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Iran and geopolitical risk: Update

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What does the long view teach us? It's best to stick to long-term strategies, rather than trying to trade on the unpredictable twists and turns of this war.

We think it's useful to look at events – and markets – from a historical perspective, at this time of market turbulence triggered by the US and Israeli attacks on Iran. Most geopolitical shocks – including many with major political consequences – don't result in large, lasting disruption to global markets.

To understand this, it's helpful to consider a few examples from the long arc of history, as set out in the interactive table below.

Plucking a few examples from this table, the 9/11 terrorist attacks changed the geopolitical landscape forever. But despite an immediate vertiginous drop of 5% in the US S&P 500 stock index, the total drawdown – the cumulative fall over 11 trading days to the lowest point – was limited to 12%. This number is probably quite a lot lower than many people might guess. Moreover, there were only 31 days

Quick take:

- Most geopolitical shocks don't create large, lasting disruption to markets.
- Shocks in the oil-rich Middle East can have severe effects.
- But this time round, there are vested interests on both sides in eventually solving the crisis.

to a full market recovery: the eradication of the 12% drawdown.

You can find an interactive version of this table, and interactive maps [here](#).

Even the 1962 assassination of the most powerful man in the world, US President John F. Kennedy, did little to derail the US stock market. It dropped by 3% – but within a week, it had fully recovered.

Middle Eastern crises and markets

Looking to the Middle East specifically, it actually accounts for the most severe drawdown of all in our table: 44%. The

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Many, though not all, geopolitical shocks have only a fleeting impact on the US stock market

Event	Date	Total drawdown	Days to bottom	Days to full recovery	One-day rise or fall	3-month return	6-month return	12-month return
Japanese attack on Pearl Harbor	07/12/1941	-20%	143	307	-4%	-12%	-9%	0%
North Korea Invades South Korea	25/06/1950	-13%	23	82	-5%	2%	4%	11%
Suez Crisis	29/10/1956	-2%	3	4	0%	-4%	-1%	-13%
Cuban Missile Crisis	16/10/1962	-7%	8	18	0%	14%	21%	26%
Assassination of President Kennedy	22/11/1963	-3%	1	5	-3%	9%	13%	20%
Gulf of Tonkin Incident	02/08/1964	-2%	25	41	0%	2%	5%	3%
Six-Day Arab-Israeli War	05/06/1967	-2%	1	2	-2%	5%	6%	12%
Yom Kippur War and oil embargo	17/10/1973	-44%	352	2165	0%	-13%	-15%	-36%
Mass anti-government protests in Iran	09/01/1978	-5%	57	96	-1%	-1%	4%	8%
Gulf War	02/08/1990	-17%	71	189	-1%	-14%	-4%	9%
9/11 terrorist attacks	11/09/2001	-12%	11	31	-5%	4%	7%	-17%
US invasion of Afghanistan	07/10/2001	-1%	3	4	-1%	9%	5%	-27%
Iraq War	20/03/2003	-3%	12	14	0%	14%	19%	27%
Madrid bombings	11/03/2004	-3%	14	20	-2%	1%	0%	8%
London bombings	07/07/2005	-	-	-	0%	0%	8%	7%
Boston Marathon bombing	15/04/2013	-3%	4	15	-2%	6%	8%	15%
US airstrikes on Syrian airbase	07/04/2017	-1%	7	18	0%	2%	8%	11%
Iranian drone strike on Saudi Aramco	14/09/2019	-4%	19	41	0%	5%	-10%	13%
Full-scale Russian invasion of Ukraine	24/02/2022	-15%	231	464	2%	-6%	-2%	-5%
Israel-Hamas War	07/10/2023	-4%	21	27	1%	11%	21%	32%
Israel-Iran airstrikes	01/04/2024	-6%	19	45	0%	4%	10%	7%
US airstrikes on Iran	22/06/2025	-	-	-	1%	12%	15%	-
Median		-4%	14	24	0%	3%	6%	8%
Mean average		-8%	40	157	-1%	2%	5%	5%

Source: LSEG, Rathbones. Data shows the S&P 500 and its predecessor, the S&P 90.

event was the 1973-74 embargo by various Arab states on the sale of oil to the US and six other nations (accompanied by production cuts), in protest at their support of Israel in the Yom Kippur War.

The Middle East also accounts for the third largest drawdown, caused by the 1990 outbreak of the Gulf War.

