

## GEOPOLITICS &amp; MARKETS

# Middle East Conflict: Keeping Perspective Near Retirement

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## Volatility is Temporary, Not Structural

- Geopolitical shocks typically drive short-term drawdowns, but the current outlook is clearly uncertain
- In 19 of the last 22 conflicts, markets were higher 12 months later\*
- In its 250 years, the US has been in conflict for more than 200 of them; a consistent market backdrop

## Oil is the Primary Transmission Channel

- Energy prices are the main driver of market reaction
- Higher oil costs drive inflation expectations and economic uncertainty
- The US is a net energy exporter, and the economy is 58% less energy intensive than in the 1970s

## Economic Fundamentals Remain Intact, but There Could Be Stressors

- Corporate balance sheets remain solid
- Secular drivers (e.g., AI, reshoring) are unchanged
- Markets are reacting to economic and profit uncertainty — growth has not yet weakened

## Duration of Conflict Will Drive Outcomes

- Market impact tied to how long disruption persists
- De-escalation could stabilize oil and risk assets quickly
- Avoid reacting to day-to-day headlines

## Considerations

- With markets changing rapidly, consider quality compounders
- In general, try to avoid companies overly tied to economic cycle
- Be patient. As the saying goes, time in the market usually beats timing the market

It's important to remember that conflicts like these happen in more years than they don't. The impacts tend to be shorter term in nature, and clients saving for retirement should understand this is likely a geopolitical shock rather than a structural market disruption. Economic cycles usually matter more than geopolitics in the long term.

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\* Source: Morgan Stanley Wealth Management Global Investment Office, Morgan Stanley Research, Bloomberg. Monthly data from 1 January 1950 to 28 February 2026.

Average return is calculated as the average of the returns following geopolitical events since 1950 for each period. The best and worst are the highest and lowest return following geopolitical events since 1950 for each period shown. There were 22 geopolitical events since 1950. Returns are gross and in USD.

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