



What investors need to know about the conflict with Iran

Trending Conversations

Brian Levitt

Chief Global Market Strategist

James Anania, CFA

Investment Strategist

Not a Deposit; Not FDIC Insured; Not Guaranteed by the Bank;
May Lose Value; Not Insured by any Federal Government Agency



Key takeaways

1 Where are we today?

The US and Israel launched a coordinated attack against Iran, destroying military installations and removing key political figures. The situation remains fluid and there are a range of possible outcomes.

2 What are the risks?

Iran has retaliated, attacking US and Israeli troops and various targets across the Middle East. Further retaliation has been threatened, with oil infrastructure and the vital shipping lane, the Strait of Hormuz, potential targets.

3 Where do we go from here?

The scale of economic and market disruption will ultimately depend on the length and severity of the conflict. Significant escalation could lead to a spike in oil prices, resulting in major headwinds for the global economy. Over time, however, financial markets tend to look past geopolitical events.

What are the potential investment implications?

Market impact will likely depend on duration of the conflict

Market impacts of US attacks on Iran — Bull and bear scenarios in the short run

Scenario 1: Early conclusion of military operations

Crude oil prices Remain close to current levels with no further upward pressure on prices.

Global stock prices Decline moderately due to heightened geopolitical uncertainty and concerns about slowing global growth.

US long-term bond yields Edge slightly lower as investors seek safe-havens, before climbing again once the conflict's resolved and growth expectations improve.

US dollar Temporally strengthen as markets turn "risk off", only to weaken again once risk appetite returns.

Precious metals Rise amid heightened geopolitical risks and lingering uncertainty.

Scenario 2: Prolonged military action & blockade of the Strait of Hormuz

Crude oil prices Rise sharply in response to disruption of energy shipments through the Strait of Hormuz.

Global stock prices Decline meaningfully as higher oil driven inflation and recession fears intensify, with Asian markets hit especially hard due to heightened concerns over energy security.

US long-term bond yields Edge lower due to "flight to quality" and deteriorating growth expectations, somewhat offset by a rise in inflation expectations.

US dollar Strengthen modestly as investors seek safe-haven assets amid a slowing global growth backdrop and higher inflation.

Precious metals Climb meaningfully as investors seek safety and inflation protection amid falling equity markets.

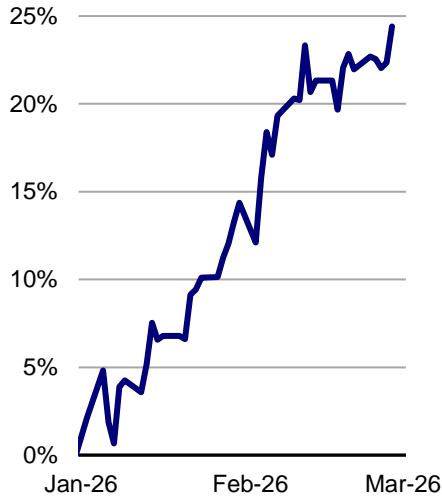
- The military operations by the US and Israel against Iran have unsettled global markets. In the near term, the degree of market disruption should primarily depend on whether prospects for an early cessation of hostilities emerge.
- Should a quick resolution prove unattainable, and Iran moves to close the Strait of Hormuz, global markets would likely experience broad-based stress. This remains a bear case — not our base case.

Source: Invesco Strategy & Insights, as of March 2, 2026. For illustrative purposes only. There is no guarantee these views will come to pass.

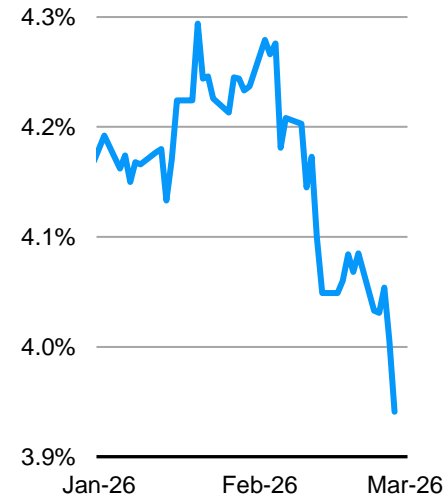
Has the market priced in the uncertainty?

