Quick Take

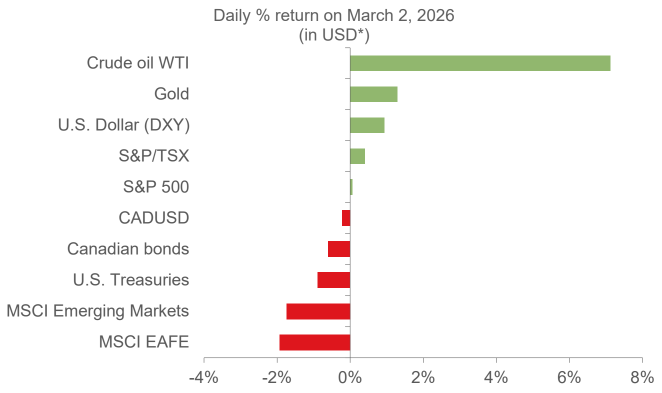
CIO Office | March 2, 2026

Chaos in the Middle East

In the early hours of Saturday, February 28, President Donald Trump announced on social media "Operation Epic Fury," a large-scale military attack against Iran with the explicit objective of toppling the Iranian regime and permanently destroying its nuclear facilities. The airstrikes, carried out jointly by the United States and Israel, triggered an unprecedented response in the form of several hundred missiles launched at least half a dozen neighboring countries, plunging the Middle East into chaos that continues as of this writing.

Unsurprisingly, oil prices are reacting sharply higher today, as are gold and the U.S. dollar, both of which are playing their role as safe havens. We also note the remarkable resilience of North American equity markets, while relatively modest losses are being observed in overseas equities and bonds (**Chart 1**).

1 | Market reaction: oil prices are surging

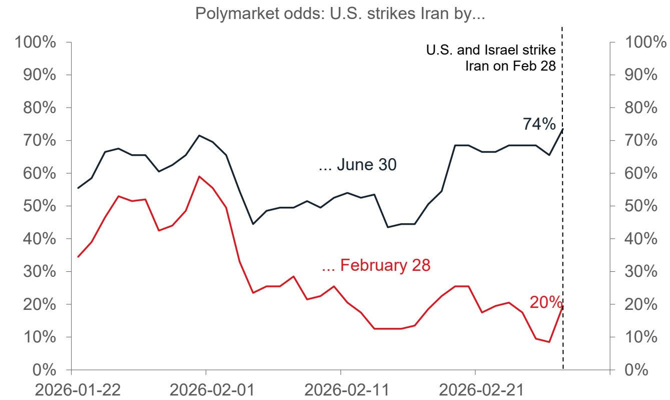


CIO Office (data via Refinitiv). *With the exception of exchange rates.

Why such a muted reaction in equities? Should we be concerned about the rise in oil prices? Let's take a closer look.

First, it is worth noting that investors were already well aware of the short-term risks of an Iranian conflict. Indeed, prediction markets[1] had already signaled that U.S. strikes against Iran were more likely than not this spring, even though the attack ultimately occurred somewhat earlier than expected (**Chart 2**).

2 | An attack on Iran was already expected

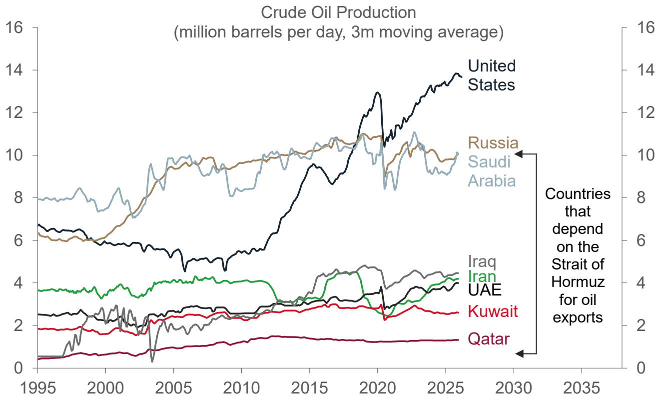


CIO Office (data via Polymarket)

On the oil front, the current conflict is having much more tangible repercussions through disruptions in the Strait of Hormuz. A true chokepoint of the global energy market, this strait located just south of Iran sees roughly 20% of global oil consumption transit through it each day, and six major producers – Saudi Arabia, Iraq, Iran, the United Arab Emirates, Kuwait, and Qatar – depend almost entirely on it for exports to international markets (**Chart 3**, next page).

