

Financial Market ViewPoints

Assessing the Initial Market Impact of the Iranian Conflict

Periods of geopolitical conflict can be unsettling for investors, as uncertainty often rises quickly and new developments can affect the global economy with little warning. Broader market reaction to the conflict in Iran has been relatively contained to this point with the S&P 500 trading about three percent below its recent all-time high. While the immediate reaction has been modest, the coming days will be important as the situation continues to evolve. To better understand how this may affect investors' portfolios, it is often helpful to review how the conflict began and what has unfolded thus far.

Tensions between Israel and Iran have existed for years, largely centered on Iran's nuclear program, which the U.S. had recently attempted to address through negotiations that ultimately broke down. On February 28, 2026, the U.S. and Israel conducted coordinated strikes on Iranian military and leadership targets, including a reportedly fatal strike on Iran's Supreme Leader Ali Khamenei. Iran responded with retaliatory attacks that targeted Israel as well as U.S. military bases across the region and some neighboring countries. Since the initial exchange, both sides have continued to launch strikes against one another and the duration of the conflict remains uncertain.

Initial Market Reaction

As the first trading day of March began Monday morning, stocks¹ fell by roughly half a percentage point as investors de-risked portfolios hoping to get ahead of any further potential fallout. Nevertheless, and to the surprise of many investors, stocks pared back losses and actually closed up on the day. As a deluge of news continued to be released moving into Tuesday, major indices took a hit at the opening bell but this time, by significantly more, being down nearly 2.5%. Once again, however, U.S. stocks impressively clawed back more than just the days' worth of intraday losses as news continued to develop.

As for international and emerging markets stocks, emerging markets felt the brunt of Tuesday's price weakness mainly due to this area being more sensitive to price shocks and currency volatility. Naturally, global investors tend to reduce exposure to higher risk regions during periods

		U.S. Large Cap Stocks (S&P)	International Stocks (MSCI)	Emerging Markets Stocks	Crude Oil	U.S. Dollar
Monday 3/2/2026	Open	6806.20	3105.05	1578.45	72.04	98.50
	Low	6806.20	3100.79	1578.45	70.27	98.35
	High	6900.72	3116.36	1582.98	72.76	98.75
	Close	6881.59	3110.64	1581.00	71.47	98.55
	Day % Change	1.11%	0.18%	0.16%	-0.79%	0.05%
Tuesday 3/3/2026	Open	6775.47	3110.66	1580.89	71.63	98.53
	Low	6711.70	3084.34	1541.07	70.42	98.44
	High	6838.72	3112.46	1585.78	72.69	98.76
	Close	6816.63	3085.26	1541.84	72.69	98.75
	Day % Change	0.61%	-0.82%	-2.47%	1.48%	0.22%

¹ Stocks, as represented by the S&P 500 Index

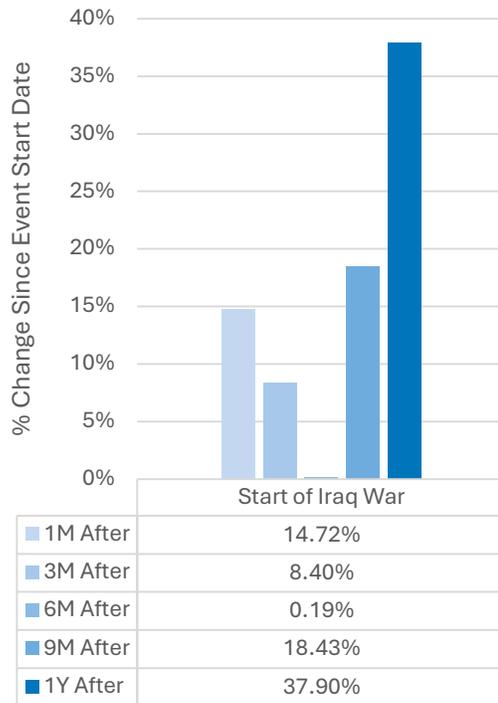
Source: Bloomberg.

of uncertainty. For these reasons, historically speaking, emerging markets have underperformed their more developed counterparts during similar geopolitical flare ups.

Outside of just the initial impact on the stock market, historically, geopolitical shocks tied to the Middle East tend to send shockwaves through one primary channel: oil markets. The price per barrel of oil declined materially throughout 2025. However, heightened concerns around supply disruptions, particularly involving the Strait of Hormuz, which is a key waterway for global oil trade, have resulted in an increase in the risk premium as an immediate impact of this developing conflict. This price reaction came as no surprise either as militaristic conflicts in the Middle East have historically led to similar reactions with regards to the price per barrel of oil as illustrated here with the start of the Iraq War in 2003.