The place of the Middle East in this table reflects the global economy's sensitivity to

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events in this region, supplier of so much of the world's oil.

By comparison, during the present conflict, the S&P 500's drawdown so far has come to only 7% – reached on 30 March. That's a significant fall, but about one-sixth of the drawdown triggered by the events of 1973-74.

Of course, the present geopolitical crisis is just that, a present crisis: it's not over yet. So we could see a greater drawdown than 7%. After all, during the 1973-74 crisis, the US market didn't reach its trough until October 1974, one year in.

But if we compare now to then, there were weaknesses back in the early 1970s that don't exist now (although, of course, the global economy has new weaknesses).

1970s oil embargo vs 2026 Iran conflict

On the one hand, the attack on Iran has broadened into a wide-ranging conflict, with Iranian counterattacks on land against a large number of countries, and on sea against shipping.

This has resulted in some damage and disruption to other countries' production capabilities (including gas as well as oil).

And shipping through the Strait of Hormuz, a narrow channel between Iran and Oman, a crucial transportation bottleneck, is effectively closed because of the threat of Iranian attacks. Before the

conflict began, around one-fifth of global oil and (liquefied natural) gas supplies were shifted through it daily, so a prolonged closure would be extremely disruptive.

In fact, this is already impeding the smooth flow of the global economy. Airlines and shipping companies are preparing for shortages of fuel and China has banned the export of diesel and fertiliser – fossil fuels are ingredients in synthetic fertilisers. And some governments are introducing four-day working weeks, because of energy shortages.

On the other hand, the global oil market began in a very different place, if we compare the outset of the Iran conflict with the start of the 1973 oil embargo.

In the present day, oil demand is rising quite slowly. By contrast, in the early 1970s it was racing ahead at about 7.5% a year. This made the effect of the embargo all the more powerful.

Declining oil dependency

Moreover, the global economy was far more dependent on oil, back then. The energy intensity of US GDP, for example – the energy used for every dollar of economic output – was about three times greater.

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The US was also, in 1973, the world's biggest importer of oil. These days, it's a net exporter.

This helps explain why other countries without their own large oil production have, in March 2026, suffered more. For example, Germany's Dax index has seen a greater drawdown, of 11.5%. Even so, the German stock market hasn't suffered anything like its falls of the early 1970s – and the same can be said for the UK market.

We should also remember that Iran itself is highly dependent on oil revenue. And President Trump will be keenly aware that higher inflation could weigh on the performance of the Republican Party in November's mid-term elections. So the vested interests in re-opening shipping lanes – or eventually seeking an end to the conflict – suggest that any blockage should be short-lived.

Markets are sensitive to these considerations. For that reason, they responded positively to comments by US President Donald Trump on Monday, 9 March, suggesting that he saw the end of hostilities approaching. Since then, markets have see-sawed on every fresh indication of peaceability and bellicosity, though now they seem often to be shrugging off fresh news, in the absence of much clearer indications of what's actually likely to happen.

That said, we're far from complacent – and our determination to avoid complacency, as investors, is partly why clients entrust their money to us.

Protecting against geopolitical risk

The most consequential geopolitical shocks, in market terms, are inflationary. These include both the oil embargo and the 2022 full-scale Russian invasion of Ukraine. Because these shocks are inflationary, long-dated conventional fixed income investments (bonds) don't provide the same protection as they have during more typical disinflationary economic shocks. These are shocks that reduce inflation, such as recessions.

We have for a while regarded the prospect of higher and more volatile inflation, in part because of geopolitical issues, as a risk to economic and financial stability. To prepare for this, we have recommended that portfolios include:

- Shorter 'bond durations'. That means more money in shorter-dated bonds – those with fewer years to run. It means less in longer-dated bonds. That's because they could be hit hardest by higher actual and expected inflation, as their prices are more sensitive to the change in central banks' interest rates.
- 'Diversifiers': investments that make portfolios more resilient, by behaving differently to other client investments. These include gold and other strategies

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that tend to perform better in inflationary environments. This category also encompasses funds able to capture returns from increased market volatility.

- A good balance across assets. This means maintaining a meaningful exposure to equities, while staying mindful that slower growth could weigh on returns.
- Within equities, an overall mix that has many quality, highly profitable companies most likely to withstand spikes in inflation.

We set our approach to geopolitical risk more generally, and consider how we could adapt to a more severe geopolitical shock, in our annually updated [Peace of Mind in a Dangerous World](#) report.

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