[1] Prediction markets are currently experiencing rapid growth and are increasingly consulted by financial market participants, particularly on economic, political, and geopolitical issues. On Polymarket, the world's largest prediction market, the event "U.S. strikes against Iran by…" rose to the top of the platform's rankings, reaching more than $500 million in total trading volume.

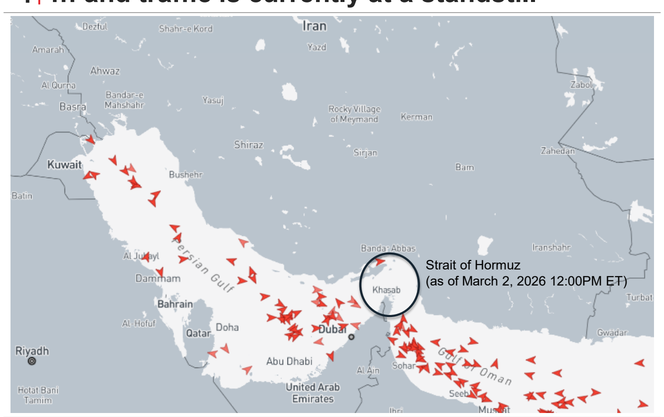
3 | The Strait of Hormuz is of major importance...



CIO Office (data via Refinitiv)

At the moment, according to real-time vessel tracking platform MarineVesselTraffic, traffic through the strait does indeed appear to have come to a halt, with oil tankers opting to wait before entering or exiting the Persian Gulf following numerous threats from the Iranian military and the suspension of operations at several ports in the region (**Chart 4**).

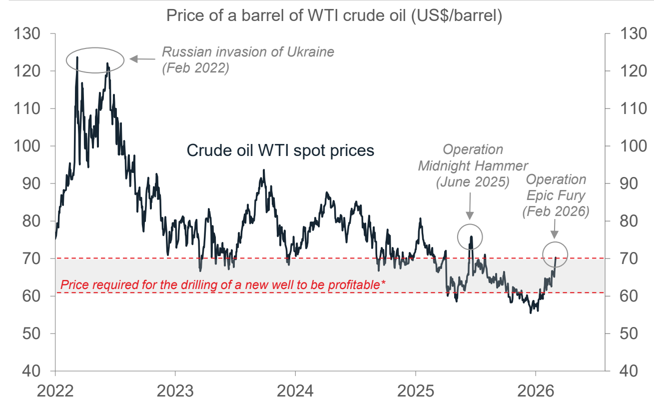
4 | … and traffic is currently at a standstill



CIO Office (data via MarineVesselTraffic.com)

So far, the increase in oil prices remains manageable from an economic standpoint, in that oil producers are benefiting from higher prices without them being excessively burdensome for consumers (**Chart 5**).

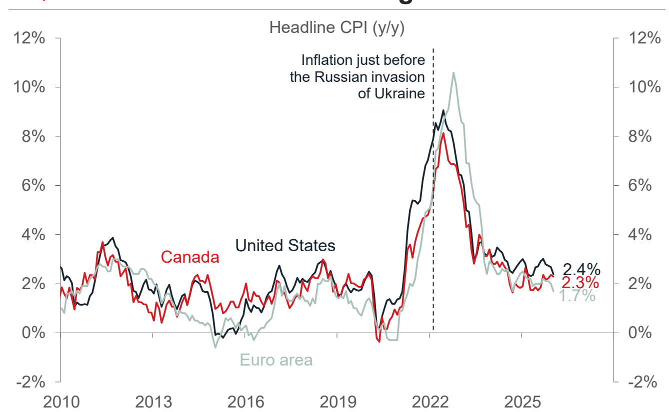
5 | Oil prices: not a problem, for now



CIO Office (data via Refinitiv)

