



# Yet Another Brick in the Wall...

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The recent conflict in the Middle East represents yet another spasm of geopolitical uncertainty that carries possibly significant and global risks. There are obvious humanitarian impacts, political implications – not just in the region, but more broadly across the world (the war is deeply unpopular across the U.S. and the midterms are on the horizon) – and economic effects on both growth and inflation that have the potential to be significant depending on the magnitude and the duration of the reduction in the supply of oil and gas and the attendant increase in commodity prices.

While there is still hope for a sustainable resolution sooner rather than later, the situation remains extremely fluid which means that it is difficult to get a clean read on the scale of the overall impact. The depth and duration of any hit to the global economy will depend on how long this conflict lasts and whether or not it expands into other regions – the longer it persists and the further it escalates, the more it will weigh on consumer and business sentiment, and potentially restrain growth and put upward pressure on prices.

Financial markets have been vulnerable to headline risks and this will likely continue to be the case as the ebbs and flows of developments sway investor sentiment. Importantly, however, if history is to serve as a guide, the impact of geopolitical risk events has typically proven to be short-lived and has been followed by fairly rapid recoveries.

The table below (Figure 1) highlights the performance of the S&P 500 Index around some major historical geopolitical risk events – including several in which Iran was involved. As per these data points, while these historical risk events had a near-term impact, they did not leave deep or lasting scars. Stock prices tended to decline in the immediate aftermath of the event and remained modestly down for the next month on average; however, they also tended to have recouped lost ground within three months, and moved up fairly solidly 12 months later.

