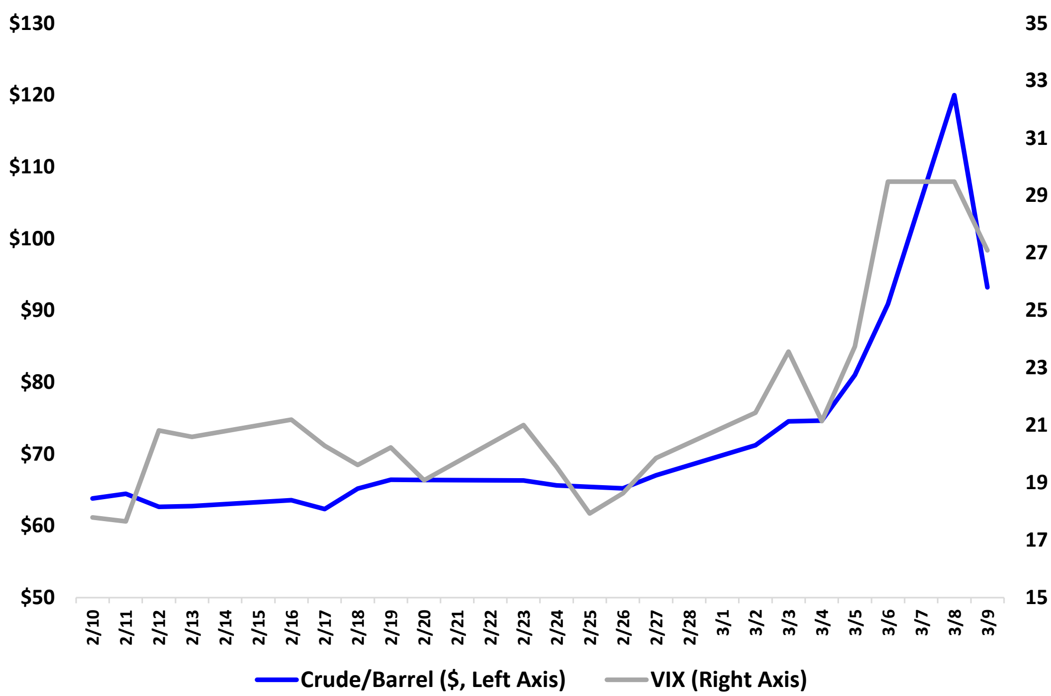
The spike in oil prices has been driving elevated market volatility since the U.S. and Israel launched joint airstrikes on Iran beginning February 28. At the peak (evening of March 8), the price of oil had nearly doubled in just over a week. Energy prices, however, have since abated as President Trump signaled that the conflict will be short-lived – crude has now dropped to roughly $88/barrel. Trump's comments (which followed speculation that the G7 countries would propose a large, coordinated petroleum reserve release) drove a sharp reversal on Monday – the S&P 500 rose more than 3% off the low while energy prices sharply fell.

WTI Crude Oil Prices & CBOE Volatility Index: 2/10/26 – 3/10/26



Source: YahooFinance

If the Iran conflict ends relatively quickly, it's likely that energy prices will decline further, providing relief for consumers and businesses. A prolonged war and closure regarding the Strait of Hormuz have the potential to inflict significant economic damage. I'm hopeful regarding a near-term resolution, which should allow the energy supply, a key economic input, to again flow freely across the globe.

The recent volatility we've experienced has mirrored, to a smaller extent at least so far, the short-term disruptions and shock events which have occurred since the start of the decade. The 2020s began with the onset of COVID and related lockdown measures, which drove the S&P 500 into bear market territory in record time (-34% decline in only a month). This was followed by the 2022 bear market driven by rapid Fed hikes (due to inflationary pressures) and a shallow earnings recession. Then, in 2025, a short-lived bear market was ignited by President Trump's "Liberation Day" tariffs. That totals three bear markets, an event which historically occurs once every seven years on average, in just five years since the decade began.