Certain assets had already begun to reflect mounting geopolitical risks

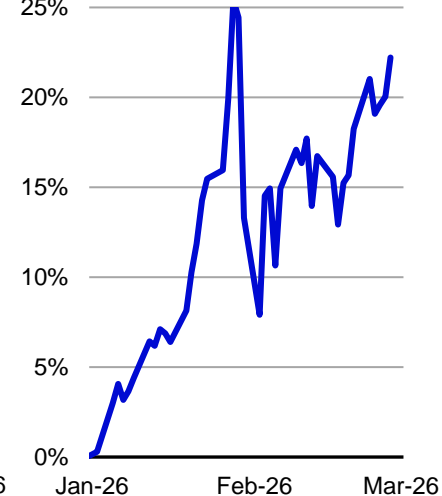
Energy sector return
(Jan. 2026–March 2026)



US 10-year Treasury yield
(Jan. 2026–March 2026)



Gold price return
(Jan. 2026–March 2026)



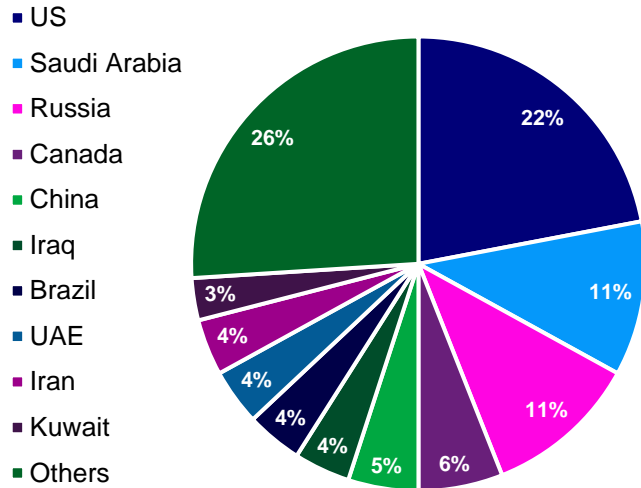
- After US military intervention in Venezuela, aggressive rhetoric over Greenland, and a build-up of US naval assets in the Middle East, financial markets had begun to price rising geopolitical risks since the start 2026.
- The energy sector has been the best-performing sector year-to-date, possibly in anticipation of higher oil prices.
- US 10-year Treasury yields had declined in recent weeks, and gold climbed, as investors increasingly sought safe-haven assets.
- Energy stocks, US Treasuries, and gold could continue to do well if the situation in Iran escalates.

Sources: Bloomberg L.P. and Invesco Strategy & Insights, year-to-date data as of March 1, 2026. Energy sector performance is based on the S&P 500 GICS Level 1 Energy Sector Index, which measures the performance of the companies in the S&P 500 Index whose primary business activities involve the exploration, production, refining, marketing, storage, and transportation of oil, gas, and consumable fuels, as well as providers of energy equipment and services. The gold price refers to the current market price at which gold can be bought or sold for immediate delivery. An investment cannot be made directly in an index. **Past performance does not guarantee future results.**

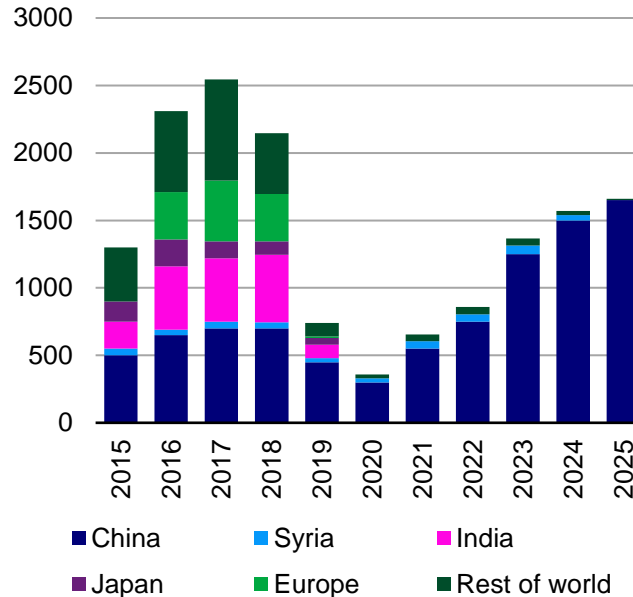
How important is Iran to world energy markets?