**Figure 1: S&P 500 performance around major geopolitical events**

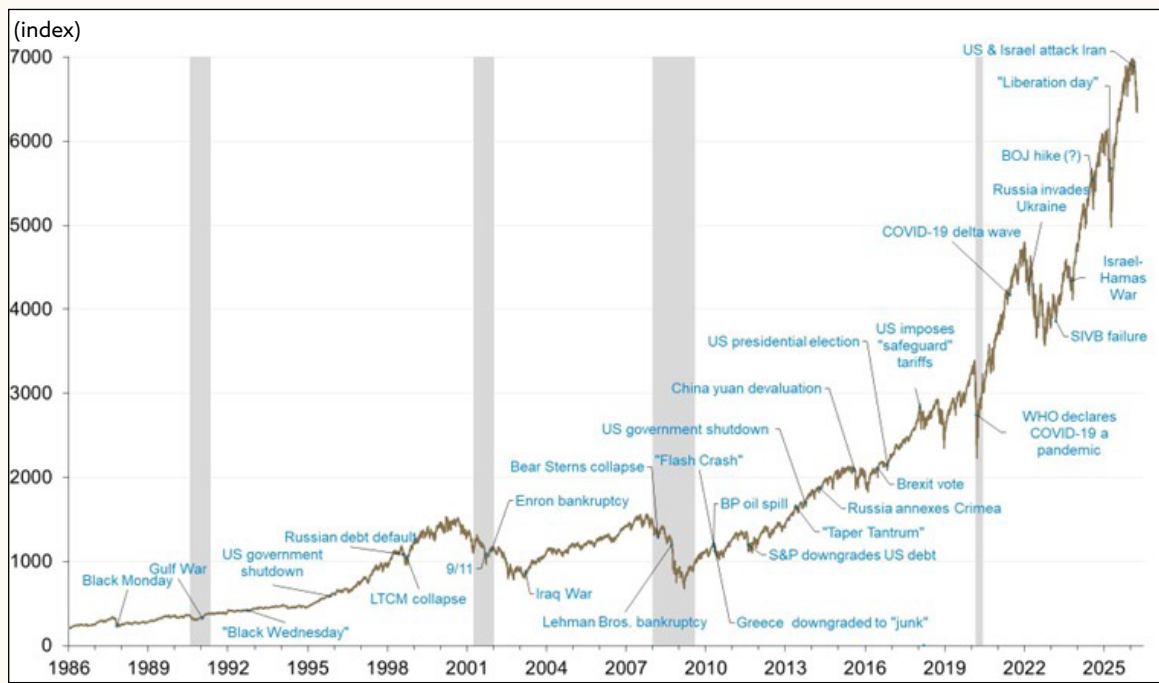
Event	Event date	Subsequent S&P 500 performance (%)				
		1-week	1-month	3-months	6-months	12-months
WWII: Germany annexes Czechoslovakia	15-Mar-39	-6.8	-15.1	-8.6	3.3	-3.1
WWII: Germany attacks France	09-May-40	-13.5	-23.9	-16.1	-6.0	-22.0
WWII: Pearl Harbour	07-Dec-41	-6.3	-4.6	-12.4	-10.2	-0.2
North Korea invades South Korea	24-Jun-50	-7.6	-8.1	1.6	4.9	12.6
Suez Crisis	29-Oct-56	2.6	-3.3	-4.1	-1.4	-12.3
Berlin Wall built	13-Aug-61	0.3	-0.3	4.4	3.6	-15.3
Cuban Missile Crisis	14-Oct-62	-2.4	3.2	13.9	20.8	27.0
Assassination of JFK	22-Nov-63	5.2	6.7	11.5	16.0	23.9
Authorization of military operations in Vietnam	07-Aug-64	0.6	1.1	4.1	6.6	5.1
Six Day Israel-Arab War	05-Jun-67	4.1	2.8	5.9	7.5	13.5
Israel-Arab War/oil embargo	16-Oct-73	-0.4	-5.3	-14.5	-15.0	-36.2
Nixon impeachment proceedings	06-Feb-74	-2.4	5.1	-1.7	-11.4	-15.8
Shah of Iran exiled	16-Jan-79	1.1	-0.5	1.8	2.4	11.7
Iran Hostage Crisis	04-Nov-79	-1.0	3.6	12.3	3.0	25.9
Soviet invasion of Afghanistan	24-Dec-79	0.3	4.1	-7.8	6.4	25.7
Invasion of Grenada	25-Oct-83	-1.7	0.2	-0.3	-5.0	0.4
Bombing of Libya	15-Apr-86	2.0	-0.6	-1.7	-1.0	19.6
Iraq invades Kuwait	02-Aug-90	-3.3	-9.3	-12.6	-2.1	10.2
Clinton impeachment proceedings	19-Dec-98	3.2	4.6	9.4	13.0	19.6
Bombing of Kosovo	24-Mar-99	1.4	5.3	5.1	3.3	20.4
9/11	11-Sep-01	-5.5	-3.3	4.0	6.7	-16.8
Iraq War	20-Mar-03	-0.8	2.0	13.6	18.7	26.7
Arab Spring	25-Jan-11	1.3	1.9	4.3	3.2	2.7
US intervention in Libya	19-Mar-11	2.7	3.2	-0.6	-4.9	9.8
Russia annexes Crimea from Ukraine	18-Mar-14	-0.4	-1.6	3.7	6.8	12.1
US intervention in Syria	22-Sep-14	-0.8	-4.5	4.2	5.5	-2.6
Brexit vote	23-Jun-16	-0.7	2.5	3.0	7.0	15.4
US airstrike of Syrian airbase	17-Apr-17	1.1	2.3	4.7	8.9	15.2
Saudi Aramco drone strike	14-Sep-19	-0.5	-1.2	5.4	-9.9	11.1
Russia invades Ukraine	24-Feb-22	1.7	5.4	-5.4	-2.1	-7.4
Hamas Attacks Israel	07-Oct-23	0.4	1.2	9.0	20.8	33.5
Iran strikes Israel	13-Apr-24	-3.0	1.9	9.6	13.5	4.7
"Liberation Day"	02-Apr-25	-3.8	-1.8	9.8	18.3	
U.S. strikes on Iranian nuclear sites	22-Jun-25	3.4	5.5	11.7	14.5	
U.S. intervention in Venezuela	03-Jan-26	1.6	1.2			
US & Israel attack Iran	28-Feb-26	-2.0	-7.4			
Average		-0.8	-0.6	2.0	4.3	6.7
Median		-0.4	1.2	4.1	4.2	10.6
% of time down		51	43	35	32	31

Shading indicates events occurring in the context of a broader economic downturn; source: Guardian Capital LP, author's calculations using data from Bloomberg and the Federal Reserve Bank of St. Louis to March 31, 2026

In other words, any impact on financial markets does not last forever; rather, it represents another brick in the “wall of worry” that bull markets climb.

