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# Trump's War of Choice

Three from the WSJ. The first from the front page of this weekend's:

## President Knew the Risk of Closure Of Hormuz Strait, Still Went to War

*By Alexander Ward, Lara Seligman, Alex Leary and Vera Bergengruen*

WASHINGTON—Before the U.S. went to war, Gen. Dan Caine, the chairman of the Joint Chiefs of Staff, told President Trump that an American attack could prompt Iran to close the Strait of Hormuz.

Caine said in several briefings that U.S. officials had long believed Iran would deploy mines, drones and missiles to close the world's most vital shipping lane, according to people with knowledge of the discussions.

Trump acknowledged the risk, these people said, but moved forward with the most consequential foreign-policy decision of his two presidencies. He told his team that Tehran would likely capitulate before closing the strait—and even if Iran tried, the U.S. military could handle it.

Now, two weeks into the war, Iran's leaders have refused to back down, and the Strait of Hormuz has emerged as Tehran's most potent leverage point.

Iran has blocked tankers from the strait and struck cargo ships, triggering a surge in oil prices and an energy shock rippling around the world. U.S. forces are targeting Iran's mine-laying ships and factories, trying to prevent the country from lining the waterway with explosives.

The joint U.S.-Israel military operation has killed Iran's supreme leader and targeted missile and mine factories, and military headquarters. It also damaged or destroyed more than 90 Iranian vessels.

Yet, the price has been steep. At least 13 Americans have been killed, including six in a crash Thursday of an Air Force refueling plane, making the war in Iran the deadliest military operation of Trump's two terms. At least 140 Americans have been wounded in the conflict. Roughly 175 people, mostly children, were killed in a strike on a girls' school in Iran, which a preliminary U.S. investigation found was likely launched by U.S. forces.

The U.S. operation is costing billions of dollars a week. More broadly, the growing risk of a widening and drawn-out war threatens the American economy, raising warnings of stagflation, a quagmire of stagnant growth and high inflation.

Behind Trump's rationale for war was a deep confidence in the capabilities of the U.S. military to deliver a swift, decisive victory, according to administration officials and others familiar with the matter. The president's trust in Caine was buoyed by the successful U.S. strikes on Iran's nuclear sites last year and the January raid that captured Venezuela's autocratic leader, Nicolás Maduro.

The White House said Trump understood the risks of launching the war, but was determined to eliminate the national security threat posed by Iran. Before the president approved the operation, he and his advisers discussed options to force the reopening of the strait and use the U.S. Navy to escort tankers through the waterway, the people said.

With the strait nearly closed, the Pentagon is now concerned that any American warships would be targets unless the U.S. destroys Iranian

ships and coastal defense weapons, including drones and missiles.

The possible closure of the strait was one of several scenarios Caine and other advisers outlined for Trump in the run-up to the war.

Caine also expressed confidence the U.S. military could hobble Iran's navy and missile arsenal, according to people with knowledge of the discussions, as well as further reduce its capability to build and deploy a nuclear weapon.

Caine provided the president with "a full spectrum of military options, along with precise and thoughtful consideration of the secondary effects, implications and risks associated with each option," said Joe Holstead, Caine's spokesman.

"The Pentagon has been planning for Iran's desperate and reckless closure of the Strait of Hormuz for decades, and it has been part of the Trump administration's planning well before Operation Epic Fury was ever launched," said White House press secretary Karoline Leavitt.

The U.S. operation to wipe out Iran's military capability "is quite literally intended to deprive them of their ability to close the Strait," Leavitt said.

Some of Trump's outside advisers are urging him to find an exit ramp, but the president has no plans to immediately end the war, aides and officials said, instead pushing to continue strikes on Iran's military and proxy forces.

That contrasts with Trump's public statements that the mission has largely been accomplished. "We've won," he told a crowd in Kentucky on Wednesday.

U.S. military officials said the conflict would likely last a few more weeks, at least.

Trump announced Friday that the U.S. bombed military targets on Iran's Kharg Island, intending to pressure Tehran into reopening the strait. The island is where Iran exports 90% of its crude oil, but the attack spared oil infrastructure "for reasons of decency," he said on social media.

"However, should Iran, or anyone else, do anything to interfere with the Free and Safe Passage of Ships through the Strait of Hormuz," Trump said, "I will immediately reconsider this decision."

