

Drummond Capital Partners

Market Insights – March 2026

Market Update | Middle East War

On 28 February 2026, Israel and the United States launched a coordinated military operation against Iran, codenamed Operation Epic Fury. The strikes targeted Iran's leadership, nuclear programme, missile sites, military facilities and regime infrastructure. On 1 March, Iranian state media confirmed that Supreme Leader Ayatollah Ali Khamenei had been killed in the strikes, along with his daughter, son-in-law, grandson, and senior IRGC commanders.

Iran responded aggressively, launching ballistic missiles and drones at US assets and allies across the region. Targets included Israel, Saudi Arabia (Riyadh and Eastern Province), the UAE (Abu Dhabi and Dubai), Bahrain (US Fifth Fleet HQ), Kuwait (Ali al-Salem air base), Qatar (Al Udeid air base), Jordan and Oman.

The only major implication of this conflict is on global energy markets. Iran only produces around 4% of the global oil supply, but Iranian military can close or disrupt the Strait of Hormuz, through which around 20% of global oil and gas production is transported. Even if the Straights are not formally closed, sea traffic will be redirected away until the risk has reduced. In line with this, oil prices have spiked, rising around 10%. If the conflict is protracted, some travel and war risk premium will likely be embedded into oil prices until it is resolved. This is unlikely to have a meaningful impact on markets or the global economy. Meanwhile, if whoever takes control of Iran after this is more friendly to the West, there is some chance that global oil prices fall as sanctions are lifted.

Markets do tend to sell first and ask questions later on geopolitical events such as this. However, they also recover quickly. This seems likely to be another of these sorts of episodes. Equity markets rose last night and the ASX was flat yesterday.

Equity market selloffs and recoveries around geopolitical events

(*shaded events occurred around recessions)

Event	Event date	Start of selloff	Duration of selloff (Trading Days)	Duration to recover prior level (Trading Days)	Size of selloff (%)	1w from bottom	1m from bottom	3m from bottom	6m from bottom	12m from bottom
WW-II Germany annexes Czechoslovakia	15-Mar-39	10-Mar-39	22	108	-20.5	2.0	8.3	8.5	23.2	18.9
WW-II Germany attacks France	9-May-40	9-May-40	22	745	-25.8	10.6	10.9	17.1	18.0	9.2
WW-II Pearl Harbor	7-Dec-41	4-Dec-41	17	201	-10.8	6.2	6.5	-3.8	-1.1	15.3
N. Korea invades S. Korea	24-Jun-50	22-Jun-50	17	43	-12.9	5.5	11.2	19.2	29.2	31.4
Suez Crisis	29-Oct-56	5-Nov-56	17	131	-6.8	3.3	4.9	-1.4	6.2	-6.0
Berlin Wall built	13-Aug-61	22-Aug-61	25	18	-3.9	1.4	4.1	8.0	6.2	-14.6
Cuban missile crisis	14-Oct-62	15-Oct-62	7	9	-6.6	2.0	15.0	22.7	30.0	36.5
Assassination of President Kennedy	22-Nov-63	21-Nov-63	2	1	-2.8	3.8	6.7	11.5	16.0	23.9
Authorization of military operations in Vietnam	7-Aug-64	17-Jul-64	15	36	-3.2	0.5	1.7	4.8	7.3	5.8
Six Day Israel Arab war	5-Jun-67	8-May-67	20	40	-6.5	3.5	3.3	6.5	7.7	13.0
Israel Arab war/Oil embargo	16-Oct-73	29-Oct-73	27	1475	-17.1	6.3	7.3	5.6	-2.0	-28.2
President Nixon impeachment proceedings	6-Feb-74	30-Jan-74	9	16	-6.6	1.8	9.1	0.9	-10.8	-13.3
Shah of Iran exiled	16-Jan-79	26-Jan-79	9	34	-4.6	1.1	1.3	1.9	8.7	19.7
Iranian hostage crisis	4-Nov-79	5-Oct-79	24	51	-10.2	3.6	7.7	16.4	7.3	29.3
Soviet invasion of Afghanistan	24-Dec-79	17-Dec-79	12	6	-3.8	3.5	9.4	-2.9	11.6	29.6
Invasion of Grenada	25-Oct-83	10-Oct-83	22	304	-6.3	2.8	2.1	-3.7	-0.8	4.3
Bombing of Libya	15-Apr-86	21-Apr-86	20	7	-4.9	1.2	5.7	6.2	5.0	23.5
First Gulf War	16-Jan-91	1-Jan-91	6	8	-5.7	0.3	15.4	19.9	20.7	34.1
President Clinton impeachment proceedings	19-Dec-98	7-Dec-98	6	5	-3.9	4.1	6.2	13.4	13.4	23.0
Kosovo bombing	24-Mar-99	18-Mar-99	4	9	-4.1	1.6	7.5	5.6	1.4	21.0
9/11 attacks	11-Sep-01	10-Sep-01	6	15	-11.6	4.3	11.1	18.5	19.4	-12.5
Iraq war	20-Mar-03	21-Mar-03	7	16	-5.3	3.6	8.0	15.8	20.0	32.8
Arab spring (Egypt)	25-Jan-11	27-Jan-11	2	3	-1.8	2.2	4.0	6.6	1.9	3.1
Intervention in Libya	19-Mar-11	18-Feb-11	18	29	-6.4	3.3	5.0	0.9	-3.3	11.7
Ukraine conflict	14-Mar-14	7-Mar-14	6	13	-2.0	1.1	-0.6	5.2	7.8	11.5
Intervention in Syria	22-Sep-14	18-Sep-14	21	12	-7.4	4.2	9.5	8.4	13.0	9.1
Brexit vote	23-Jun-16	8-Jun-16	14	9	-5.6	5.1	8.3	8.0	13.4	20.9
Airstrike on Syrian airbase	7-Apr-17	1-Mar-17	32	16	-2.8	0.6	2.7	5.1	4.2	4.2
Median			15	16	-5.7	3.3	6.7	6.5	7.7	13.0

Source: Macro Analytics, Bloomberg, Bank

Portfolio Positioning

Our portfolios are currently overweight global equities, with the Fed easing and global economic growth robust. However, our equity mix is very diversified, with exposures across Asia and small caps balancing a large position in the index. This diversification provides some insurance against the risk that the market re-rates hyperscalers lower on capex concerns or software lower on AI concerns, which are more worrisome (mainly the former) in our minds than another Middle East conflict. Importantly, both cannot be logically correct at the same time – much more capex would be required to replace white collar inference in any meaningful way.

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