

Markets, War, and the Power of Perspective

Managing Your Money

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Whenever a geopolitical conflict breaks out, financial markets tend to react quickly. The recent escalation involving Iran has been no different. In the early days of the conflict, markets around the world became a bit unsettled as investors tried to understand what it might mean for energy supplies, inflation, and whether the situation could spread to other parts of the region.

But something interesting has also been happening beneath the headlines. Despite the dramatic news coverage, the overall market reaction has actually been relatively contained. Investors appear to be weighing up the possibility that the conflict may remain limited in scope and duration. In other words, while the situation is serious, markets are also recognizing that geopolitical events do not always translate into long-term economic damage. And that's where looking at history becomes helpful.

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Over the decades, markets have navigated many difficult global events: wars, terrorist attacks, and periods of political instability. In the short run, these events create uncertainty and volatility, but over time, markets have consistently recovered and moved forward.

Take the Gulf War in the early 1990s as an example. Leading up to the conflict, markets were unsettled by rising oil prices and fears about the broader economy. Stock prices declined as investors tried to gauge the potential impact. Yet within the following year, markets had not only recovered but had moved significantly higher.

I remember one particular moment during the early weeks of the Iraq War in 2003. Markets had been under pressure and investors were understandably tense. At one point the markets were down roughly 12% from

their recent highs when a client called me with heightened concern. She was worried about the headlines and wondering whether the situation might spiral into something far worse.

We talked through the situation calmly. I reminded her that her portfolio had been designed with safeguards precisely for moments like this. She had a diversified allocation, an income wedge to cover shorter-term income needs, and a portion of her assets positioned more conservatively to help buffer periods of volatility. Those safeguards mattered more than any headline.

Because of them, she didn't feel the need to react emotionally to the daily market swings. She could sleep at night while the war took its course. And as history often shows, markets eventually stabilized and recovered. In fact, not only did they recover, but they went on to grow well beyond where they had been before the uncertainty began.

These examples highlight an important pattern: markets tend to dislike uncertainty more than they dislike bad news itself. When investors are unsure about what might happen next, volatility rises. But once the range of possible outcomes becomes clearer, markets often begin to stabilize.

Over time, this resilience shows up again and again. Looking at dozens of geopolitical conflicts since the end of the Second World War, markets have more often than not delivered positive returns in the years that followed. That doesn't mean every conflict is the same or that markets move in a straight line, far from it. But it does show that global economies and financial markets have historically proven remarkably adaptable.

The lesson from that experience still resonates today. The goal is never to predict every geopolitical event, because no one can. Instead, the objective is to ensure that a portfolio is built to withstand them.

For investors who rely on their portfolios for income, having an income wedge to fund withdrawals during market downturns can prevent the need to sell growth assets at the wrong time. For more conservative investors, incorporating guaranteed or lower-volatility components can help reduce anxiety during turbulent periods. And for those pursuing higher long-term returns, active management and diversification can help capture opportunities that often arise when markets temporarily misprice risk.



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Looking ahead to the remainder of 2026, the outlook may be more constructive than the headlines suggest. The broader global economy continues to show resilience. Corporate earnings remain solid, innovation continues across industries, and long-term investment capital is still seeking productive opportunities. Some forecasts even suggest oil prices could settle back toward more moderate levels later in the year if the conflict stabilizes.

That said, volatility isn't going anywhere in the short term. Markets may remain choppy in the months ahead as investors monitor developments in the Middle East and other geopolitical flashpoints. But history suggests that periods of uncertainty often create opportunities rather than permanent damage.

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For investors, the most important question is not what the next headline will be. It is whether their portfolio is positioned in a way that allows them to stay calm and disciplined regardless of what unfolds. Because when the world feels uncertain, the greatest advantage an investor can have is confidence in the **structure of their plan**. And sometimes, a thoughtful second look at that plan can make all the difference.



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