Ultimately, sentiment has normalized from extremes and the underlying macroeconomic fundamentals have provided the needed thrust to get the market up and over the wall (the shading in Figure 1 above indicates events that occurred in the context of recessionary environments and are the only ones in the last six decades to coincide with prolonged market weakness, aside from the inflation and rate hiking-induced selloff that began in 2022). Despite everything going on, right now the underlying drivers of economic growth remain generally positive.

**Figure 2: S&P 500 Composite Price Index and the “Wall of Worry”**



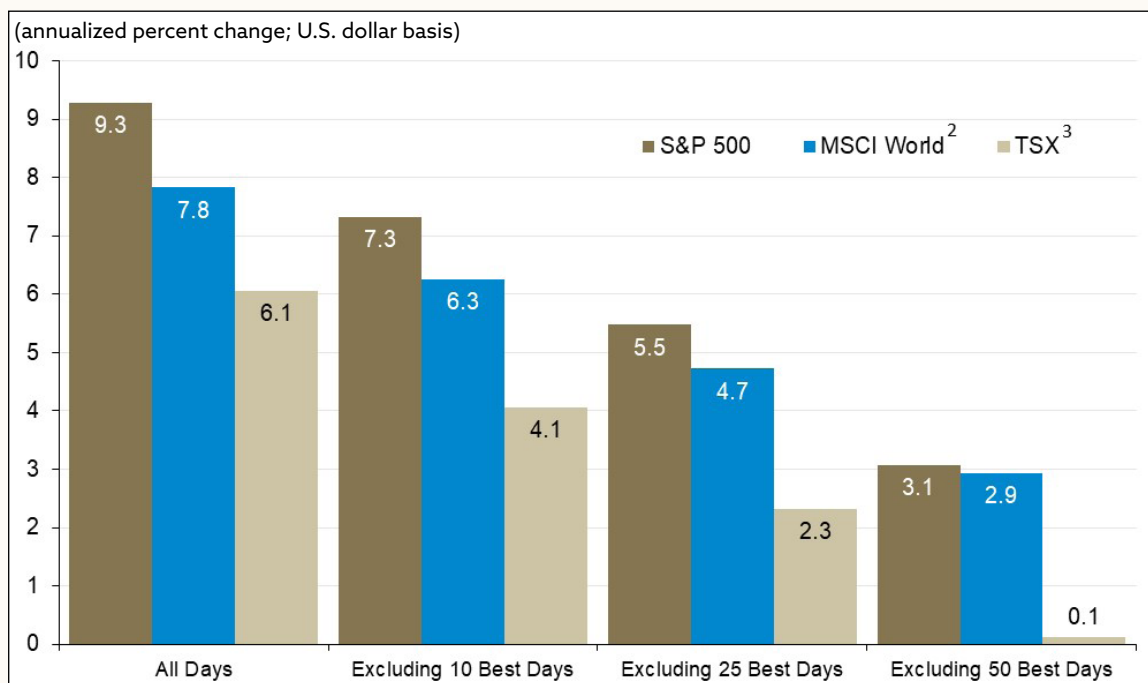
Source: Guardian Capital LP, using data from Bloomberg to March 31, 2026

With this in mind, it is worthwhile to reiterate that while an uptick in uncertainty and market volatility may drive a knee-jerk reaction to pull money out of the market until the dust settles (though, selling is not overly evident in North American equities at the moment), history has shown time and time again that allowing emotion to drive the investment decision-making process is bad for investors' wealth. Short-sighted and undisciplined reactions to short-term events can carry significant negative implications for long-term portfolio performance.

It is never apparent until after the dust has settled, and often there is no discernible reason as to why the market bottoms on the day it actually does. Being in cash as markets fall may well have felt like a great move, but it also typically means that investors find themselves on the sidelines when markets recover – and being even a day late in getting back into the market can have significant negative performance implications in the long-run, as evidenced in the chart on next page (Figure 3 - next page).

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**Figure 3: Long-term impact of missing the best days in the market**



Source: Guardian Capital LP, author's calculations using daily data from Bloomberg from January 1, 1980, to March 31, 2026

<sup>2</sup> The MSCI World Index captures mid- and large-cap representation across 23 developed market countries.

<sup>3</sup> The S&P/TSX Composite Index is the benchmark Canadian index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange (TSX) with about 250 companies included in it.

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