

## Dire Straits

Navigating 2026: A turbulent echo of 2022

15 Apr 2026

CIO Perspectives



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**“Those who cannot remember the past are condemned to repeat it.”**

**–George Santayana<sup>1</sup>**

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### Key Takeaways

- > The closure of the Strait of Hormuz underscores the fragility of global energy markets, driving higher prices and exposing structural vulnerabilities
- > Echoing 2022, energy stocks have benefited from scarcity-driven repricing, while technology names struggled with overvaluation, declining free cash flow, and tightening funding conditions
- > Geopolitical instability, coupled with a challenging macroeconomic environment, calls for a focus on mitigating downside risks and prioritizing durable earnings in our view

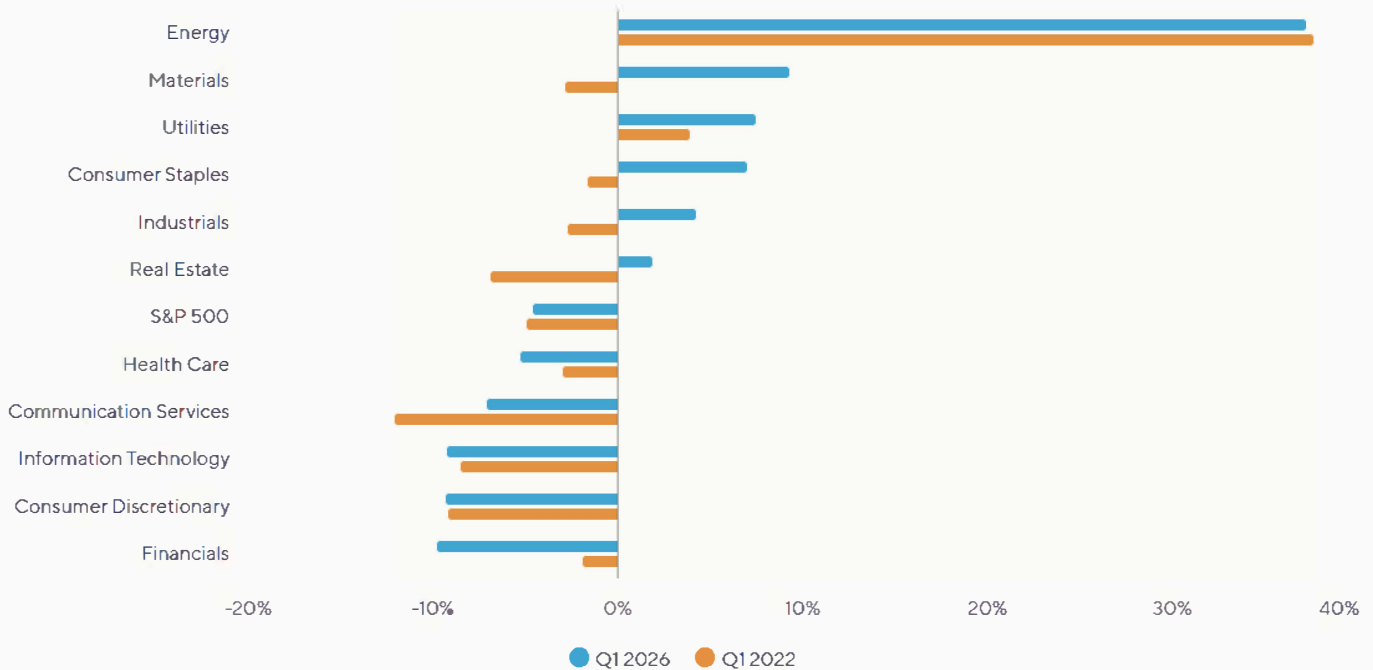
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### RESILIENCE AMID FAMILIAR TRENDS OF 2022

As the first quarter of 2026 came to a close, global equity markets experienced a stark sectoral rotation reminiscent of the first quarter of 2022. Technology and technology-adjacent stocks—certainly, the darlings of the last several years—sharply underperformed, while energy stocks outperformed, mirroring the trends we observed in early 2022. From a US energy sector perspective, the performance across Q1 2022 and Q1 2026 is strikingly similar.

