



What Does the Ceasefire in Iran Mean for Investors?

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As you may have seen in the news, a two-week ceasefire was recently announced between the U.S. and Iran, with a key focus on reopening the Strait of Hormuz, a critical waterway for global oil supply. This is an important development for investors since energy prices and inflation concerns have been top of mind.

Here are the key points to consider:

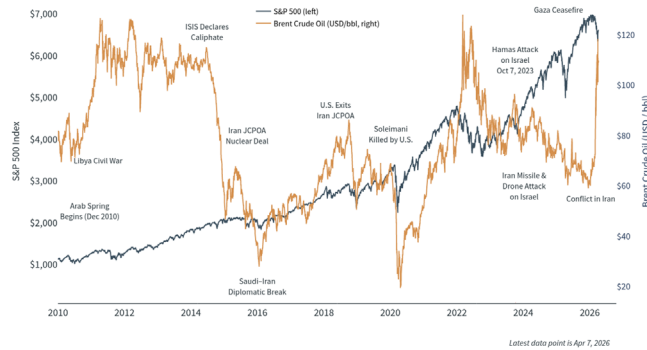
- Oil prices dropped sharply after the announcement, with Brent crude falling to the \$90 per barrel range, after closing at \$109 the day before. This is the biggest one-day percentage decline since March 2020 and follows the surge from around \$70 to over \$100 per barrel in the days after the conflict began.
- The stock market's initial reaction has also been positive, with major indices regaining some of their pullbacks this year. Both oil and stocks have experienced negative and positive daily swings since the end of February.
- The reopening of the Strait of Hormuz matters because roughly 20% of global oil consumption passes through it. The blockage meant that many Middle Eastern countries had to reduce production since their storage facilities were approaching capacity. The prior blockage had pushed gasoline prices to over \$4.00 per gallon nationally, raising inflation concerns.
- It's important to keep events like these in perspective, both when markets are down and up. Of course, ceasefires are positive, especially from a humanitarian perspective. However, past ceasefires, such as those between Israel and Hamas, and between Russia and Ukraine, were tentative and did not always hold. So, from an investment perspective, it remains important to stay disciplined.
- While this ceasefire is not an official end to the war just yet, markets have recovered well after major geopolitical events historically. This includes past conflicts such as the attack on Israel by Hamas in 2023, the Russian invasion of Ukraine, crises related to North Korea over the years, as well as the wars in Iraq, Afghanistan, and others. What mattered in those cases for investors were the underlying market and economic conditions. Of course, the past is no guarantee of the future, so it's important not to overreact to headlines.

The included chart on Middle East conflicts and markets illustrates how geopolitical events have historically caused short-term volatility but rarely derailed long-term market performance, which is directly relevant here given the ongoing uncertainty around this ceasefire.

While this ceasefire is a positive short-term development, keeping a long-term perspective and staying diversified remains the most reliable path to financial success, regardless of how geopolitical events unfold.

Middle East Conflicts and Markets

Major Middle East events, oil prices, and the S&P 500 since 2010



Sources: Clearnomics, Standard & Poor's, LSEG
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