By contrast, a scenario involving a protracted military conflict stretching over several weeks – leading to prices that remain durably and significantly above the $70 threshold – would inevitably result in more adverse consequences, as was the case in 2022 following Russia's invasion of Ukraine. However, the current situation is markedly different. Whereas four years ago the world was being hit head-on by the post-pandemic inflationary wave, today's inflation is much more benign (**Chart 6**), leaving the economy in a better position to absorb an increase in energy prices.

6 | Inflation is much more benign than in 2022



CIO Office (data via Refinitiv)

Finally, we conclude with an analysis (next page) we initially shared back in February 2022, looking at how equity markets have behaved during periods of military conflict since 1939. Historically, it is in fact the month preceding the event that tends to be the worst (positive only 33% of the time), while the three months that follow most often generate gains (positive 67% of the time).

Of course, these historical trends guarantee nothing going forward, especially given the extreme volatility of the current situation and the fact that the exit strategy of the U.S. president has yet to be clearly defined. Nevertheless, this analysis clearly illustrates the forward-looking nature of equity markets, which have already weathered many challenges since the beginning of Donald Trump's second term.

S&P 500 price changes during geopolitical (military) events since 1939

Event date	Geopolitical (military) event	Before the event		After the event				Max drawdown*
		-1m	-1w	+1w	+1m	+3m	+12m	
2026-02-28	*U.S./Israel military operation against Iran*	-1%	*0%*	*?*	*?*	*?*	*?*	*?*
2022-02-24	Russia invades Ukraine	-3%	-6%	4%	7%	-6%	-6%	-13%
2014-02-20	Start of Russian occupation in Crimea	-1%	1%	1%	2%	3%	15%	-6%
2008-08-07	Russo-Georgian War	1%	0%	0%	-4%	-26%	-22%	-6%
2003-03-20	Initial U.S. air strike in Iraq	3%	9%	0%	2%	16%	27%	-14%
2001-10-07	U.S. air campaign starts in Afghanistan	-3%	3%	2%	3%	9%	-25%	-21%
2001-09-11	September 11 attacks	-8%	-4%	-5%	-3%	4%	-17%	-23%
1999-08-26	Second Chechen War	1%	4%	-4%	-7%	3%	9%	-5%
1991-01-17	Gulf War (U.S. intervention)	-4%	2%	4%	15%	23%	32%	-6%
1990-08-02	Iraq invades Kuwait	-1%	0%	-5%	-10%	-14%	9%	-20%
1982-04-02	Falklands War	3%	1%	2%	2%	-4%	34%	-13%
1968-01-30	Tet Offensive (Vietnam War)	-3%	-1%	-2%	-3%	4%	10%	-9%
1967-06-05	Six-Day War	-5%	-1%	2%	1%	4%	12%	-7%
1964-08-02	Gulf of Tonkin incident	1%	0%	-2%	-2%	2%	3%	-3%
1962-10-16	Cuban Missile Crisis	-3%	0%	-4%	4%	14%	27%	-11%
1956-10-23	Suez Crisis	-1%	-1%	0%	-3%	-4%	-12%	-11%
1950-06-25	North Korea invades South Korea	2%	1%	-8%	-9%	2%	11%	-14%
1941-12-07	Attack on Pearl Harbor	-3%	2%	-6%	-2%	-12%	0%	-20%
1939-09-01	Nazi Germany invades Poland	-8%	3%	12%	14%	9%	-6%	-11%
Average		**-1.8%**	**0.6%**	**-0.4%**	**0.4%**	**1.5%**	**5.7%**	**-11.7%**
% Positive		**33%**	**61%**	**44%**	**50%**	**67%**	**67%**	

CIO Office (data via Bloomberg and Refinitiv). *Max drawdown over the period spanning three months before and three months after the event.

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