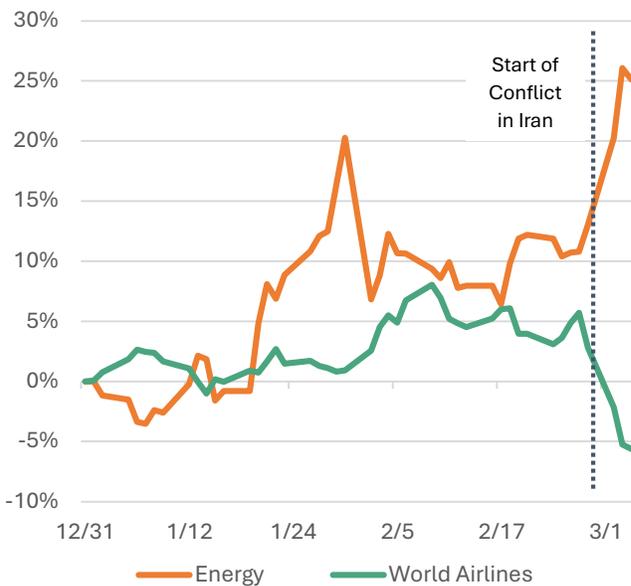
With this being said, energy has been one of the industries that has posted positive returns since the beginning of this conflict. Oil and natural gas prices have both risen as investors weighed the prospects of future disruptions regarding production and transportation. This dynamic of outperformance is consistent with the beginning stages of other similar conflicts when looking back at history.

Oil Price Change From Start of Iraq War in 2003



Source: Bloomberg.

Selected Industry Performance Through 2026



Source: Bloomberg.

Investors worked to digest how this conflict would impact inflation as well, as energy price shocks feed directly into headline CPI. This can be seen through changes in gas prices, heating oil, and other related utility costs. These pressures also affect core inflation by increasing transportation costs across the economy. If crude oil and natural gas prices remain elevated, upcoming inflation reports could reflect upward pressure in headline readings even if the moderating core trends we have been seeing remain stable. To add some additional context, the U.S. Federal Reserve notes that the effects of a 10% increase in oil prices could raise headline

CPI by nearly 0.15%². For these reasons, watching for comments from Federal Reserve Governors throughout the month, and from Fed chair Jerome Powell in the third week of March will be crucial, as they may offer investors hints as to how this conflict could affect the trajectory of monetary policy.

Current market indicators also suggest that broader financial conditions have, from a high level, remained relatively stable despite recent headlines. For example, the CBOE Volatility Index (VIX), which stands as a fear gauge for the financial markets, is currently hovering in the low 20's. While this is slightly elevated, it remains well below levels historically associated with severe market stress which starts around the 35+ range. Taking this a step further, periods of elevated volatility have historically created opportunities for long-term investors, allowing those with available cash to invest in stocks and other assets at more attractive valuations.

Navigating Through Periods of Uncertainty & Volatility

Overall, the market's initial reaction to the early stages of this conflict have followed a familiar historical pattern to what we would expect amid the heightened uncertainty that already existed in the marketplace. So far, higher oil prices, energy outperformance, and pressure on travel, airlines, and emerging markets, are all consequences that are to be expected when situations like this one have arisen in the past. While financial markets often stabilize as time passes after these initial shocks, the persistence and magnitude of energy price moves will likely play a big role in whether or not the economic impact of this conflict remains contained or becomes inflationary for consumers and businesses.

While geopolitical events can generate alarming headlines and short-term volatility, history shows that reacting emotionally to these developments often leads to poor investment decisions. For long-term investors, maintaining discipline and sticking to an investment plan becomes especially important when uncertainty rises. While some investors may feel compelled to sell after seeing negative news, the broader market currently remains close to all-time highs supported by another quarter of strong corporate earnings. Trying to time the market is also inherently difficult because it requires being correct twice, both when selling and when deciding to reenter. Furthermore, looking at historical data, some of the market's strongest daily gains have come shortly after periods of market declines, which means that investors who sell during these times often risk missing some of the best days in the market. Nonetheless, we are in a period of increased geopolitical risks and uncertainty, both of which will likely continue to impact the markets over the short term.