### **Small circle**

The president's critics say the closure of the strait and the resulting economic turmoil reflect a lack of planning and thoughtful consideration in the weeks before the war.

"They had no plan to address the crisis in the strait," said Sen. Chris Murphy (D., Conn.), who joined a classified briefing Tuesday with administration officials about the operation. "The fact that these guys didn't have a plan ahead of time, and a week into the war still didn't have a plan, was pretty shocking."

Defense Secretary Pete Hegseth said Friday that Iran's decision to block the strait was a sign of "sheer desperation," adding "we have been dealing with it, and don't need to worry about it."

Typically, war preparations include weeks or months of classified deliberations, written planning documents, the airing of dissenting views from diplomats and intelligence officials, and National Security Council meetings with cabinet members to make the most informed decision.

Only a small group was looped into the preparations for Iran—including Vice President JD Vance, Secretary of State Marco Rubio and Hegseth. That narrowed the advice, information and ideas available to the president, who had to balance the many downsides of an attack.

The small-group arrangement was by design, administration officials said. It allowed Trump to respond quickly to shifting developments and was similar to how the president handled the strikes on three Iranian nuclear sites in June. Another reason was to contain leaks, officials said.

Left unanswered were such questions as how to evacuate U.S. citizens in an escalating conflict—or ensure the next Iranian leader was friendly with Washington, U.S. officials said.

Some senior aides and U.S. diplomats who manage Middle East affairs were told little to nothing about plans for the war. They learned the bombing had started from social media and news reports.

With a majority of Americans in polls opposing the war, Trump and his advisers have been trying to make the case that the conflict won't drag on like the so-called "forever wars" in Iraq and Afghanistan—a red line for many lawmakers and the president's MAGA base.

The president and his advisers say disruptions in the energy market will soon pass. The White House and the Pentagon have launched an aggressive messaging campaign built around U.S. invincibility, mirroring Trump's own conviction that American military superiority can overcome and outlast Iran's retaliation. U.S. government accounts have posted stylized videos of strikes, some interspersed with movie or videogame footage.

The U.S. is "winning decisively, devastatingly and without mercy," Hegseth said, an effort to reassure Americans that the conflict remains firmly under control.

At the same time, Trump's team is privately trying to reassure the president that conservatives aren't abandoning him. They have provided him with polling data in recent days that they say shows the war is popular with his supporters, people familiar with the matter said.

## **Oil Shock Hits An Economy Already Showing Cracks**

Consumer spending was slow and inflation stubborn even before the attack on Iran sent oil prices soaring

*By Justin Lahart and Matt Grossman  
March 14, 2026*

Oil shocks are bad for economic growth and bad for inflation. So it can be worrisome when they land when growth is already middling and inflation stubborn.

Which, unfortunately, is exactly what is happening.

A slew of data released Friday portrayed an economy showing cracks, from weaker household spending to cooler consumer sentiment and higher inflation. Higher oil prices, which are already hitting gas stations, airfares and shipping costs, could aggravate all three.

The economy has weathered multiple shocks in the last year, which is one reason **most** economists don't expect this to cause a recession. But it could still erode some of the sources of that resilience. Because higher oil prices pose inflationary risks, the Federal Reserve, which meets this week, may not be able to cut interest rates as much this year.

The Commerce Department on Friday said that [gross domestic product grew](#) at just a 0.7% annual rate in the fourth quarter of last year, down from an earlier estimate of 1.4%. Both figures were depressed by last fall's federal government shutdown, an effect expected to reverse in the current quarter. Still, consumer spending—the largest component in economic activity—has slowed. A separate report Friday showed it expanded at just a 1.6% annual rate in the three months ended in January over the previous three months.

This comes on top of [stagnant job growth](#). Employment declined in three of the past six months.

Inflation, meanwhile, remains stubborn. According to the consumer-price index, [inflation was a moderate 2.4%](#) in February. But the central bank targets a different measure, the price index of personal-consumption expenditures. Excluding the volatile food and energy categories, that measure was 3.1% in January, essentially unchanged from a year ago and well above the Fed's 2% target, the Commerce Department reported Friday.

Since the day before the U.S. and Israel attacked Iran, the average price of regular gasoline has risen from \$2.98 a gallon to \$3.63, according to AAA. Largely because of that, economists have ratcheted up forecasts for near-term inflation.

