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Background / History of Conflict

Last week, the US and Israel initiated a large-scale military operation on Iran following unsuccessful negotiations addressing Iran's nuclear and ballistic missile programs. Tensions between the United States and Iran have persisted for decades, shaped by political, ideological, and strategic factors. The 1979 revolution and hostage crisis reset diplomatic relations. Ongoing disputes surrounding Iran's nuclear program and regional disruption through Iran's proxy actors in the Middle East have intensified the conflict. Sanctions against the Iranian regime, cyber activity, and periodic military escalation have characterized the relationship between Iran, Israel, and the US leading up to this point.

Global Economic Implications

The Iran conflict directly affects energy markets, trade routes, and financial market risk sentiment. The strategic sensitivity surrounding the Strait of Hormuz, through which roughly one-fifth of global oil supply is shipped, emphasizes the importance of the region. Iran's proximity creates the likelihood of oil supply disruption and higher oil prices, at least temporarily. Economists estimate that a sustained $10 per barrel increase in oil prices has added approximately 0.2 percentage points to inflation. Disruptions in shipping of goods may also be affected, but this mostly impacts Europe and Asia.

Financial Market Impact

Geopolitical shocks have historically produced temporary stock market drawdowns followed by recovery, with the average crisis-related decline of approximately 14% followed by the average recovery one year later of 28%. Markets frequently bottom before conflicts end, reflecting forward-looking expectations. While equity markets typically experience short-term volatility, safe-haven assets like U.S. Treasuries, the U.S. dollar, and gold often see inflows during geopolitical shocks. Defense, energy, and cybersecurity sectors may benefit from increased spending and risk awareness. Importantly, markets tend to reprice quickly once the scope and duration of the conflict become more clear.

Market Performance During Crises – Stay Invested to Benefit from the Rebound

Event	Peak Decline	1 Month	1 Year	5 Years
Pearl Harbor (1941)	–7%	+2%	+16%	+18%
Cuban Missile Crisis (1962)	–10%	+15%	+41%	+16%
Gulf War (1990–91)	–4%	+17%	+37%	+17%
September 11 (2001)	–12%	+11%	–11%	+8%
Iraq War (2003)	–2%	+8%	+35%	+11%
Global Financial Crisis (2008)	–39%	+18%	+49%	+22%
COVID Crash (2020)	–34%	+17%	+75%	__
Russia–Ukraine (2022)	–13%	+6%	+19%	__
Israel–Hamas (2023)	–6%	+9%	+24%	__

Source: Putnam, Hartford Funds, BlackRock, JP Morgan

Thryve Portfolio Positioning & Risk Mitigation

Thryve constructs portfolios that incorporate structural resilience designed to weather geopolitical stress. This includes diversification across asset classes, sectors, and geographies with a focus on US companies. We use high-quality fixed income to provide ballast during periods of equity market volatility. Real estate and energy exposure help hedge inflation risk, while US dollar investments generally enjoy safe-haven status in times of conflict.

For long-term investors, disciplined portfolio construction and adherence to strategic asset allocation remain the most reliable tools for navigating periods of uncertainty. Most importantly, we avoid reactive decisions driven by headlines. We will continue to monitor developments closely and communicate portfolio implications. As always, our focus remains on preserving capital, managing risk, and advancing long-term wealth objectives.

Important Disclosures:

GENERAL DISCLOSURE

The information provided is for educational and informational purposes only and is not intended to provide investment, legal, or tax advice and should not be relied upon as such.
The information contained above is for illustrative purposes only, does not represent actual trading in client accounts, and is based on model results. Actual client performance may differ materially due to market conditions, fees, timing of investments, client-imposed restrictions, and other factors.

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