Jason Orlosky
Global Managing
Director Investments
Jason_Orlosky@ajg.com
(609) 532-3909



Pete Drewienkiewicz*
Global Chief Investment Officer
Investments
Pete_Drewienkiewicz@ajg.com
+44(0) 20 3326 7138



Jeffrey Covell*
Executive Area Vice
President Investments
Jeffrey_Covell@ajg.com
(202) 898-2270



Jim McCarriston*
Client Investment Analyst
Investments
Jim_McCarriston@ajg.com
(781) 246-1433



Ryan Gallagher*
Client Investment Analyst
Investments
Ryan_Gallagher1@ajg.com
(781) 404-5202

² Alp, Harun, Matthew Klepacz, and Akhil Saxena (2023). "Second-Round Effects of Oil Prices on Inflation in the Advanced Foreign Economies," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, December 15, 2023, <https://doi.org/10.17016/2380-7172.3401>.

* Pete Drewienkiewicz, Jeffrey Covell, Jim McCarriston and Ryan Gallagher are not acting in the capacity of an investment advisor representative

Risks and Disclosures

This is Gallagher's current assessment of the market and may be changed without notice. This material contains projections, forecasts, estimates, beliefs, and similar information ("forward looking information"). Forward looking information is subject to inherent uncertainties and qualifications and is based on numerous assumptions, in each case whether identified herein. The information is presented for informational purposes only, is not intended to constitute personalized investment advice or a recommendation to buy or sell any particular security or securities, is not tailored for any particular circumstance or client, and does not purport to meet the objectives or needs of any specific client or account.

Certain information is based on data provided by third-party sources and, although believed to be reliable, it has not been independently verified and its accuracy or completeness cannot be guaranteed.

Past performance is no guarantee of future results. All investments involve risk, including the possible loss of principal, and there is no guarantee that investment objectives will be met. Before investing, consider your investment objectives and Gallagher's charges and expenses.

Investment advisory services are offered by **Gallagher Fiduciary Advisors, LLC ("GFA")**, an SEC registered investment advisor that provides retirement, investment advisory, discretionary and independent fiduciary services. Registration as an investment adviser does not imply any specific level of skill or training and does not constitute an endorsement of the firm by the SEC. **GFA** is a limited liability company with Gallagher Benefit Services, Inc. as its single member. **GFA** may pay referral fees or other remuneration to employees of Arthur J. Gallagher & Co. or its affiliates or to independent contractors; such payments do not change our fee. Neither Arthur J. Gallagher & Co., **GFA**, their affiliates nor representatives provide accounting, legal or tax advice.

Securities offered through **Osaic Wealth, Inc.** member FINRA/SIPC. **Osaic Wealth** is separately owned and other entities and/or marketing names, products or services referenced here are independent of **Osaic Wealth**. Neither **Osaic Wealth** nor their affiliates provide accounting, legal or tax advice. GFA/Osaic CD (8812348) Exp(032028)

More information about Gallagher Fiduciary Advisors, LLC, including its advisory services and fee schedule can be found in Form ADV Part 2 which is available upon request.

Asset class risks

Bonds: are subject to market, interest rate and credit risk; and are subject to availability and market conditions.

Generally, the higher the interest rate the greater the risk. Bond values will decline as interest rates rise. Government bonds are subject to federal taxes. Municipal bond interest may be subject to the alternative minimum tax; other state and local taxes may apply. High yield bonds, also known as "junk bonds," are subject to additional risks such as the increased risk of default. Debt securities may be subject to call features or other redemption features, such as sinking funds, and may be redeemed in whole or in part before maturity. These occurrences may affect yield. Like all bonds, corporate bonds tend to rise in value when interest rates fall, and they fall in value when interest rates rise. The longer the maturity of the bond, the greater the degree of price volatility. If you hold a bond until maturity, you may be less concerned about these price fluctuations (which are known as interest rate risk or market risk), because you will receive the par or face value of your bond at maturity.

Stocks of Large Growth and Value Companies: Portfolios that emphasize large and established U.S. companies may involve price fluctuations as stock market conditions change.

Stocks of Small- and Mid-Capitalization Companies: Tend to involve more risk than stocks of larger companies. Investments in small- and mid-sized corporations are more vulnerable to financial risks and other risks than larger corporations and may involve a higher degree of price volatility than investments in the general equity markets.

International/Global/Emerging Markets Investments: International investing may not be suitable for every investor and is subject to additional risks, including currency fluctuations, political factors, withholding, lack of liquidity, the absence of adequate financial information, and exchange control restrictions impacting foreign issuers. These risks may be magnified in emerging markets.