Yet **they most** aren't forecasting a recession. That is quite different from when Iraq invaded Kuwait in August 1990, sending oil prices sharply higher. Economists immediately began anticipating a downturn. "I'm the gloomiest I've been since 1979," one economist told The Wall Street Journal at the time.

Back then, consumer confidence collapsed. This time around, consumers were already gloomy, but their gloom hasn't deepened appreciably. The University of Michigan Friday said its index of consumer sentiment edged down to 55.5 in early March from 56.6 in February. Survey director Joanne Hsu said interviews conducted before the conflict began showed an improvement in sentiment from February, but that improvement disappeared in interviews in the nine days after.

The economy has been remarkably resilient in the past year in the face of weak sentiment, tariffs, an uncertain business environment, a sharp curtailment of immigration and a prolonged government shutdown. Artificial-intelligence investment and better productivity have supported growth while a buoyant stock market keeps affluent consumers spending. "This expansion has had a lot thrown at it, and it keeps bouncing back," said Michael Feroli, chief U.S. economist at JPMorgan Chase. "We're not penciling in a recession or anything like that." ...

Last year's tax cut will also support spending. As of March 6, the average refund for this year's tax season was 10.6% higher than at the same point last year, the Internal Revenue Service reported on Friday.

But the shocks are stacking up. Businesses are still coping with tariffs and consumers with a weak job market. The economy may be less like a tire swing that always bounces back after being whacked with a stick, and more like a piñata that eventually bursts.

Before the war, futures markets expected the Fed to deliver at least two quarter-point rate cuts this year. They now see a nearly 40% chance of no cuts at all. Higher oil prices capture a core problem for the Fed: risks to the labor market call for lower rates; higher inflation calls for flat or increased rates. That tug of war is likely to cement central bank officials' instincts to sit still and wait for clarity rather than act pre-emptively.

Financial markets pose another risk. The S&P 500 is down 5% from its record in late January, still relatively buoyant. That could change if the disruption to oil supplies begins to look more protracted, [private credit problems](#) spread, or other problems emerge. That, in turn, could undermine financing for the AI investment that has propped up growth or spending by high-income consumers.

That could be one more whack than the piñata can handle.

## War Is Raging. Tankers Are Burning. Yet the Stock Market Isn't Panicking—for Now.

Market confidence in a short war was misplaced. This isn't a time to be confident about the outcome.

*By James Mackintosh*  
*March 12, 2026*

The International Energy Agency calls it “[the largest supply disruption](#) in the history of the global oil market.” The Israeli-U.S. attack on Iran has led to the near-complete closure and [partial mining](#) of the Strait of Hormuz, the world's busiest oil-tanker route. Tankers are burning after being hit by drones. Countries reliant on Middle East oil are already intervening to cap prices.

Yet, the oil price remains only around \$100 a barrel, compared with an inflation-adjusted Brent crude price that hit \$179 after the Iranian revolution in 1979, \$155 when Iraq invaded Iran in 1980, \$180 amid the Arab Spring of 2011 and \$130 after Russia invaded Ukraine in 2022.

Why is the price still so low? And, closely related, why are U.S. stocks still so little affected? The S&P 500 was down 3% from its prewar close, even after a bad day on Thursday

Oil's price has three main explanations.

First, it started low, because there's a lot of oil around. Oil in storage was the highest in five years before what we can call Gulf War III began, and the price was just \$72, below the inflation-adjusted average since 1970.

While the price remains low compared with some past spikes, it is up a huge amount. The rise of almost 40% in the first nine trading days of war is far ahead of the same period during the Arab Spring, [comparable to the 2022 Russia invasion](#), first Gulf War in 1990 or Iran revolution.

Second, markets have been slow to accept that disruption will last. Investors initially thought this was likely to be over in a couple of weeks. When concern set in over the weekend that it might last longer, President Trump's suggestion on Monday that the war was “very complete, pretty much” reassured traders.

Oil's brief jump overnight on Sunday to \$128 was fully reversed after [Trump's comments](#). Stocks bounced. On betting site Polymarket, the odds of the war being over by the end of this month jumped from 20% to 43%.

As of Thursday evening, the chance of such a quick end was back down to 20%. Polymarket has a tiny sample of traders, but Wall Street, too, is starting to factor in the risk of a longer war. [Goldman Sachs analysts raised their prediction](#) for Hormuz disruption from 10 days to 21 days. Since it takes weeks to get production and transport back to normal, the knock-on effects last much longer.

