



2026.06.03

Geopolitical conflicts don't have to result in disappointing subsequent stock returns because markets are forward-looking and set prices for positive expected returns. But how have markets actually fared during previous geopolitical incidents? Based on almost four decades of history, the answer has largely been good news.

While the classification of an event as a geopolitical conflict is subjective, we identified 21 events of a global scale since 1990. Charting returns starting from the onset of these events, we see slightly negative returns on average for the first five days, but then positive average returns over subsequent horizons. This would seem consistent with a market resetting prices in light of negative news at the start, which then sets up a positive expected return in the absence of further disappointing developments. After one year, the average return was 14.6%. By comparison, the average return across all rolling 12-month periods was 12.4%. These numbers are not dissimilar, and the (slightly) higher average return following a major geo-political event can be understood as the return premium from a starting point that incorporates short term market pessimism.

This is not to imply we're "out of the woods" when it comes to a market downturn. The 12-month market return was negative for two of the 21 events. There's always the possibility for worse-than-expected developments, which might provoke further negative reaction from markets. But the takeaway from these data is that investors shouldn't shy away from stocks during a period of global conflict. Including the one in the Hormuz Strait today.

Thanks for reading!

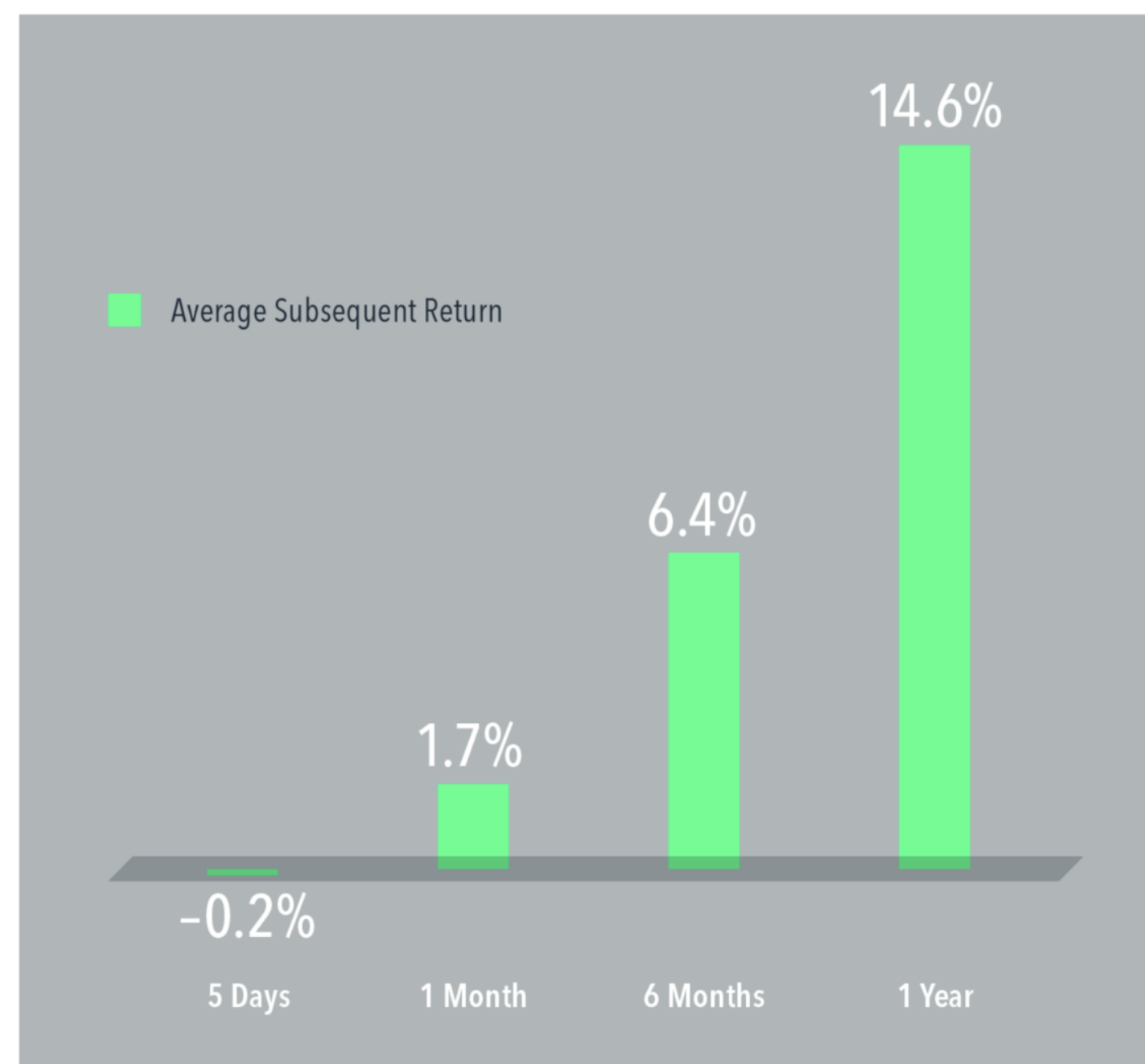
Martin

1-519-546-5088

Source: Dimensional

Average US Stock Market Returns Following Major Geopolitical Events

1990-2025



MARTIN WEILER, FINANCIAL ADVISOR
FIRST CAPITAL FINANCIAL / WORLD SOURCE FINANCIAL MANAGEMENT INC
50 CORESLAB DR. DUNDAS, ON L9H 0B2
P: 519-829-1331 F: 833-869-8042
MARTIN@FCFCORP.CA

Mutual Funds and some Segregated Funds provided by the Fund Companies are offered by Martin Weiler, a representative, through Worldsource Financial Management Inc., sponsoring mutual fund dealer. Other Products and Services are offered through First Capital Financial Corporation. This email and any attachments are intended only for the recipient(s) named in this email and may contain personal and/or confidential information. If you have received this email in error, please email the sender immediately, and delete the original email. Dissemination, distribution, or copying of all or any part of this message by anyone other than the intended recipient(s) is not authorized. The information provided in this email and/or attachment/s is solely for general and educational purposes and is based on the perspectives and opinions of the owners and writers. It is provided with the understanding that it may not be relied upon as, nor considered to be, the rendering of tax, legal, accounting, or professional advice. Please consult an appropriate professional regarding your particular circumstances. References to third party goods or services should not be regarded as an endorsement of those goods or services. All information provided is believed to be accurate and reliable, however, we cannot guarantee its accuracy. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus and/or the fund facts before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.