MPW MARKET UPDATE

MIDDLE EAST CONFLICT: IMPLICATIONS FOR INVESTORS

Key takeaways:

- Geopolitical shocks increase short term volatility, but history shows market impacts are usually temporary
- Energy markets are the main transmission channel to the economy, and current pricing suggests expectations of a contained outcome
- Staying disciplined and avoiding reactive decisions remains the most important response

How is the market reacting?

The human cost of conflict is troubling and rightly dominates the headlines. Markets, however, focus on the economic implications. In this case, that means energy supply.

Iran produces around 5% of global oil, which on its own is manageable. The larger risk is geography. Iran sits alongside the Strait of Hormuz, a critical route for global oil and LNG. Around 20% of global oil flows through this passage, so any prolonged disruption would create a more lasting financial market impact.

So far, markets are signalling caution rather than panic. Broad global equity and bond markets are little changed from last week, although sector divergence has increased, led by commodity prices (Oil +10% & Gold +3%).

What history tells us about moments like this?

Geopolitical events are hard to predict, but history offers a useful guide. Over the past six decades, most oil-linked geopolitical conflicts have led to temporary equity drawdowns. The median peak-to-trough decline for US equities has been around 5%. Markets have typically taken several weeks to recover. Twelve months later, US equities have been higher around 70% of the time, with a 15% median return.

S&P500 Performance: Oil-Linked Conflicts

S&P500 performance from start of conflict				
Conflict (start date)	**Full Conflict**	**+1M**	**+6M**	**+12M**
Suez Crisis (1956)	1.6%	-3.9%	0.5%	-8.1%
Iran-Iraq War (1980)	180.0%	1.6%	5.7%	-6.9%
Iraq-Kuwait Invasion (1990)	6.8%	-7.8%	-0.6%	14.1%
Desert Storm (Gulf War) (1991)	12.5%	13.0%	19.1%	31.9%
Iraq Invasion (2003)	65.4%	2.2%	19.4%	29.0%
Israel-Hezbollah War (2006)	0.9%	0.8%	14.2%	25.7%
NATO-Libya Conflict (2011)	-0.8%	2.2%	-4.0%	12.6%
Crimea Annexation (2014)	0.9%	1.6%	9.2%	17.1%
Russia-Ukraine War (2022)	Ongoing	6.1%	-4.6%	-5.9%
Israel-Hamas War (2023)	Ongoing	1.4%	21.7%	34.1%
% Positive	90.0%	63.6%	60.0%	70.0%
Median		1.6%	7.5%	15.6%
Average		1.72%	8.06%	14.36%

Source: Quilla Consulting & Fisher Investments – March 2026

What are we watching from here?

In the near term, military developments are likely to drive day-to-day market moves. We are monitoring:

- Any sustained disruption through the Strait of Hormuz, including oil and LNG flows, shipping insurance and freight costs
- The path of oil prices and inflation expectations, given their influence on interest rate settings
- Signs of escalation or de-escalation, including the positioning of major global powers and the tone of diplomacy

Against this backdrop, a 5 to 10% pullback in global equities would not be unusual and sits well within historical experience during periods of geopolitical stress. We would view such moves as an opportunity to add quality assets at more attractive prices before uncertainty fades and markets recover.

More challenging outcomes tend to occur when an event leads to a sustained energy shock that materially impacts economic fundamentals. At present, the consensus view is that the global economy can absorb a moderate and temporary rise in energy prices.

How are we positioning portfolios?

We are maintaining highly diversified portfolio positioning and allowing the ‘fog of war’ to clear.

Periods like this can create a strong urge to act quickly, because doing nothing can feel uncomfortable. In investing, however, the most common mistake is confusing activity with progress. In many past episodes, crowded trades have reversed before the headlines did.

Client portfolios remain highly diversified and liquid, with exposure across growth, defensive and real assets. In 2025, we increased allocations to areas such as resources, energy, infrastructure and global property when they were out of favour. More recently, during 2026, we have reduced exposure to developed market equities, particularly the US, and increased exposure to emerging markets. Collectively, these changes have future proofed portfolios for a more challenging investment environment.

We will only adjust positioning if there is a meaningful change in price or underlying fundamentals. That has not occurred to date.

As always, we are monitoring developments closely. If you would like to discuss how this environment relates to your portfolio, please get in touch.

Kind regards,

Mackay Private Wealth

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