Still, oil for delivery in December is up less than half as much as for immediate delivery. Investors continue to expect this to last weeks, not months—let alone years. Stocks are, after all, for the long term: If the oil disruption is temporary, it shouldn't matter too much to the long-run prospects of stocks.

Third, the IEA and its members are [releasing 400 million barrels of reserves](#). Assuming the loss of about 15 million of the 20 million or so barrels a day that went through Hormuz (some is taken by [Saudi Arabia's pipeline](#)), and some higher production elsewhere, that's less than a month of supply, but it dampens price rises.

Some stock markets have suffered badly, but Wall Street far less. Main Street might be nervously eyeing soaring [prices at the pump](#), but investors are reassured that the economy's fine and the U.S. is insulated by being the world's biggest oil producer. Inflation might be a little higher, but so long as this is a short war—the same assumption as the oil market—this is a little local difficulty, not a major threat to U.S. growth or profits.

The widespread assumption of a short war rests on history, Trump's past willingness [to back down](#) when [times get tough](#), the U.S. elections later this year and a guess that Iran won't be willing to keep taking so much damage from the air.

Logic and game theory may not be enough, though. It's easy for Trump to declare victory given the [conflicting goals the administration has laid out for the war](#). But it takes two to end a war. Israel killed the new Iranian leader's father, wife and son in an airstrike, according to Iranian state media.

Will he follow the adage that revenge is a dish best served cold, and prefer to make peace, consolidate power and rebuild his military to fight another day? Or will he [fight on](#), hoping the U.S., Israel and Gulf allies [run out of munitions](#)?

Yemen shows that factions in a crippled country can [keep lobbing missiles](#) and drones at enemies and passing ships, and even after the Israeli-U.S. bombing, Iran is in a far better state than Yemen. It is fairly easy for Iran to mine the narrow Strait of Hormuz, and it's hard to clear mines under fire.

There's no way to be sure how this will go. Markets were far too confident the war would be short, and are slowly adjusting to a slightly longer conflict. It would only take a couple of sinking oil tankers, a downed civilian jet or a direct hit on the critical Saudi oil pipeline to change this assessment again. This isn't a time to be confident about the outcome.

From Bloomberg's Evening Briefing on Friday:

The US-Israel war with Iran has triggered a major spike in oil prices. Violent rhetoric from Washington and threats of [broader retaliation by Tehran](#) have left no visible off-ramp in site. A [diving stock market](#) and worried consumers are facing down grim implications for unemployment and inflation across America— and indeed around the world.

For investors, [it's bad news all over](#). Throw in a budding private credit crisis, and you might just have an economic disaster on the horizon. Bank of America's Michael Hartnett on Friday zeroed in on two of its potential components—oil and private credit—when he warned that this current state of affairs reminds him of, you guessed it, 2008.

The strategist flagged how oil doubled to \$140 a barrel by August 2008 from \$70 in July 2007, accompanied by “subprime tremors” that eventually became a Wall Street-induced earthquake that nearly broke the global financial system.

For the moment, the market consensus is the Middle East conflict won't last too much longer. And Hartnett said the issues with private credit aren't systemic. But this is encouraging continued bullish positioning as investors

bank on their view that policymakers always ride to Wall Street's rescue. And that's the kind of thinking that [may remind one of 2008 as well](#). —[David E. Rovella](#)

**Brent crude settled above \$100 a barrel [for the second straight session](#)**, ending the day at the highest level of the international benchmark in more than three years. US crude futures lingered near their highest point since July 2022. Millions of barrels of oil remain trapped in the Persian Gulf and traffic through the vital Strait of Hormuz is effectively at a standstill. In the US, gasoline prices are already at their [highest levels in about two years](#).

Donald Trump meanwhile continued to issue threats against Tehran as the US and Israeli militaries bombed Iran and Lebanon. Almost 2,600 people have died in the war, most of them in Iran, latest tolls from officials and non-government agencies show. Almost 700 people in Lebanon have been killed by Israel, where [it's been targeting Iran-allied Hezbollah](#). Dozens of others have been killed across the region in retaliatory strikes by Iran.

**The Magnificent Seven [fell into a correction Friday](#)** as investors flee risk assets amid concerns about the health of the artificial intelligence trade and tension stemming from the war.

