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The Ongoing Middle Eastern Crisis – An Investment Perspective

The events unfolding in Iran have shocked the world, and tensions are continuing to escalate. Since the Ukraine war started in 2022 (in addition to the other crises of the last few years), global headlines tell a continuous story of violence, trauma and political polarisation.

Sadly, we are not able to solve the world's problems or comment with any authority about the current crisis (or the decades-long conflict which preceded it). We can only say our thoughts are with those affected and that we hope for a peaceful resolution.

We can only focus on what we can control, which means helping investors make good decisions with their money, despite everything that is going on in the world.

The Financial Impact of the US-Iran Crisis

While markets often "price in" regional instability, the direct involvement of the United States and Israel against Iran in early March 2026 has triggered a more pronounced reaction than previous local conflicts.

Global markets are currently navigating a "risk-off" environment, characterised by a flight to safety as investors weigh the possibility of a prolonged regional campaign. Reports suggest that more than 1,000 people have been killed, with US and Israeli strikes now hitting Iranian oil storage depots and refining facilities for the first time. Al Jazeera Iranian strikes have hit Dubai, Abu Dhabi, Doha, Beersheba, and US assets in Kuwait and Qatar.

Here are some of the key drivers of the current market volatility

- **Energy Shock and the Strait of Hormuz:** Unlike previous localised skirmishes, the current conflict has led to a de facto closure of the Strait of Hormuz. With approximately 20% of the world's oil and LNG passing through this chokepoint, Brent crude has surged above \$100 per barrel amid fears of supply disruption, while European gas prices surged by 40% following supply disruptions in Qatar.
- **Defence Sector Surge:** Military spending is no longer just a theoretical "boost." With the initiation of Operation Epic Fury, defence contractors like Lockheed Martin and Northrop Grumman have seen double-digit year-to-date gains. Analysts expect defence budgets to become "more urgent and less controversial" as the conflict persists.
- **The "Safe Haven" Pivot:** We are seeing a classic rotation into protective assets. Gold has hit new highs, trading near \$5,400 at a highpoint (recently pulling back to \$5,158–\$5,185/oz). The US Dollar and Treasury bonds have also strengthened. Interestingly, Bitcoin has also shown resilience, surging over 5% as some investors treat it as an alternative to "digital gold" amid fiat and geopolitical uncertainty.
- **Stagflationary Risks:** The main concern for central banks is the "stagflationary" nature of this crisis. Higher energy costs act as a tax on consumers, pushing inflation expectations higher just as the Federal Reserve was hoping to finalise interest rate cuts.
- **Direct vs Indirect Exposure:** While Iran accounts for a negligible share of global market capitalisation, its role as a major energy exporter to China and its ability to disrupt global trade routes mean that even a "diversified" portfolio is feeling the heat through higher industrial input costs and shipping delays.

Investor Sentiment: Panic vs Persistence

The current market reflects a "wait-and-see" approach. Historical precedents—such as the 1990 Gulf War—show that markets often see a sharp, short-lived sell-off (averaging around 3-10%) followed by a recovery once the scope of the conflict is clear. However, with US leadership signalling a goal of "regime change," the duration of this volatility may be longer than the "short bursts" seen in previous years.

What Should You Do

We can't control the market, the economy, or the tragic events which happen every day. Trying to predict or time these factors to gain a financial advantage is usually time-consuming, pointless, and ultimately damaging to your returns.

If you are aware of a situation that could impact share prices, so are millions of other people, many of whom will have already acted on the information. An efficient market means that any information in the public domain is already priced in, and it's too late to gain any real benefit.

Our tips for investing during a crisis are below:

- Avoid making reactive changes to your portfolio or panic-selling during a downturn.
- Be patient. History tells us that equity markets generally produce positive performance given a long enough timeframe.
- Invest in a diverse range of assets from across the market.
- Keep enough cash in the bank to cover short-term spending and any emergencies that might arise.
- Stick with your plan unless anything changes – this means maintaining your agreed level of risk and keeping up with your regular contributions.
- Remember that some things are more important than money. Take care of your health, spend time with your loved ones, and focus on enjoying life rather than worrying about the market.

If you would like to review your financial plan or discuss your investments in light of current events, please don't hesitate to contact a member of the team.

Please note:

The information in this article is provided for general guidance only and does not constitute personal financial or investment advice. The value of investments can go down as well as up and you may get back less than you invest. Past performance is not a reliable indicator of future results. Market conditions can change rapidly, particularly during periods of geopolitical uncertainty. You should consider seeking independent financial advice before making any investment decisions.

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