Commodities: Commodities are assets that have tangible properties, such as oil, metals, and agricultural products. An investment in commodities may not be suitable for all investors. Commodities may be affected by overall market movements and other factors that affect the value of a particular industry or commodity, such as weather, disease, embargoes, or political and regulatory developments. Commodities are volatile investments and should only form a small part of a diversified portfolio. Diversification does not ensure against loss. Consult your investment representative to help you determine whether a commodity investment is right for you. Market distortion and disruptions have an impact on commodity performance and may impact the performance and values of products linked to commodities or related commodity indices. The levels, values or prices of commodities can fluctuate widely due to supply and demand disruptions in major producing or consuming regions.

Index definitions

S&P 500 Index: is a capitalization weighted index that is generally considered representative of the U.S. Large Cap market. It consists of 500 of the leading large cap U.S. companies.

Dow Jones Industrial Average Index: is a price weighted index that is generally considered representative of the U.S. Large Cap market. It consists of 30 blue-chip stocks that are generally regarded as the leaders in their industry.

NASDAQ Composite Index: is a capitalization weighted index that is generally considered representative of the U.S. Technology market. It consists of all three tiers of the NASDAQ: Global Select, Global Market, and Capital Market.

Russell 2000 Index: is a capitalization weighted index that is generally considered representative of the U.S. Small Cap market. It consists of 2,000 of the leading small cap U.S. companies.

MSCI EAFE Index: is a free float-adjusted market capitalization index that is designed to measure equity market performance of developed international markets. The EAFE region includes developed market countries in Europe, Australasia, the Far East, and Israel.

MSCI Europe Index: is a free float-adjusted market capitalization index that is designed to measure equity market performance of European developed markets.

MSCI Japan Index: is a free float-adjusted market capitalization index that is designed to measure equity market performance of the Japanese market.

MSCI Emerging Markets Index: is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

MSCI China Index: is a free float-adjusted market capitalization index that is designed to measure equity market performance of the Chinese market.

Bloomberg U.S. Aggregate Bond Index: is a broad-based flagship benchmark that measures the investment grade U.S. dollar denominated, fixed-rate, taxable bond market. The index includes Treasuries, government-related and corporate securities, Mortgage-Backed Securities or "MBS" (agency fixed-rate pass-throughs), Asset-Backed Securities or "ABS", and Commercial Mortgage-Backed Securities or "CMBS" (agency and non-agency).

Bloomberg U.S. Government Bond Index: consists of the U.S. Treasury and U.S. Agency Indices. This index includes U.S. dollar denominated, fixed-rate, nominal U.S. Treasuries and U.S. agency debentures (securities issued the U.S. government owned or government sponsored entities, and debt explicitly guaranteed by the U.S. government).

Bloomberg U.S. Municipal Bond Index: covers the U.S. dollar denominated long-term tax-exempt bond market. The index includes four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Bloomberg U.S. Corporate Bond Index: measures the investment grade, fixed-rate, taxable corporate bond market. The index includes U.S. dollar denominated securities that are publicly issued by U.S. and non-U.S. industrial, utility, and financial issuers.

Bloomberg U.S. Corporate High Yield Bond Index: measures the U.S. dollar denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating from the ratings agencies (Moody's, Fitch, and S&P) are Ba1/BB+/BB+ or below. Bonds issued from an emerging market country are excluded from the index.

Crude Oil: is represented by the generic front month futures contract for West Texas Intermediate (WTI) crude oil.

Gold Spot Price: is represented by the current spot price of one Troy Ounce of gold in U.S. dollars.

Inflation: is measured by the year-over-year change for the Consumer Price Index or "CPI". This index represents the changes in the prices of all goods and services purchased for consumption by urban households. User fees (such as water and sewer) and sales and excise taxes paid by consumers are also included.

Fed Funds Rate: is the target interest rate set by the U.S. Federal Reserve (Fed) or "Central Bank". This index reflects the Fed's efforts to influence short-term interest rates as part of its monetary policy strategy. The index value is calculated by using the midpoint of the Fed's rate policy when they target a rate range (i.e., 0.25% - 0.50%).

Indexes are shown for illustrative purposes only, may not be available for direct investment, are unmanaged, assume reinvestment of income, and have limitations when used for comparison or other purposes because they may have volatility, credit, or other material characteristics (such as number and types of securities) that are different.