

RJL PCS: MARKET PERSPECTIVES

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Market Perspectives: Iran conflict causing short-term volatility, but investors should stay committed to longer-term plans

The recent military action in Iran was not unexpected, as the buildup in hardware and rhetoric had been growing for weeks. The surprise was in the extent, severity, and breadth of Iran’s retaliation, including attacks on neighbouring countries. The spike in energy prices was predictable given concerns about supply disruptions, specifically through the Strait of Hormuz, that could be short-term in nature. The risk of longer-term effects will depend on the length and escalation of the current operation and if retaliatory strikes end up significantly damaging energy infrastructure in the region.

The overall uncertainty and risk-off sentiment has also led to volatility in equity markets. Investors generally suffer when panicking and quickly abandoning longer-term planning in the face of such volatility, as many will remember from the Liberation Day sell-off in April 2025. As such, we have compiled a table of somewhat similar conflicts of the last 35 years and considered the reaction of equity markets over the first week, three-month, and one-year periods. As evident in the table below, investors that stick to established longer-term plans generally ride through short-term volatility.

Table 1 - Historical Major Geopolitical Shocks and Subsequent Market Performance

Event	Date	Duration	S&P 500 price change after			TSX Composite price change after			WTI Oil price change after		
			1 week	3 months	1 year	1 week	3 months	1 year	1 week	3 months	1 year
Iraq Invades Kuwait	1990-08-02	7 Months	-4.4%	-13.6%	8.9%	-2.6%	-13.6%	-1.3%	19.0%	63.5%	-1.1%
Operation Desert Storm	1991-01-17	1.5 Months	5.9%	22.9%	32.5%	1.5%	11.7%	15.6%	-20.5%	-34.6%	-40.7%
Gorbachev Coup	1991-08-19	3 Days	2.1%	-0.1%	9.3%	0.1%	0.7%	-4.2%	3.2%	5.1%	1.2%
World Trade Center Bombing	1993-02-26	1 Day	0.9%	1.8%	5.4%	1.9%	11.7%	26.1%	1.1%	-2.9%	-29.8%
9/11 Attacks	2001-09-11	1 Day	-5.5%	4.0%	-16.8%	-6.8%	2.5%	-9.9%	0.5%	-34.8%	7.6%
Iraq War	2003-03-20	9 Years	-0.6%	13.8%	27.0%	-1.6%	9.7%	33.0%	1.0%	-0.5%	26.9%
Russia Invades Georgia	2008-08-07	5 Days	0.3%	-29.8%	-21.6%	-0.7%	-29.0%	-19.1%	-3.0%	-48.8%	-40.1%
Russia Takes Crimea	2014-02-27	1 Month	1.7%	4.1%	14.1%	0.6%	2.8%	7.4%	-1.1%	0.7%	-51.6%
Russia Invades Ukraine	2022-02-24	Ongoing	3.3%	-4.0%	-6.0%	2.4%	-1.0%	-2.5%	16.9%	26.1%	-17.3%
Hamas Attacks Israel	2023-10-07	2 years	0.4%	9.0%	33.5%	1.1%	8.8%	25.5%	5.8%	-10.7%	-9.5%
Israel Attacks Iran’s Nuclear Facilities	2025-06-13	12 Days	-1.3%	8.9%	-	-0.4%	10.0%	-	10.2%	-8.3%	-
U.S. and Israel Attack Iran	2026-02-28	Ongoing	-	-	-	-	-	-	-	-	-

Source: FactSet, Raymond James Ltd.; Data as of March 2, 2026.

Chart 1 - Growth of US\$10,000 in the S&P 500 Price Index (1990/01/01 - 2026/03/02)



Source: FactSet, Raymond James Ltd.; Data as of March 2, 2026.

Please read domestic and foreign disclosure/risk information beginning on page 3

History Shows Markets Recover When Oil Price Normalizes

As shown in Table 1, the immediate one-week market reaction has been negative in roughly one-third of the historical episodes examined. That said, when the broader economic backdrop remains intact, equity markets have generally stabilized and recovered over the subsequent three-month period.

A key differentiating factor has been the trajectory of WTI crude prices. In the two historical cases where equities continued to experience significant losses (1990 and 2022) over the subsequent three-month period, oil prices moved materially higher following the initial geopolitical shock rather than retracing. Sustained strength in oil typically signals either escalation or prolonged disruption, which extends risk-off positioning and absorbs market liquidity. More importantly, persistently elevated oil prices tend to feed into broader inflation pressures. This, in turn, constrains monetary policy flexibility, prompting a more hawkish Federal Reserve response and upward pressure on both the front-end and the long-end of the yield curve. Higher short-term rates raise corporate borrowing costs, while rising 10-year yields weigh on equity valuations through discount rate effects.

The good news is that extending the observation horizon to one year suggests that, absent an overlapping economic downturn or financial crisis (e.g., the 2002 accounting scandals, the 2008 Global Financial Crisis, or the 2022 technology-led selloff), equity markets have generally demonstrated the capacity to recover from geopolitical conflicts over time.

Oil Price Shock Scenarios and Market Implications

Our base case in the current conflict assumes a ceasefire within the next three to five weeks, with crude oil prices retreating toward the US\$65/bbl range within a reasonable timeframe. If this scenario unfolds, historical precedent suggests North American equity markets should begin to recover over the next three months as risk-off sentiment fades and energy-driven inflation concerns ease.

A second, still plausible scenario is that the conflict continues at a lower intensity, without sustained disruption to the Strait of Hormuz. In that case, oil prices could remain elevated around US\$80/bbl. A move of this magnitude (20%+, from pre-event pricing) would likely add roughly 0.4 percentage points to developed market inflation (rule of thumb: every 5% increase in oil adds ~0.1 percentage points to inflation). While this would create some inflation pressure and keep central banks cautious, the broader economic impact should remain manageable. If tensions gradually de-escalate, equity markets would likely be able to stabilize and recover over a 12-month horizon.

In a tail-risk scenario, involving a prolonged shutdown of the Strait of Hormuz, which handles 20-25% of global oil exports, crude could spike toward US\$100–110/bbl. Even in that environment, the U.S. and Canada would likely be more resilient than energy-import-dependent developed markets such as Europe and Japan, given our higher levels of domestic energy production.

Geopolitical shocks can create uncomfortable volatility, but history shows that markets have consistently recovered over time. Investors who stay disciplined and avoid reacting to short-term headlines are typically rewarded as conditions normalize. Remaining invested and focused on long-term objectives has proven far more effective than attempting to time periods of uncertainty.

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