Iran only accounts for small percent of the world oil market — and most goes to China

Global oil production by country
(percent of global production)



Iranian oil exports by destination
(barrels, thousands per day)



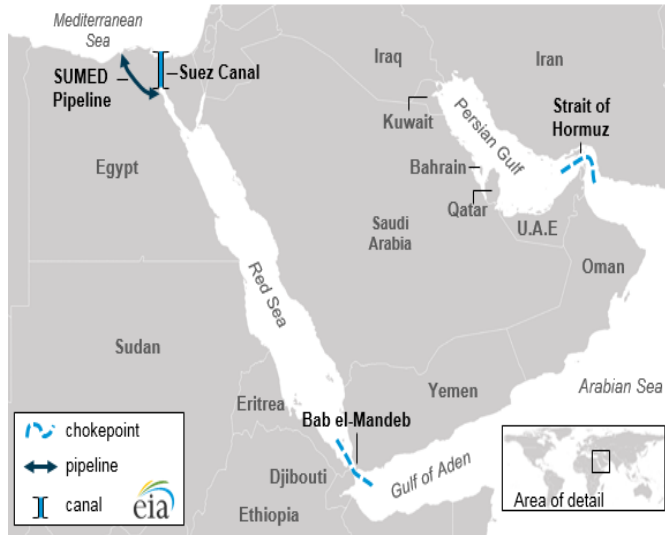
- Iran only accounts for approximately 4% of global oil production, which gives the country limited ability to directly influence world energy markets.
- Additionally, due to global sanctions, a majority of Iranian oil exports go to China. Most countries, however, don't rely on Iranian oil, limiting their exposure.

Source: Global production figures based on US Energy Information Administration as of 2023 (latest available), and Iranian oil exports based on Kpler, March 2, 2025. Iranian oil export figures are approximate estimates. Kpler is a data and analytics company providing real-time, granular intelligence on global commodity flows, shipping, and maritime logistics.

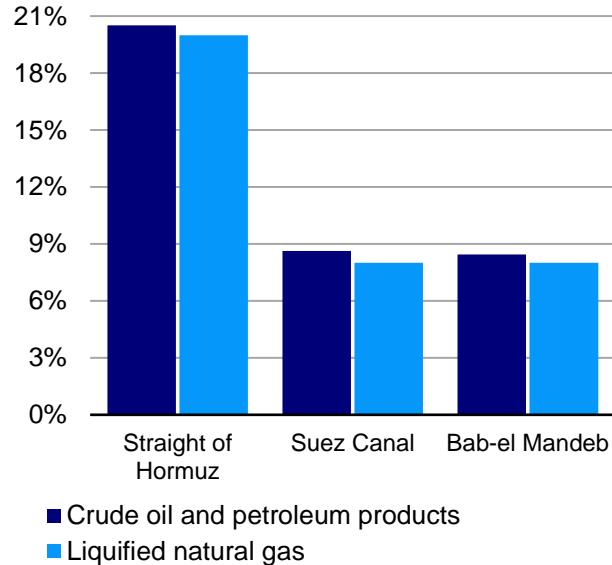
Can Iran still impact world energy markets?