A Bloomberg index of the huge tech companies closed more than 10% below its October record, the technical level that indicates a correction. The index, which declined 1.6% Friday after falling 1.9% on Thursday, had briefly fallen below the level on an intraday basis multiple times in the recent weeks but had yet to close there.

## Magnificent 7 Enters Correction

■ Bloomberg Magnificent 7 Index drawdown from record



Source: Bloomberg

Bloomberg

From Thursday's Global Investment Strategy:

## The Short And Long-Term Consequences Of The Iran War

### The Elusive Off-Ramp

No one knows how long the disruptions to global oil and gas supplies will last. Both Iran and the US have an incentive to find an off-ramp. In Iran's case, it is to stop the daily bombardment of its infrastructure and the degradation of the regime's grip on power. For the Trump administration, it is to keep energy prices from rising further ahead of the midterm elections.

Unfortunately, as history has repeatedly shown, once a war begins it can be difficult to stop, even if it is rational for both sides to do so. Iran's new Supreme Leader, Mojtaba Khamenei, lost his father, mother, sister, wife, and one of his children to the strikes. Known as a hardliner even before the war, he is unlikely to turn more conciliatory. This makes it difficult for Trump to declare victory and move on.

### Short-Run Consequences

Over the coming months, the main consequences of the Iran war will center on the impact on growth and inflation from the oil shock. This impact, in turn, will depend on how high oil and gas prices rise and how long they remain elevated.

For now, markets are forecasting at least a partial return to normalcy. Spot prices have risen in recent days but remain below their highs. Both crude oil and natural gas curves are in deep backwardation, implying that investors anticipate further price declines. For example, while spot Brent crude prices are up 66% since the start of the year, contracts for December 2026 are up by only 32%. Contracts for December 2029 are up a mere 9%.

Nevertheless, markets still expect an inflationary impact from the oil shock (**Chart 2**). One-year CPI swap rates have increased by about 70 bps in the US since the start of the year, 130 bps in the euro area, and 190 bps in the UK. One-year, one-year forward CPI swap rates have also risen, suggesting some risk that the inflation shock could prove to be sticky.

Higher inflation will erode real incomes, leading to weaker economic growth. At the margin, rising inflation could also prompt central banks to become less dovish. Interest rate expectations in the major developed

CHART 2  
The Iran War Has Pushed Up Inflation Expectations



economies have generally backed up over the past week.

According to the IMF, every 10% increase in oil prices would shave 0.1-to-0.2 percentage points off global growth and push up inflation by about 40 bps. The impact varies across countries. ... US trade in petroleum and refined products is broadly balanced. In contrast, Europe and Asia are net importers. Among the largest economies, Canada and Brazil are net exporters.

### Long-Run Consequences

Regardless of how the Iran war plays out, there could be some lasting market-relevant consequences. These include:

- Increased demand for renewable energy.** Much of the initial push for renewables was driven by a desire to reduce carbon emissions. Increasingly, however, energy security concerns have taken center stage. Unlike the Strait of Hormuz, the sun and the wind are not subject to the vagaries of geopolitics. Nuclear, too, will receive a boost from recent developments. Notably, EU Commission President Ursula von der Leyen, having voted to shut down all of Germany’s nuclear power plants in 2011, has now come out as a big proponent of nuclear energy
- More spending on oil and gas infrastructure.** The fact that 20% of the world’s crude supply passes through a body of water that is 33 kilometers wide at its narrowest point is a potent source of vulnerability. Saudi Arabia’s East-West pipeline network, which carries crude from the Persian Gulf to export terminals along the Red Sea, has proven to be a blessing, allowing the Kingdom to divert about 70% of the oil that would otherwise need to go through the Strait of Hormuz. There will be incentives to build other

