pushed for better ideas. He earned a degree in economics from the University of Iowa and another in industrial engineering from Georgia Tech. His mix of technical and analytical skills helped shape the design principles behind modern fighter jets.

He would go on to work in the Pentagon as a military strategist. His ideas shaped how the U.S. planned and carried out missions, including Operation Desert Storm in 1991.

Boyd is best known for creating the **OODA Loop**, which stands for: **Observe, Orient, Decide, Act.**

This is a four-step cycle used to make decisions during fast-moving situations. Boyd believed that if you can move through these steps faster than your opponent, you can interrupt their rhythm and force them into confusion. When the enemy is reacting instead of thinking, they make poor decisions.

What the OODA Loop Means for Investors

Investors face their own version of fast-moving situations. News headlines can change every hour. Markets can jump one day and fall the next. If we are not careful, we can get trapped in our own “loop,” reacting emotionally instead of thinking clearly.

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Like Boyd's pilots, investors need to:

Observe what is happening in the world and markets

Orient by understanding history, context, and data

Decide based on a long-term plan

Act with discipline, not panic

Investing is an ongoing battle—not against an enemy, but against fear, noise, and uncertainty. The good news is that we *can* control our process and how we respond.

Geopolitical Shocks Are Not New

Investors have seen this story many times. Major global events—wars, supply shocks, political tensions—happen almost every decade. Recently we saw:

COVID-19 in 2020, which caused a massive supply shock

The Russia-Ukraine war starting in 2022, which disrupted energy and food markets

We expect events like these to happen over a long investment horizon, so we build portfolios that can handle them.

History shows that long-term investment programs should not react to short-term news. Instead, we prepare in advance so we can respond wisely when markets move.

In fact, after many geopolitical events, the stock market has often shown strong average returns when looking three months, six months, and one year ahead. This tells us that reacting quickly to headlines usually does not help investors—and often hurts them.

Still, every event is unique. Understanding context helps, but it does not change our process. We look at the data to understand what is happening now and what it may mean going forward.

What We See Today

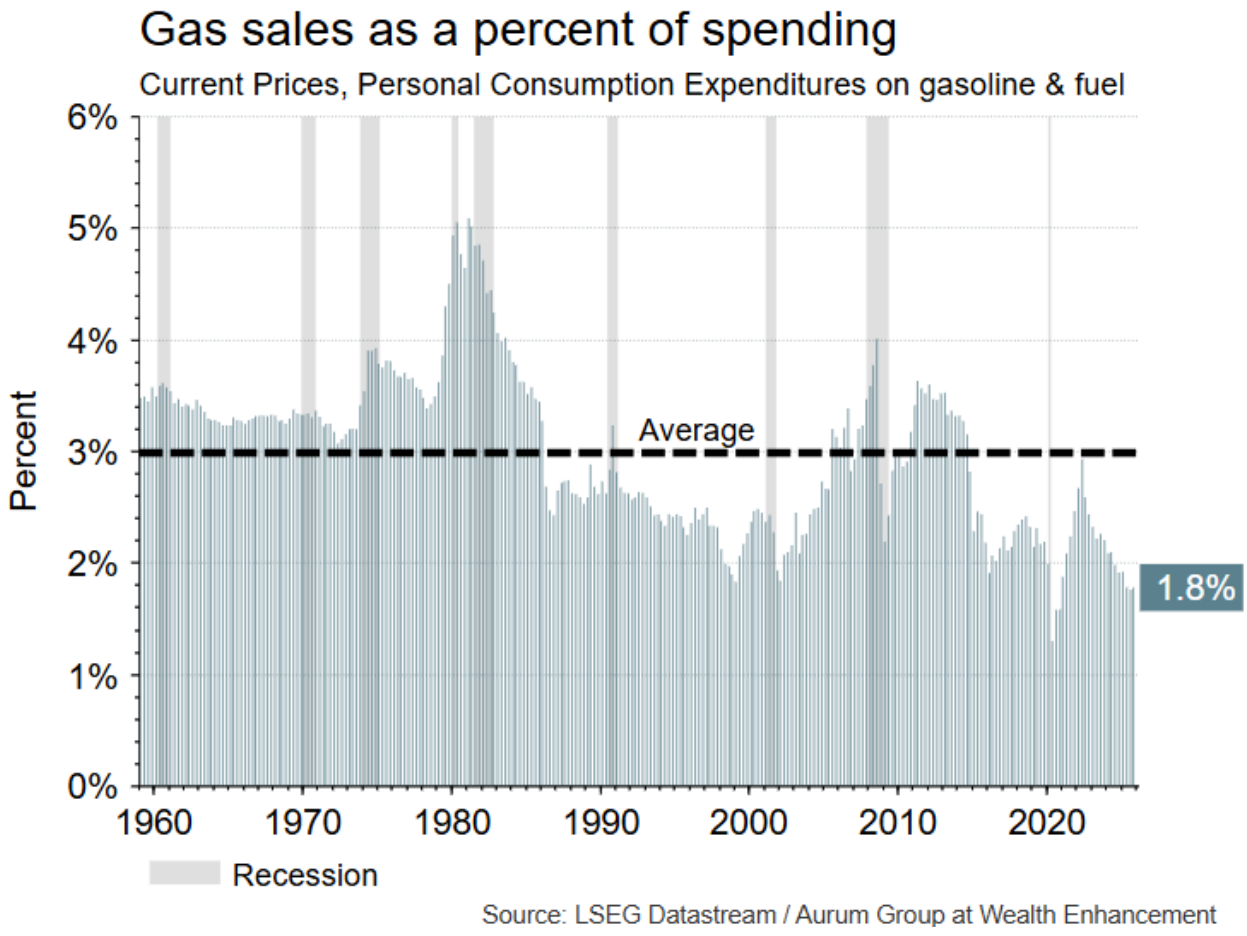
Today's market environment is shaped by rising geopolitical tensions and concerns about energy prices.