Despite these challenges, the S&P 500 managed to post a 15% annualized return during the first six years of the 2020s. The key driver – strong earnings growth fueled by technological innovation and unprecedented levels of capital spending driven by the AI revolution. I expect this theme to continue which suggests that, while we may see further pockets of volatility due to shock events, market weakness may be short-lived as earnings expansion does the heavy lifting to sustain this secular bull market.

The pockets of volatility and rapid recoveries of the current decade highlight the speed and efficiency of modern-day market behavior. Information is quickly digested (i.e. through electronic trading and algorithms) and asset prices rapidly adjust. The periods of short term panic we've witnessed in recent years have provided case studies regarding how to properly navigate these events. By focusing on fundamentals and formulating investment ideas based on solid research, market participants position themselves for long term success while navigating short term choppiness and potentially capitalizing during periods of weakness if appropriate.

Prudent investors construct portfolios which are aligned with the mandate's long-term objectives regarding risk and return, selecting appropriate holdings which they believe offer superior risk-adjusted return potential. While tactical repositioning may be appropriate from time to time, it's generally wise to stay the course during these shock events.

While headlines can appear scary at times, the most important thing to remember is "this too shall pass." Over the past century, in the U.S. we've experienced multiple wars, a pandemic, major terrorist attacks, different political climates, and countless other shocks. And despite these headline events, the market (S&P 500) has produced annualized returns of 10% over this period. Following these (sometimes disastrous) events, stocks have more times than not recovered quickly after the dust settles.

<u>S&P 500 Historical Performance Following Geopolitical Shocks</u>

			S&P 500 forward returns			
Event	**Date**	**Recession?**	**1m**	**3m**	**6m**	**12m**
Cuban missile crisis	16/10/1962	No	5.4%	13.3%	21.1%	27.8%
Gulf of Tonkin resolution	05/08/1964	No	0.8%	3.7%	6.3%	4.5%
Six-day war	05/06/1967	No	3.3%	6.5%	7.7%	13.0%
October War	06/10/1973	Yes	-4.5%	-10.0%	-15.3%	-43.2%
Iranian hostage crisis	04/11/1979	No	4.2%	11.6%	3.0%	25.9%
Soviet invasion of Afghanistan	24/12/1979	Yes	5.6%	-7.8%	6.9%	26.2%
Bombing of Libya	15/04/1986	No	-1.4%	-1.7%	0.5%	19.6%
First Gulf War	02/08/1990	Yes	-8.2%	-11.3%	-2.4%	10.2%
Kosovo bombing	22/03/1999	No	4.8%	3.0%	1.0%	15.7%
9/11 attacks	11/09/2001	Yes	0.4%	4.0%	6.9%	-16.8%
Iraq war	20/03/2003	No	2.0%	13.7%	18.3%	26.7%
Arab spring	25/01/2011	No	2.2%	3.4%	3.6%	2.7%
Ukraine conflict	14/03/2014	No	-0.6%	5.2%	7.8%	11.5%
Airstrike on Syrian airbase	07/04/2017	No	1.9%	3.0%	8.2%	10.6%
North Korean missile crisis	28/07/2017	No	-1.1%	4.4%	16.2%	14.0%
Saudi oil struck by drones	14/09/2019	No	-1.4%	5.4%	-9.9%	12.5%
Russia invasion of Ukraine	24/02/2022	No	7.0%	-6.7%	-2.0%	-6.0%
Average			0.6%	2.3%	4.6%	9.1%
Median			0.0%	3.7%	6.3%	12.5%

Source: Bloomberg, UBS

This simple historical reference highlights the importance of long-term focus and remaining invested despite negative headlines. Over a long horizon, corporate profits have historically grown at roughly 7% on average, and stock prices have historically followed suit. And the longer the period of reference, the greater one's confidence regarding a potential range of market outcomes. As investors, it's paramount to stay focused on the fundamentals, conduct vigorous research, and position the portfolio to best meet specific objectives, often tuning out the noise driven by market or geopolitical-related headlines.

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