CHART 7  
The Iran War Is Unpopular With American Voters

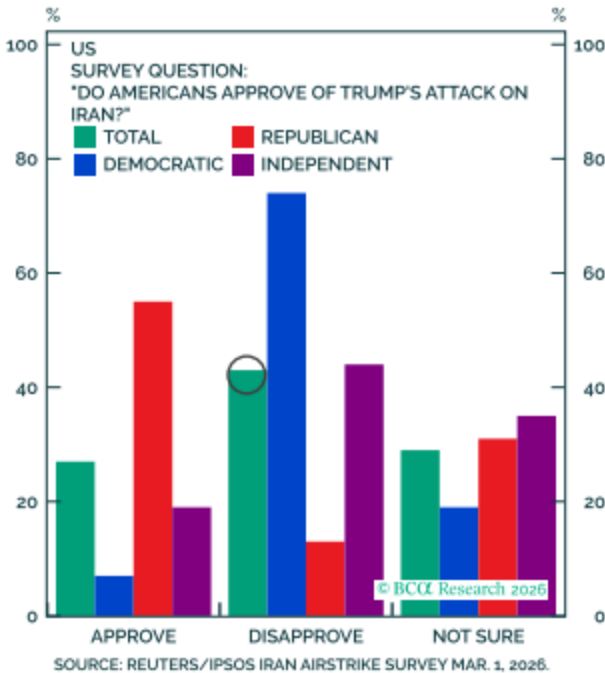


CHART 8  
Democrats Are Favored To Take The House And Have Nearly Pulled Even With Republicans In The Senate Race

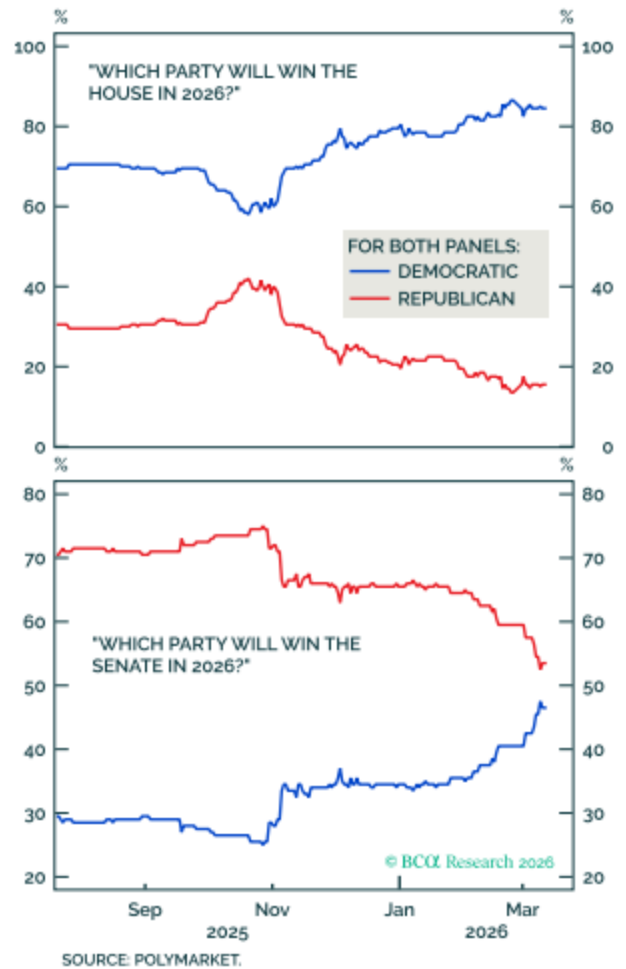
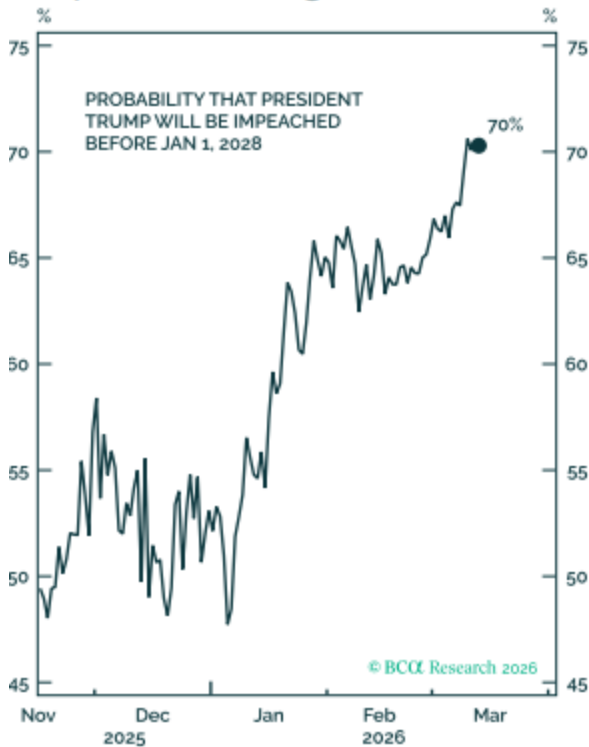