## History Often Rhymes

### Q1 2022 and Q1 2026 S&P 500 sector performance is strikingly similar



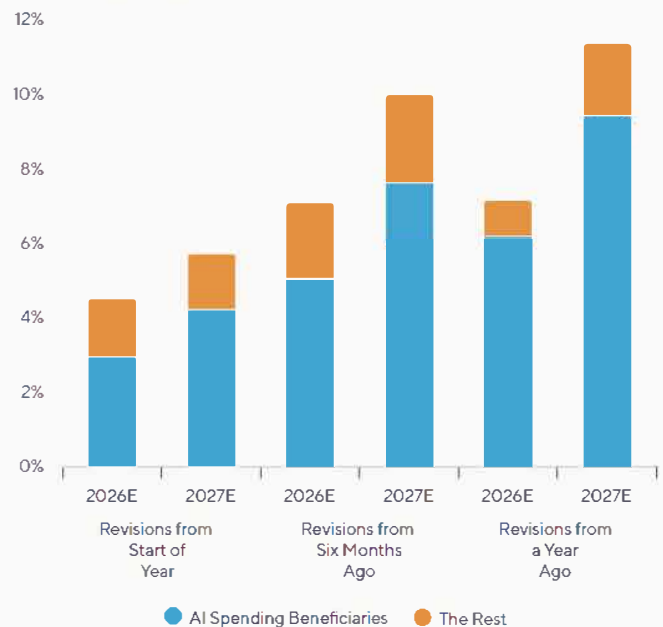
Source: GQG Partners LLC (chart). LSEG Datastream (data). Data as of 31 March 2026. You cannot invest directly in an index. PAST PERFORMANCE MAY NOT BE INDICATIVE OF FUTURE RESULTS.

In our view, investors remain far too complacent regarding the ensemble of risks that exist on a global basis: rising bond yields, stretched valuations, central banks either staying put or hiking rates, re-accelerating inflation, declining free cash flow in the tech sector, cracks emerging in private credit, and more. Even the earnings story itself at the index level has become incredibly narrow. Roughly 80% of the revisions to 2026 and 2027 S&P 500 earnings over the past year have been driven by a handful of AI-related businesses. As we have written at length in our [Dotcom on Steroids series](#), we think the growth story behind these earnings is far less reliable than many believe. Recall that earnings revisions for banks were still fairly positive far too late into 2007!

Of course, what dominated the headlines during the quarter were the events that unfolded in the Middle East during March. We hope for an end to the conflict and a quick, peaceful resolution to what has unfolded over the last several weeks. However, this is undeniably a complex situation. Even if it were resolved overnight, we believe there are longer-term impacts stemming from what has already occurred, particularly regarding energy infrastructure and diplomatic relations across countries.

## Nearly 80% of Earnings Revisions Driven by AI-Related Stocks

### S&P 500 contribution to aggregate earnings expectations by cohort



Source: GQG Partners LLC (chart). Empirical Research Partners (data). As of 9 April 2026. Data is based on estimates. Actual results may differ from any projections illustrated above.

## WORSE THAN 2022?

One way in which 2026 differs from 2022 is that we believe the current crisis has the potential to be far worse, particularly because 2022 was driven by the fear of an energy shock, whereas 2026 is actually delivering one.<sup>2</sup>

It is also important to underscore that capital cycles still exist. Years of underinvestment tend to result in structurally higher returns on invested capital, whereas years of overinvestment generally do the opposite. This contrast is particularly striking when looking at what is happening globally in both energy and technology. Many market participants may be mistaking the real world for the metaverse, where things can be built or demolished without any real consequences. Ironically, the metaverse is basically a failed \$80B project, in our view.<sup>3</sup> Imagine the positive impact \$80B could have if it were invested in something physically useful!

