

7 things investors should know about the evolving conflict with Iran

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Investor uncertainty increased in the days following the U.S. and Israeli military campaign against Iran, which began on February 28.

So far...

- Market volatility does not reflect a change in urgency, mindset or decision-making. The market in recent days has had an orderly tone to it—not one of panic.
- Historically, negative market reactions based on geopolitics have tended to be short-lived. A recent Fidelity analysis concluded that a broad, aggregated set of geopolitical shocks from Pearl Harbor through the 2022 Russia–Ukraine invasion resulted in an average equity return over the following 12 months of about 8% (roughly the same as equities’ long-run annual average.)¹
- On Wednesday, the U.S. said the Navy may escort oil tankers through the Strait of Hormuz, if needed. In addition, the administration said it would insure tankers through the International Development Finance Corporation. U.S. crude fell on this news (near \$74), down from about \$78 on March 3.

A key factor remains the expected duration of the conflict. Market behavior suggests investors are pricing in a potentially more prolonged period of uncertainty.

In a recent discussion, Fidelity’s Jacob Weinstein, Senior Vice President of Fidelity’s Asset Allocation Research Team (AART), pointed to **seven things to keep in mind** as the scenario in Iran unfolds—and the potential impacts on the investment landscape.

1. We’re in a world of heightened geopolitical risk.

It’s unclear how the conflict might eventually involve other major military and economic powers regionally and globally, especially if—as conventional thinking holds—Iran aims to prolong the duration of the fighting. For the moment, China—a close economic and security partner of Iran—and other major world players seem to be taking a wait-and-see approach. What does seem likely, Weinstein says, is that unexpected geopolitical events are more likely in the current environment.

2. Higher energy prices could have follow-on impacts.

Fluctuating energy prices could impact consumer confidence and spending—especially if the conflict proves lengthy. However, oil has less sway on consumer spending than in the past. As of early 2026,

¹ **Past performance is no guarantee of future results.** Analysis, conducted by Fidelity Investments on 3/2/26, calculated the 12-month forward return of the S&P 500 after the start of 11 historical geopolitical events: Pearl Harbor attack (12/1941), Korean conflict (6/1950), Cuban Missile Crisis (10/1962), Vietnam (8/1964), Six-Day War (6/1967), oil embargo (10/1973), Iraq invades Kuwait (8/1990), Gulf War (1/1991), September 11 attack (9/2001), Iraq War (3/2003), Russia-Ukraine invasion (2/2022). The average return 12 months after these events equaled 8% (using monthly data).

energy spending comprises around 3% of a typical U.S. consumer's basket of goods consumption, down from a peak of more than 10% in the early 1970s.

So far, energy prices have not risen enough to tilt the economy into a recession, Weinstein believes. Businesses may have to pay higher input prices for energy. That could get passed along to consumers. It's something to watch, but Weinstein says it's not yet a significant economic threat.

3. This is not Venezuela.

Unlike Venezuela, Iran is a regional power, a bigger economy, a major energy producer, and a country with a significant military force. It also has proxy forces, including Hezbollah and the Houthis, on its side. Therefore, Weinstein sees a wide range of possible outcomes and risks, potentially over a longer period.

4. Keep an eye on inflation—and growth.

A prolonged conflict could keep energy prices higher for longer, putting more upward pressure on inflation. If rates continue to move higher as a result, Weinstein says he'll be watching the reaction of the U.S. Federal Reserve. One potentially contrarian development to watch: If the Fed and other central banks were to become more concerned about the impact of the conflict on economic growth vs. inflation, it could increase the potential for monetary accommodation.

5. The business cycle stays the same—for now.

Nothing has changed in terms of the U.S. business cycle, which remains in the mid-cycle phase, according to AART's research. As of early March, Weinstein sees a low recession risk and believes it would take a more significant shock to oil markets to change the current expansionary state of the business cycle. This is not something the Asset Allocation Research team anticipates as its base case.

6. Focus on fundamentals.

Geopolitical risks have increased. Yet Weinstein notes this has happened amid a strong overall trend for corporate earnings, which has moved beyond large cap growth companies to include value stocks, small caps, and other asset classes—a so-called broadening trade.

7. Think diversification.

Weinstein notes that for longer-term investors, lower prices equal more attractive entry points. This could open opportunities for dip-buying and diversification from U.S. equities. AART also has been encouraging clients to think about hedging in a new era of geopolitical risk. Considerations include diversification into commodities and precious metals.

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