A large share of oil and gas is shipped through the Arabian peninsula

Arabian peninsula maritime chokepoints (Strait of Hormuz, Suez Canal, Bab el-Mandeb)



Percent of total oil supply and liquified natural gas shipped through chokepoints



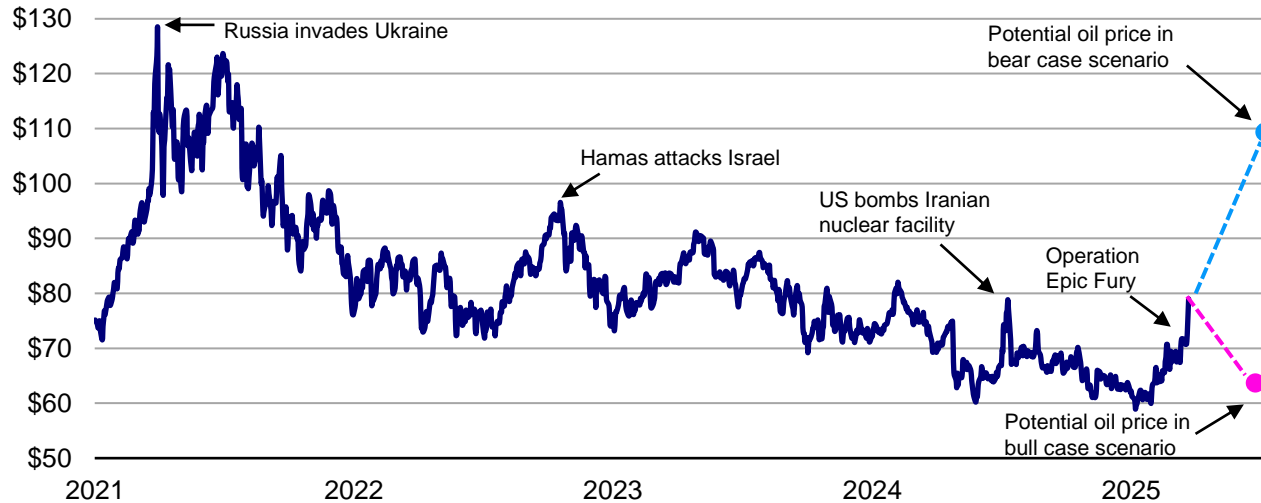
- Nearly 40% of the world's energy supply is transported by sea through narrow channels around the Arabian peninsula.
- Iran may attempt to disrupt shipping through these critical chokepoints, specifically the Strait of Hormuz, which is directly off the Iranian coast.
- A blockade of the Strait of Hormuz would potentially constrain world energy supply, resulting in upward pressure on energy prices. The US military, however, will almost certainly attempt to prevent that from happening.
- Since nearly 50% of Asia's oil supply comes from the Middle East, the region is especially exposed to market disruption risks.

Sources: Bloomberg L.P. and US Energy Information Administration, as of March 2, 2025.

Why have oil prices spiked — and what are the risks?

Geopolitical uncertainty tends to result in oil price volatility

Brent Crude oil price (US dollars per barrel)



