MARKET OUTLOOK

Perspective: Iran Conflict Risk & Portfolio Implications

A look at the US-Israel-Iran conflict, its impact on energy markets and financial risk sentiment, and how THRYVE positions portfolios to weather geopolitical stress.

Mar 3, 2026

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.

Written by Randol W. Curtis, CFA, Chief Investment Officer

ABOUT THRYVE

At THRYVE, we believe the human side of wealth management isn't a feature: it's the foundation. Every financial decision a client faces is ultimately a life decision, and the relationship between an advisor and a client is one of the most consequential professional bonds a person can have. We take that seriously.

THRYVE is an independent, fiduciary-based Registered Investment Adviser built on a simple and uncompromising standard: no products, no commissions, no conflicts. Our loyalty is to our clients, and only our clients. Backed by a team with over 100 years of combined wealth management experience, we deliver comprehensive financial planning, forward-looking investment strategies, and family office-level services to individuals, families, and business owners who expect both excellent advice and a genuine relationship.

We also believe the best relationship in the world is made stronger by the best tools available. Our AI-powered, fully integrated platform gives our advisors more time for the conversations that matter most, and our investment approach is built around where the world is going, not where it has been. At THRYVE, we are committed to building and earning our clients' trust: the kind that shows up in the difficult times, when markets are down or you're faced with a major financial decision. It is those real conversations about financial goals, core values, and legacy that provide our clients comfort when they need it most. That's the THRYVE difference.

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