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1. U.S. Consumers Are Still in Solid Shape

Even with worries about higher oil prices, the share of consumer income spent on gasoline remains low by historical standards. Households have healthier balance sheets than in past cycles, and spending levels on fuel would still be near long-term averages even if oil temporarily hits around $100 per barrel.



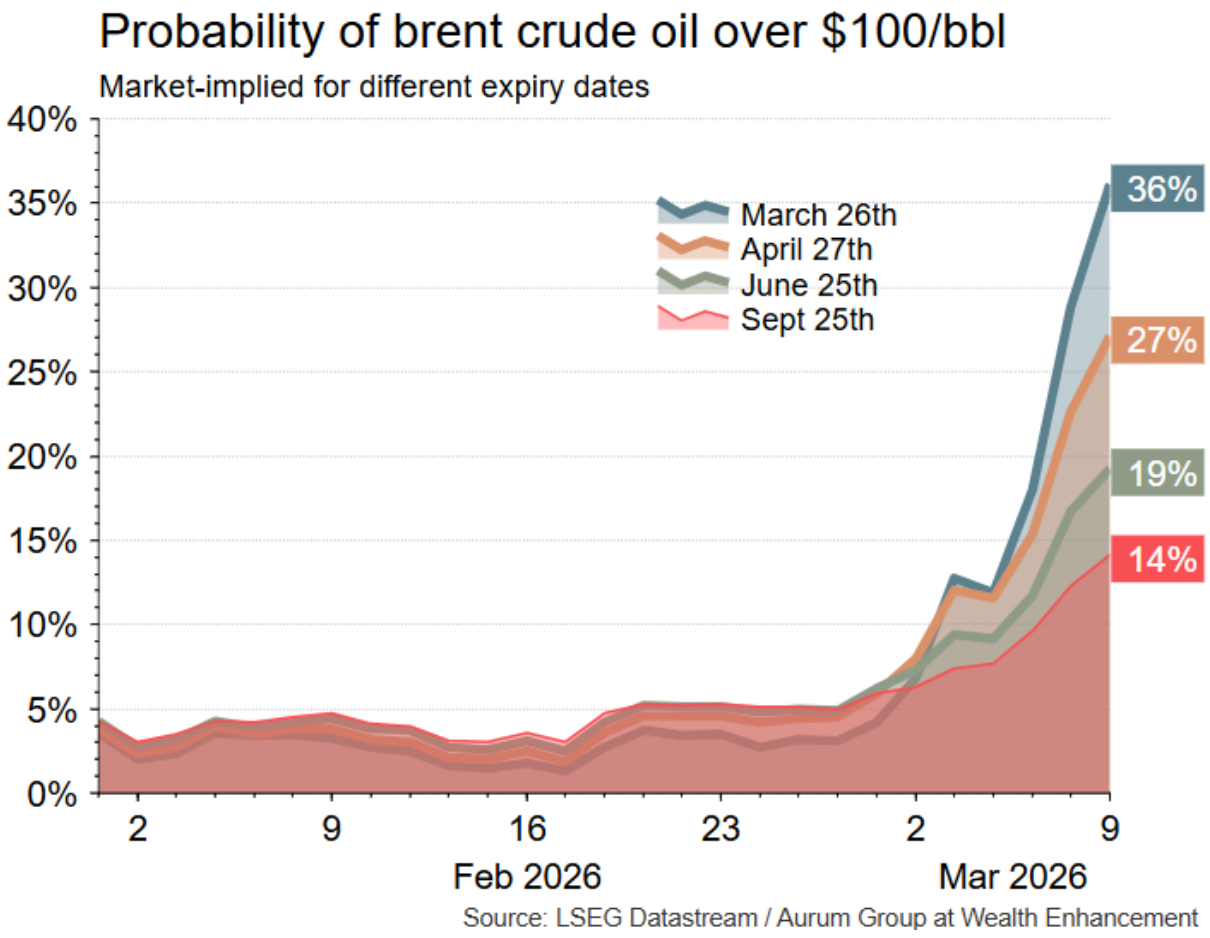
2. Markets Expect Only a Temporary Spike in Oil Prices

High oil prices increase inflation, lower growth, and increase unemployment. A sustained increase in oil would slow economic growth.