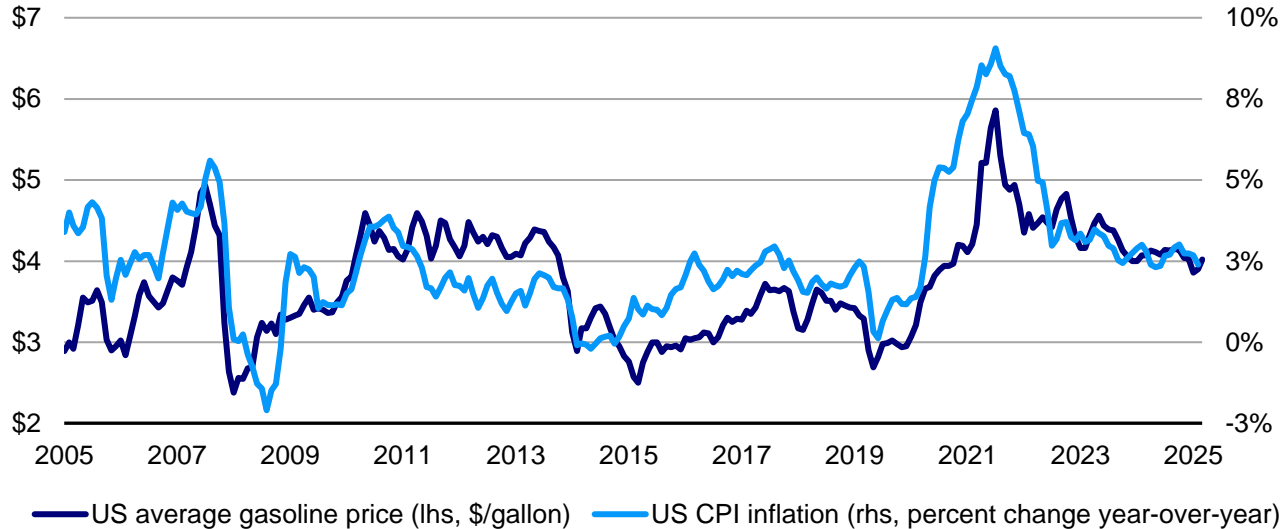
- Although Iran only accounts for a small share of global oil production, its strategic location near major shipping chokepoints allows it to exert significant leverage over world energy markets.
- Oil prices have already moved meaningfully higher to reflect the risk of potential market disruption. Where oil prices go from here, however, will depend on the severity and longevity of the conflict with Iran.
- A full and sustained closure of the Strait of Hormuz would likely cause oil prices to approach \$100 dollars per barrel. A quick end to the conflict would likely cause oil prices to fall back towards \$65 dollars per barrel.

Sources: Bloomberg L.P. and Invesco Strategy & Insights, as of March 2, 2026. There is no guarantee these forecasts will come to pass. Brent crude oil comes from the North Sea and is a global benchmark for oil prices.

Could higher gas prices lead to a resurgence in inflation?

Spike in energy prices could potentially put upward pressure on inflation

Gas price vs. Consumer Price Index inflation



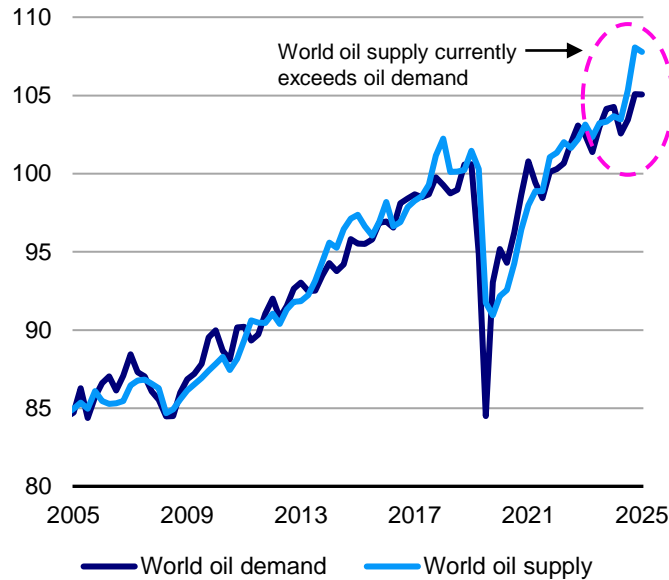
- Since energy prices are a major component of inflation indexes, there has historically been a close relationship between the price of a gallon of gasoline and the Consumer Price Index (CPI).
- In a bear case scenario where oil prices surge to over \$100 per barrel for a prolonged period of time, gas prices would likely rise, pushing inflation up along with it.
- A rise in energy-driven inflation could complicate the outlook for the Federal Reserve, which up to this point seemed poised to ease interest rates further in the second half of 2026.

Source: Bloomberg L.P., as of March 2, 2026. The Consumer Price Index (CPI) measures the change in consumer prices and is a commonly cited measure of inflation. Left-hand side (lhs) and right-hand side (rhs).

