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Oil surged and stock markets swooned in response to the double-barrel attacks on Iran's military infrastructure this week. Iran's *regional* capacity to project war is in contrast to their ability to disrupt *global* oil supply by blocking the Strait of Hormuz. Roughly 20% of the world's oil supply is transported through its narrows, and from a low of \$3 six years ago (during the depth of Covid), oil now sits at \$77 - with the expectation that prices will move even higher.¹



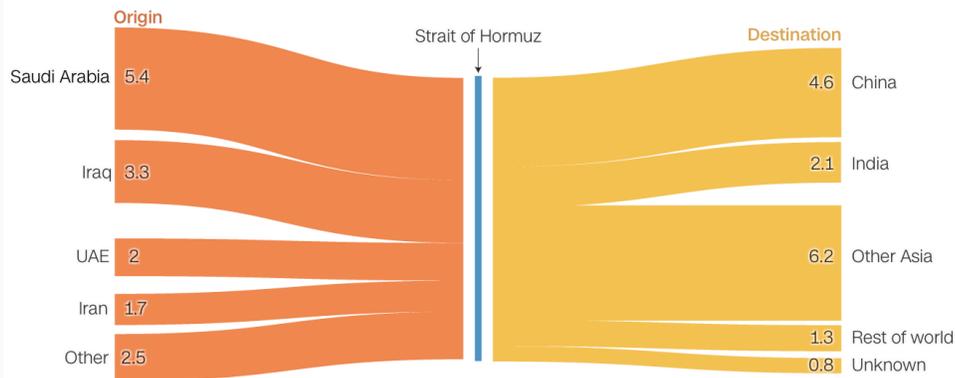
Large scale unrest, a chaotic power vacuum in the Middle East, strikes that take out oil production, or a prolonged shutdown of this critical shipping channel could send oil to \$100 a barrel, with macro implications for global markets and the global economy.

Iran's oil reserves are the third largest in the world, and disruption to its capacity would be problematic for large economies including China.² Higher oil prices affect the prices of all goods and services, and are inherently inflationary. In turn this impacts interest rates, where Central Banks may be reluctant to cut rates to support slowing economies.

Asia depends on the Strait of Hormuz

More than 80% of crude oil shipped through the Strait of Hormuz was bound for Asia in 2025.

Exports of crude oil, including condensates, through the Strait of Hormuz in 2025 by origin and destination (million barrels per day)



Source: International Energy Agency analysis of Kpler data
Graphic: Rhyannon Bartlett-Imadegawa, CNN

With all this negativity however, investors would do well to remember that regional wars have limited lasting effects on global commerce, and that long term the outcome could be a long-term positive for the markets. Historical precedent shows that stocks tend to recover within a month after the start of a conflict. In fact, a little more than two-thirds of the time one year later markets are higher with a medium return of 8.4%.³

How Do Stocks Do After Major Events?

S&P 500 Index Performance After Geopolitical And Major Historical Events

Market Shock Events	Event Date	S&P 500 Index Returns				
		1 Month	3 Months	6 Months	12 Months	
Germany Invades France	5/10/1940	(19.9%)	(12.7%)	(4.5%)	(18.7%)	
Pearl Harbor Attack	12/7/1941	(1.0%)	(11.0%)	(6.5%)	4.3%	
N. Korean Invades S. Korea	6/25/1950	(10.0%)	1.6%	4.1%	11.7%	
Hungarian Uprising	10/23/1956	(2.1%)	(2.8%)	(1.3%)	(11.7%)	
Suez Crisis	10/29/1956	(4.4%)	(3.6%)	(0.0%)	(11.6%)	
Cuban Missile Crisis	10/16/1962	5.1%	14.1%	20.7%	27.8%	
Gulf of Tonkin Incident	8/2/1964	(1.6%)	1.9%	5.3%	2.7%	
Six-Day War	6/5/1967	3.3%	5.9%	7.5%	13.5%	
Tet Offensive	1/30/1968	(3.8%)	5.1%	5.2%	10.2%	
Munich Olympics	9/5/1972	(1.0%)	5.7%	2.3%	(5.8%)	
Yom Kippur War	10/6/1973	(3.9%)	(10.7%)	(15.3%)	(43.2%)	
Iraq's Invasion of Kuwait	8/2/1990	(8.2%)	(13.5%)	(2.1%)	10.1%	
First World Trade Center Bombing	2/26/1993	1.7%	2.0%	4.0%	4.7%	
U. S. S. Cole Yemen Bombing	10/12/2000	2.7%	(0.9%)	(11.3%)	(19.6%)	
9/11	9/11/2001	(0.2%)	2.5%	6.7%	(18.4%)	
Iraq war started	3/20/2003	1.9%	13.6%	18.7%	26.7%	
Madrid Bombing	3/11/2004	3.5%	2.7%	1.5%	8.4%	
London Subway Bombing	7/5/2005	3.3%	1.8%	5.3%	5.5%	
Boston Marathon Bombing	4/15/2013	6.3%	8.4%	9.7%	17.9%	
Russia annexed Crimea	2/20/2014	1.5%	2.6%	8.0%	14.7%	
Bombing of Syria	4/7/2017	1.8%	3.1%	7.6%	12.8%	
North Korea Missile Crisis	7/28/2017	(1.1%)	3.6%	14.8%	13.4%	
Saudi Aramco Drone Strike	9/14/2019	(1.4%)	5.4%	(8.8%)	12.5%	
Iranian General Killed In Airstrike	1/3/2020	1.9%	(23.1%)	(4.2%)	14.4%	
Russia invades Ukraine	2/24/2022	5.9%	(7.2%)	(2.1%)	(7.1%)	
	Posted on	Average	(0.8%)	(0.2%)	2.6%	3.0%
	ISABELNET.com	Median	(0.2%)	2.0%	4.0%	8.4%
		% Higher	48.0%	64.0%	60.0%	68.0%

Source: Carson Investment Research, S&P Dow Jones Indices, CFRA, Strategas 10/09/2023 @ryandetrick

The bottom line is that even when events are severe enough to dominate global headlines, markets tend to recover and resume their long-term trend within a year. This is especially true when the underlying economic fundamentals are strong, which on balance they are now (strong consumer demand, accommodative interest rates, rising corporate profits).

Staying invested throughout uncertainty is second only to putting more money to work where possible. More, our institutional wealth management partners at Canoe, Dimensional, Dynamic, EdgePoint, Fidelity, Guardian, Mackenzie and Vanguard are positioned to capitalize on buying opportunities by deploying cash within their funds to stocks that offer value resulting for short term market disruption.

Tune out the noise and know we've built our portfolios to do well across all market cycles.

Thanks for reading!

Martin

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Source 1: Tradingeconomics.com

Source 2: International Energy Agency

Source 3: Carson Investment Research

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