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TITLE: **Leadership Vacuums, Market Rotation, and the Search for Certainty**

TRANSCRIPT:

Host:

Eric, markets felt calmer this week on the surface — but geopolitics, especially around Iran, seems to be casting a long shadow. What's the real question investors should be asking?

Eric:

The real question isn't whether tensions escalate tomorrow.

It's this: *what is the end game?*

And more importantly — what does a credible, stable political outcome in Iran actually look like?

There's a lot of loose talk about regime change. But when markets hear "regime change," they instinctively ask: *and then what?*

Because markets don't price emotion.

They price structure.

They price leadership.

They price transition credibility.

And here's the uncomfortable reality: there is no organised, institutional, ready-to-go alternative leadership waiting in the wings in Iran.

Host:

Why does that matter so much?

Eric:

Because political transitions don't run on slogans — they run on infrastructure.

If you look at historical transitions that worked — Poland had Solidarity. South Africa had the ANC. Even parts of the Arab Spring had organised Islamist movements ready to step in.

Iran is different.

Forty-five years of theocratic rule have been extraordinarily effective at preventing alternative power centres from forming. Not just suppressing dissent — but preventing the development of the institutions, networks, and organisational depth that political succession requires.

So if the Islamic Republic were to fall tomorrow, leadership wouldn't emerge from a prepared opposition.

It would have to be improvised.

And improvised transitions are inherently volatile.

Host:

But there are opposition figures — diaspora leaders, protest movements. Why wouldn't they step in?

Eric:

Profile isn't the same as power.

Diaspora figures have visibility — but limited organisational infrastructure inside Iran. Protest movements like the Women, Life, Freedom uprising have enormous moral authority — but they are deliberately leaderless for survival reasons.

That makes them resilient.

It does not make them succession-ready.

Political leadership requires four things:

- Organisational control
- Geographic reach
- The ability to manage or neutralise the security apparatus
- And a governing programme — not just anti-regime energy

Right now, no opposition grouping checks all four boxes.

Host:

So if not the opposition — then who?

Eric:

Here's where the analysis becomes uncomfortable.

If you ask where institutional experience, administrative knowledge, and geographic reach actually reside — the answer still points back toward elements of the existing system.

Not necessarily hardliners. But parts of the clerical establishment.

There are strands of Shia scholarship — particularly the quietist tradition — that do not endorse direct clerical rule in the current form. Some clerics have distanced themselves from the more extreme positions of the regime.

But there's a paradox.

After four decades of clerical governance, large parts of Iranian society — particularly young, urban and female constituencies — are deeply alienated from clerical authority as such.

So even a "moderate clerical transition" would face immediate resistance.

That's not a clean solution.

Host:

And then there's the Revolutionary Guards.

Eric:

Exactly. And this is the pivotal variable.

The IRGC isn't just a military body. It's an economic empire. A patronage system. A parallel state.

Any transition that happens in Iran in the short to medium term will be one that the Guards either approve — or do not actively resist.

That dramatically narrows the range of possible outcomes.

The most realistic immediate post-regime scenario wouldn't be a liberal democracy emerging overnight. It would more likely be a security-backed stabilisation — a council structure, a managed opening, or a technocratic government under implicit military oversight.

History tells us revolutions are rarely governed by the people who animate them.

Iran in 1979 is itself proof of that.

Host:

So from a markets perspective, what does all of this mean?

Eric:

It means uncertainty doesn't end simply because a regime weakens.

In fact, uncertainty can increase.

Brent oil this week has been choppy but largely contained. Credit markets are calm. US high yield spreads are still hovering near cycle highs around 300 basis points.

That tells you markets are pricing tension — not rupture.

But the deeper issue is this: even if talks fail, even if escalation happens, there is no obvious credible, stabilising successor framework waiting to reassure capital.

And markets dislike vacuums.

They can price known risks.

They struggle with undefined political outcomes.

Host:

At the same time, equity leadership seems to be shifting quite dramatically.

Eric:

Yes — and this is one of the most interesting parts of the week.

While geopolitics simmers, the market narrative is rotating.

The Nasdaq fell 1.2% in a soft session for growth. The Russell 2000 rose 0.5%. For the month, small caps are up roughly 2.4%, while the Nasdaq is down about 2.5%.

That's not noise — that's leadership broadening.

Even more striking: the MSCI Asia Pacific Index is up roughly 15% this month. The S&P 500 is barely positive year-to-date.

That's the strongest relative start for Asia versus the US this century.

Investors are rotating away from a narrow group of US mega-cap tech names and toward:

- Smaller domestically geared US cyclicals
- Asian equities with more attractive valuations
- Markets where policy backdrops look more supportive

That's a meaningful shift.

Host:

And yet Nvidia had strong numbers.

Eric:

Yes — Nvidia beat expectations again. Sales revised up sharply.

But here's the nuance.

The challenge isn't revenue growth. It's whether earnings upgrades keep pace with how far the stock has already run over the past year.

And beneath the AI enthusiasm, there's an underappreciated data point from supply-chain surveys: only around 20% of companies say they're getting meaningful value from AI in planning. Only 7% report tangible benefits from advanced AI deployments.

AI is real.

Capex is real.

But monetisation is uneven.

We're moving from narrative to productivity.

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