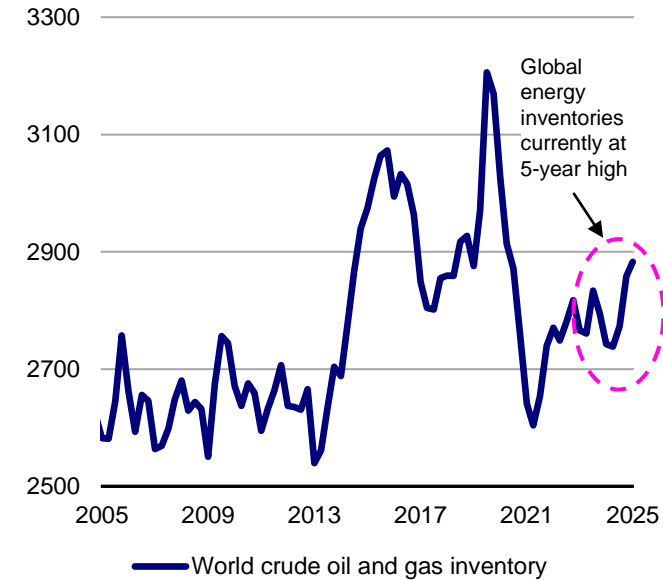
What could prevent a further increase in energy prices?

Excess oil supply and large energy inventories could help provide a buffer

International Energy Agency World Oil Supply and Demand (barrels, millions per day)



US Department of Energy World Oil and Liquid Fuel Inventory (barrels, millions)



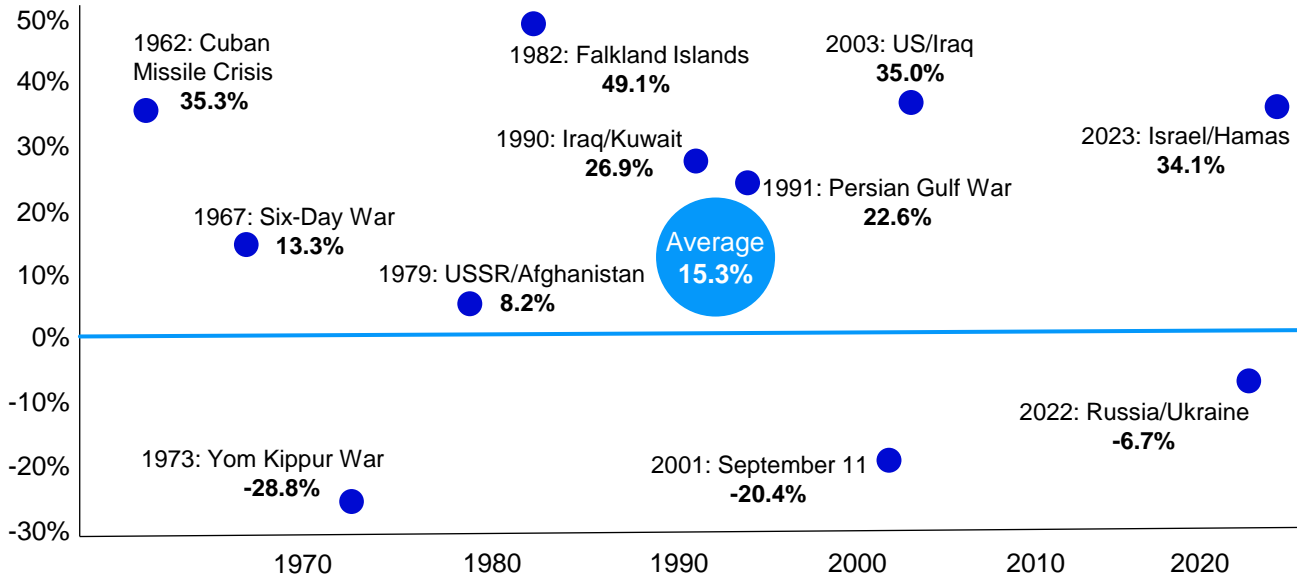
- Fortunately, the global economy should be able to handle a modest disruption to the oil market, in our view, as excess supply and sizable energy inventories could create somewhat of a buffer to a temporary oil shock.
- The more severe/longer the disruption, however, the greater the risks to the world economy and financial markets.
- Excess oil supply, sizable inventories, the US military, and Asia/China's reliance on Middle Eastern oil could all help mitigate a further rise in oil prices by putting pressure on Iran.