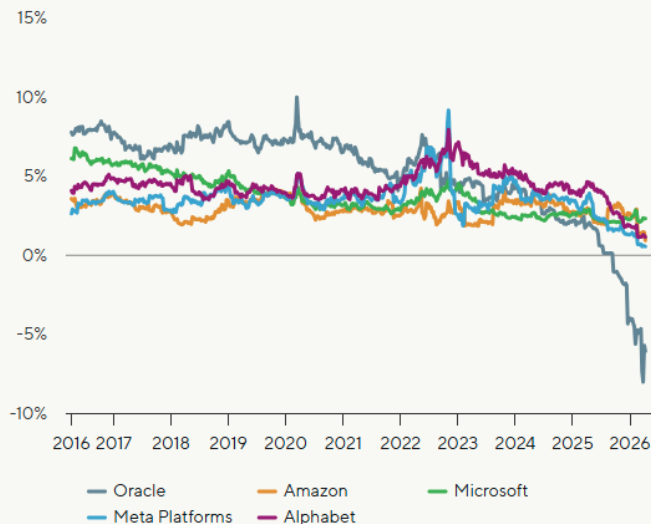
The closure of the Strait of Hormuz in early March removed roughly 20% of global seaborne crude oil and 25% of LNG trade in a single stroke. Unlike the metaverse, the real world has tangible costs and resource constraints that cannot be fixed by pressing a button. In fact, Qatar estimates that it will take three to five years to bring back the nearly 17% of LNG production that has been lost since the start of the war.<sup>4</sup> Countries across the globe are implementing various policies to mitigate higher energy prices, from fuel rationing in Australia, to price controls in Korea, as well as various gas tax exemptions across Europe and a relaxation of the Jones Act in the US.<sup>5,6</sup>

As a net result of all of these dynamics, we are faced with an equity landscape that looks and feels like a turbocharged 2022. Back then, many market participants were flocking to energy as a hedge against uncertainty. Fast forward to today, and it reflects a structural repricing of scarcity.

In 2022 the tech market was slowly coming to terms with overvaluation, peak earnings, and peak expectations. Today, we think we have a similar negative cocktail, where investors are slowly waking up to the fact that not only are valuations too high, but many of these companies are also overearning and now struggling to finance their operations internally. This is evident in the declining forward free cash flow yields amongst the hyperscalers. As more evidence of market skepticism, Oracle, the poster child for the insatiable debt-fueled growth binge, has now seen their credit default swaps surpass the peak of the Global Financial Crisis.

### From the Upper Left, to the Bottom Right

#### Hyperscalers experiencing declining 12 month forward free cash flow yields



Source: GQG Partners LLC (chart). LSEG Datastream (data). Data for the time period 7 April 2016 through 26 March 2026.

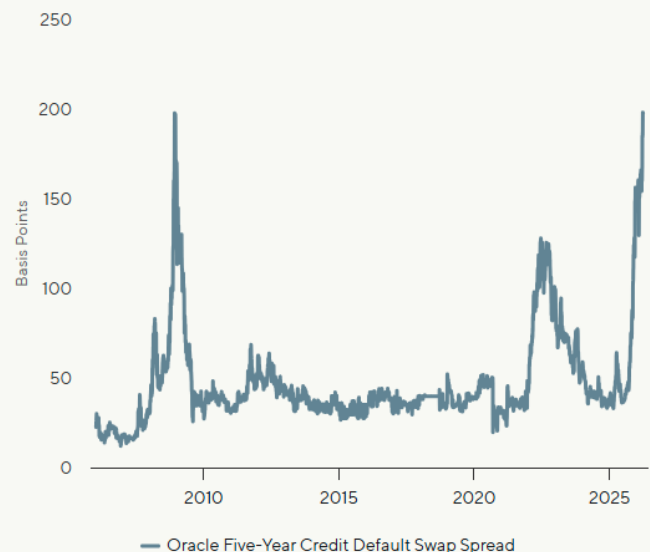
### Supply Shock

Fortune

23 March 2026

## The Iran oil crisis is the worst energy shock ever recorded. World leaders aren't ready, says IEA chief

### Oracle's Five-Year Credit Default Swap Spread Surpasses 2008



Source: GQG Partners LLC (chart). Bloomberg (data). Data for the time period 9 January 2006 through 30 March 2026.

Beyond this, many companies across the AI landscape, most of which are unable to self-fund due to large losses, may have a more difficult time getting external funding as private equity starts to crack. While there were many headlines on the subject throughout the quarter, one from the Financial Times caught our attention: Flagship Blackstone credit fund posts first monthly loss since 2022.