CHART 9

### The Odds That President Trump Will Be Impeached Are Rising

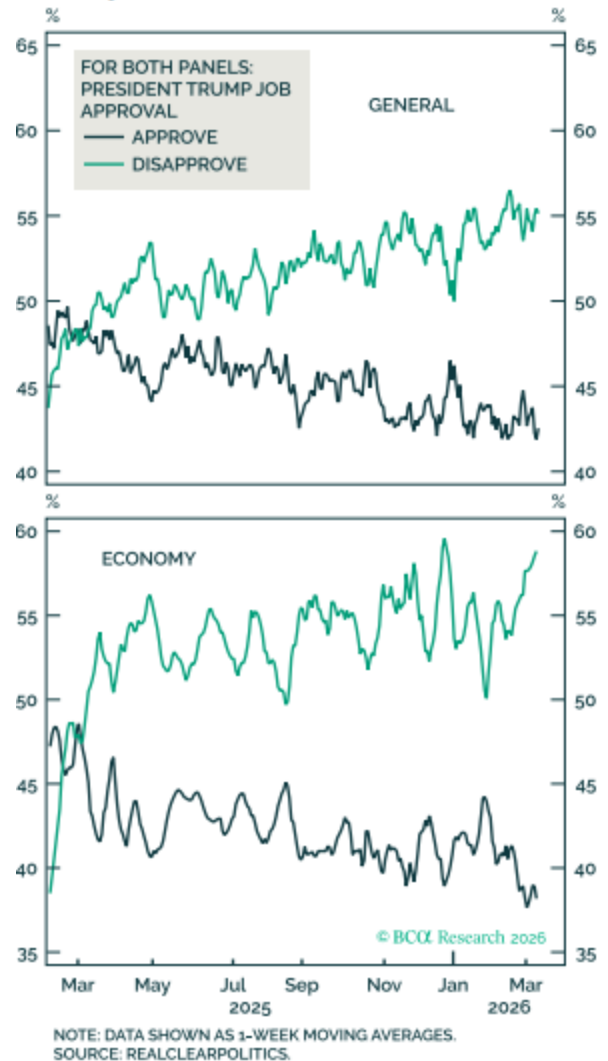


pipelines, while fortifying existing ones. Moreover, with an eye to increasing energy self-sufficiency, countries will have a greater incentive to develop local sources of oil and gas.

- **Bigger military budgets.** BCA's geopolitical strategists have often stressed that a multipolar world is one where military conflicts are more common. The Gulf states, in particular, are likely to step up efforts to improve defenses against drone and missile strikes. ...
- **Higher odds of a Democratic sweep.** The Iran war is unpopular with American voters (**Chart 7**). According to betting markets, the Democrats are favored to take the House in November and have nearly pulled even with the Republicans in the Senate race (**Chart 8**). The odds that President Trump is impeached have risen to 70% (**Chart 9**). The longer the war lasts, the more President Trump's approval ratings will sink (**Chart 10**). A lame-duck Trump presidency would all but rule out any chance of further tax cuts. It would also focus investors' attention on the possibility that the Democrats take the White House in 2028, paving the way for higher taxes.

CHART 10

### President Trump's Approval Rating Will Likely Continue To Fall If The War Goes On



## Concluding Thoughts

The relationship between oil prices and growth tends to be non-linear. The global economy can absorb a modest increase in oil prices, but just like an elastic band can be stretched only so much before it snaps, a large-enough increase in oil prices could instigate a recession.

Fortunately, the oil shock in 2022 did not produce a recession. Even in Europe, where gas prices soared to levels much higher than where they are today, the unemployment rate moved broadly sideways. However, the labor market was very tight back then. As a result, falling labor demand did not cause the number of job openings to drop below the number of job seekers, which is arguably a prerequisite for unemployment to rise.

Today, labor markets are closer to balance. Consequently, an oil shock that lowers labor demand could lift unemployment in a way that feeds on itself.

We reduced our 12-month US recession probability to 30% after the Supreme Court struck down President Trump's use of emergency tariffs. The increase in oil prices compels us to lift our recession odds to 40% for the US. We assign a 50% chance of a recession in Europe and Japan. ... As a result, we are downgrading global equities from neutral to underweight on a 3-month horizon. We are already underweight on a 12-month horizon.