Fortunately, energy traders are not pricing in a long-lasting surge in prices. While short-term probabilities may show a chance of oil briefly moving above $100, those odds fall as we move further out over the next six months.

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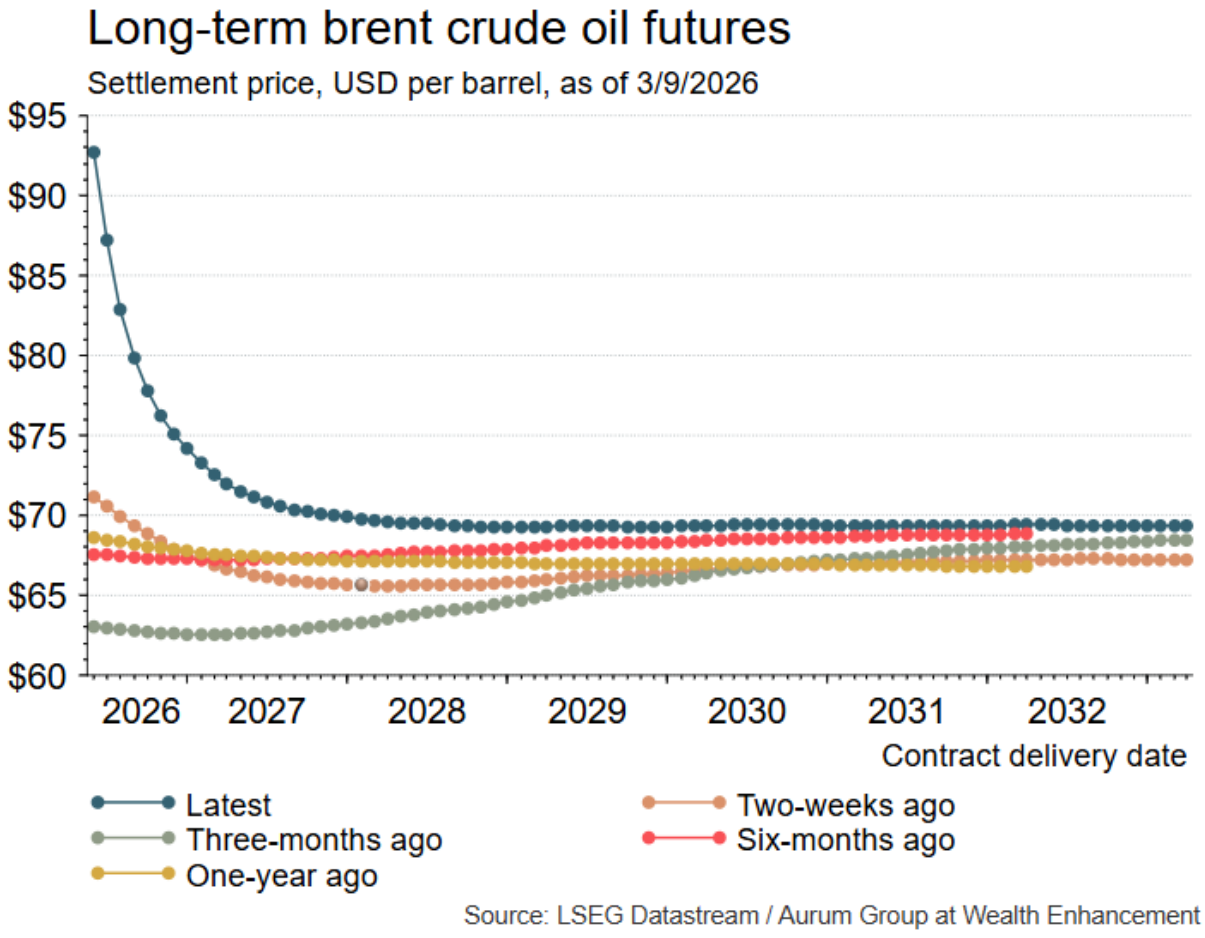


3. The Long-Term Oil Outlook Has Barely Moved

The Brent oil futures forward curve is one of the cleanest ways to measure long-term expectations. When we compare today's curve with the curves from various points this past year, the shape is only slightly higher. That means traders don't expect a major, lasting jump in oil prices.

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Staying Disciplined Matters Most

Experts do not expect a fast resolution to the current conflict, especially with modern tools like drones shaping the battlefield. Even so, the U.S. military has strong plans to keep key trade routes open. How much the markets will care is something we'll learn in time. But our investment philosophy has already helped us weather many geopolitical shocks, and it will continue to guide us forward.

Boyd's OODA Loop reminds us that clarity wins in fast-moving situations. Investors who stay oriented, stay patient, and follow a steady plan avoid the traps that headlines create. That's why we build portfolios and financial plans ready for uncertainty—and why staying disciplined is one of the surest paths to long-term success.

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