Source: International Energy Agency and US Department of Energy, as of March. 2, 2026.

How have markets performed following past conflicts?

Geopolitical events haven't impacted markets as much as you may think

S&P 500 Index returns one year after peak in Geopolitical Risk Index



- While geopolitical uncertainty often results in temporary volatility, it hasn't historically weighed significantly on longer-term stock market returns.
- Based on data since 1960, the S&P 500 Index has averaged a 15.3% gain in the one year following a peak in the Geopolitical Risk Index, which generally spikes during periods of global conflict.
- Keeping a long-term perspective and sticking to a pre-defined investment plan is key to navigating headline risks. This is especially important as geopolitical turbulence appears to be here to stay in 2026.

Source: Policyuncertainty.com as of Jan. 16, 2026. Based on the Caldara and Iacoviello Geopolitical Risk Index, which reflects automated text-search results of the electronic archives of 10 newspapers: Chicago Tribune, the Daily Telegraph, Financial Times, The Globe and Mail, The Guardian, the Los Angeles Times, The New York Times, USA Today, The Wall Street Journal, and The Washington Post. Caldara and Iacoviello calculate the index by counting the number of articles related to adverse geopolitical events in each newspaper for each month (as a share of the total number of news articles). An investment cannot be made directly in an index. **Past performance does not guarantee future results.** The Geopolitical Risk Index peaks were Oct. 1962, June 1967, Oct. 1973, Dec. 1979, June 1982, Aug. 1990, Feb. 1991, Oct. 2001, March 2003, March 2022, and Oct. 2023.

Should investors exit the market during geopolitical crises?

Investors haven't historically benefited by selling when conflicts begin

MSCI World Index: Growth of \$100,000 with investments/withdrawals around conflicts



Event	Hypothetical invest/withdrawal date
Yom Kippur War	Oct. 6, 1973
Soviet-Afghan War	Dec. 25, 1979
Falklands War	Apr. 2, 1982
Iraq invades Kuwait	Aug. 2, 1990
Persian Gulf War	Jan. 17, 1991
Bosnian War	Apr. 6, 1992
NATO bombing of Yugoslavia	Mar. 24, 1999
9/11 terror attacks	Sept. 11, 2001
Syrian Civil War	Mar. 15, 2011
Crimean crisis	Feb. 27, 2014
Paris terrorist attack	Nov. 13, 2015
Russia/Ukraine War	Feb. 24, 2022
Hamas/Israel	Oct. 7, 2023

- Military conflicts — and the uncertainty they may bring — can understandably raise investor fears.
- Historically, however, investors who added to their portfolios during military conflicts would've been better off than those who held steady or withdrew as tensions escalated.

Source: Bloomberg L.P., as of Dec. 31, 2025. The MSCI World Index is an unmanaged index considered representative of stocks of developed countries. The charts are hypothetical examples, which are shown for illustrative purposes only and do not predict or depict the performance of any investment. An investment cannot be made in an index. **Past performance does not guarantee future results.**

Disclosures

The opinions referenced within are those of the author as of March 2, 2026, based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals. These comments should not be construed as recommendations, but as an illustration of broader themes. Forward-looking statements are not guarantees of future results. They involve risks, uncertainties, and assumptions; there can be no assurance that actual results will not differ materially from expectations.

The document contains general information only and doesn't take into account individual objectives, taxation position, or financial needs, nor does it constitute a recommendation of the suitability of any investment strategy for a particular investor. Investors should consult a financial professional before making any investment decisions. **Past performance does not guarantee future results.**

All data provided by Invesco unless otherwise noted.

Invesco Distributors, Inc.

©2026

All rights reserved.

TCIRAN-PPT-1 3/26 NA5264436