## Widening Cracks in Private Credit

Financial Times

20 March 2026

### Flagship Blackstone credit fund posts first monthly loss since 2022

Loan markdowns and market declines led to negative return for the first time in more than three years

## MEMORY MARKET MELTDOWN?

Of course, none of these developments are simply confined to the US, as energy, technology, and funding markets are inherently global in nature. One area where we are beginning to see cracks—and which has been a pain point for us over a couple of quarters—is the memory market. From an emerging markets perspective, Korea has performed relatively well, but it is an area where we remain underweight. A key reason is that memory is arguably the most cyclical segment of the semiconductor industry. When it performs well, growth can be rapid, but when it declines, the downturn often happens just as quickly. It appears we are starting to see some early signs of prices rolling over. For example, about a week after the announcement that Google Research was rolling out a new compression algorithm, which as they noted “reduces LLM key-value cache memory by at least 6x”, Taiwan’s Economic Daily News reported the following:

*“According to multiple foreign media reports, e-commerce platforms in the US market were the first to reflect the pressure. For example, on Amazon, the price of a 32GB 6400MHz DDR5 module fell from a high of \$490 to \$379.99, a correction of nearly 30%; the 16GB 5200MHz DDR5 module dropped from \$260 to \$219.99, a decrease of over 15%. Industry insiders point out that this is the first significant price drop in recent months, and the simultaneous price adjustments across multiple platforms indicate that end-user demand is becoming more conservative under the pressure of high prices.”<sup>7</sup>*

These reports, and ultimately price declines, also follow speculation that a major AI company has placed quite large, yet “non-binding,” orders with both SK Hynix and Samsung simultaneously. While we do not take such speculation at face value, it does, in our view, highlight the risk to current pricing dynamics, especially if some large AI projects and data centers ultimately do not come to fruition.

In closing, 2026 has so far looked like a louder, more amplified version of 2022. While we remain “calibrated optimists” over the long term, the conditions that have been slowly deteriorating for the past year—now further exacerbated by recent events—keep us grounded as “cautious realists.”

To compound capital over time, we believe it is critical to focus on attempting to mitigate downside risk when the signs point to increased uncertainty ahead. In our view, we do not see clear signals of stabilization and believe risks remain elevated. Nevertheless, we will continue to monitor the data closely, with a focus on durable, high-quality earnings.

As always, thank you for your support.

Rajiv Jain  
Chairman & Chief Investment Officer  
GQG Partners LLC

## END NOTES

<sup>1</sup>Santayana, George. "Reason in Common Sense: The Life of Reason." (Prometheus). 1 May 1998.

<sup>2</sup>Angelo, Jake. "The Iran oil crisis is the worst energy shock ever recorded. World leaders aren't ready, says IEA chief." Fortune. 23 March 2026.

<sup>3</sup>Ritson, Mark. "Mark Ritson: Meta can kill the metaverse. It can't escape the name." The Drum. 30 March 2026.

<sup>4</sup>El Dahan, Maha, et al. "Exclusive: Iran attacks wipe out 17% of Qatar's LNG capacity for up to five years, Qatar Energy CEO says." Reuters. 19 March 2026.

<sup>5</sup>Kimathi, Sharon Kits. "Oil shortage brings curbs on work and travel." Reuters. 31 March 2026.

<sup>6</sup>Laws, Jasmine. "List of Countries Turning to Four-Day Weeks as Oil Crisis Bites." Newsweek. 1 April 2026.

<sup>7</sup>The plunge in memory module prices has led to a wait-and-see attitude in the market, impacting the future performance of companies like ADATA, Team Group, and Apacer." UDN. 31 March 2026.

## DEFINITIONS

**Basis Points (BPS)** are a unit of measure equal to one-hundredth of one percent (0.01% or 0.0001).

**Credit Default Swap (CDS)** is a financial swap agreement that the seller of the CDS will compensate the buyer in the event of a debt default.

**Free Cash Flow (FCF)** is the cash a company generates after covering its operating expenses and capital expenditures. It represents the discretionary cash a business can use to repay debt, pay dividends, fund buybacks, or invest in new growth opportunities.

**Free Cash Flow Yield** compares a company's free cash flow (cash left after expenses and investments) to its equity value, expressed as a percentage that indicates how much cash the company generates relative to its market capitalization.

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