

Market Update: Keeping Perspective During Global Tensions



Recent geopolitical tensions in the Middle East have increased uncertainty and created some volatility in global markets. When events like this unfold, it is natural for investors to wonder how conflicts might affect their portfolios.

While the headlines can feel unsettling, history provides helpful context.

Financial markets have navigated wars, invasions, and geopolitical conflicts many times over the past century. These events can create short-term volatility, but they have rarely altered the long-term trajectory of markets.

What History Shows

The chart below looks at several periods when geopolitical risk reached elevated levels and shows how the S&P 500 performed in the 12 months that followed.



Source: *Economic Policy Uncertainty*, 10/24. The Caldara and Iacoviello GPR index reflects automated text-search results of the electronic archives of 10 newspapers: Chicago Tribune, the Daily Telegraph, Financial Times, The Globe and Mail, The Guardian, the Los Angeles Times, The New York Times, USA Today, The Wall Street Journal, and The Washington Post. Caldara and Iacoviello calculate the index by counting the number of articles related to adverse geopolitical events in each newspaper for each month (as a share of the total number of news articles). Past performance does not guarantee future results.

In most cases, stocks delivered positive returns in the year following peak geopolitical risk. The average return in these periods was about 15%, with a median return of roughly 23%.

There are exceptions. For example, the market declined following the Yom Kippur War in 1973 and the start of the Russia Ukraine war in 2022. In both cases the economy was already facing challenges such as elevated inflation and tightening monetary policy.

This highlights an important point. Economic conditions tend to play a much larger role in market performance than geopolitical headlines.

What Matters Most For Markets

When evaluating events like this, we focus on a few key questions.

The Strength Of The Economy

Long-term market growth has historically been driven by economic expansion, innovation, and productivity. Advances in areas such as artificial intelligence, robotics, medical technology, and energy development continue regardless of geopolitical uncertainty.

Federal Reserve Policy

Monetary policy often has a greater impact on markets than geopolitical events. Interest rates, inflation trends, and liquidity conditions influence business cycles and market performance.

Whether The Conflict Changes The Economic Outlook

In many cases, geopolitical conflicts remain regional and do not materially change the broader economic trajectory.

Staying Focused On The Long Term

Periods like this can create uncomfortable headlines and short-term volatility. But they are also a reminder of why long-term financial plans are built with uncertainty in mind.

History shows that markets have navigated wars, crises, and geopolitical shocks while continuing to grow over time. Economic growth, innovation, and monetary policy have consistently been the primary drivers of long-term market returns.

Our focus remains the same: maintaining diversified portfolios, monitoring developments carefully, and helping you stay aligned with your long-term financial goals.

If you ever have questions or want to talk through what current events may mean for your plan, we are always happy to connect.

Schedule a Meeting



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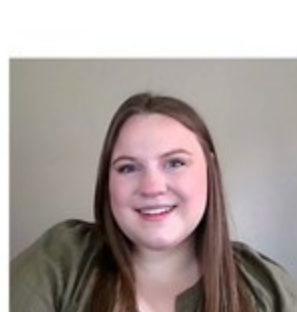
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