COMMENTARY
April 2, 2026

Mind on the Market

Chart of the Week

Source: FactSet, State Street Investment Management as of March 31, 2026, for the period of January 01, 1990, to March 31, 2026. MSCI All Country World Index total returns in USD terms are represented. No returns were assumed during the period investors sat out of the equity market.

Market timing is appealing but consistently executing it requires near-perfect precision. Efforts to sidestep volatility or wait for better entry points often prove costly, as long-term returns are often concentrated in relatively few, strong market advances. These rebounds tend to cluster around periods of heightened volatility, including geopolitical shocks. As uncertainty fades, equity markets typically stabilize, rewarding investors who stay invested rather than attempting to time exits and re-entries.

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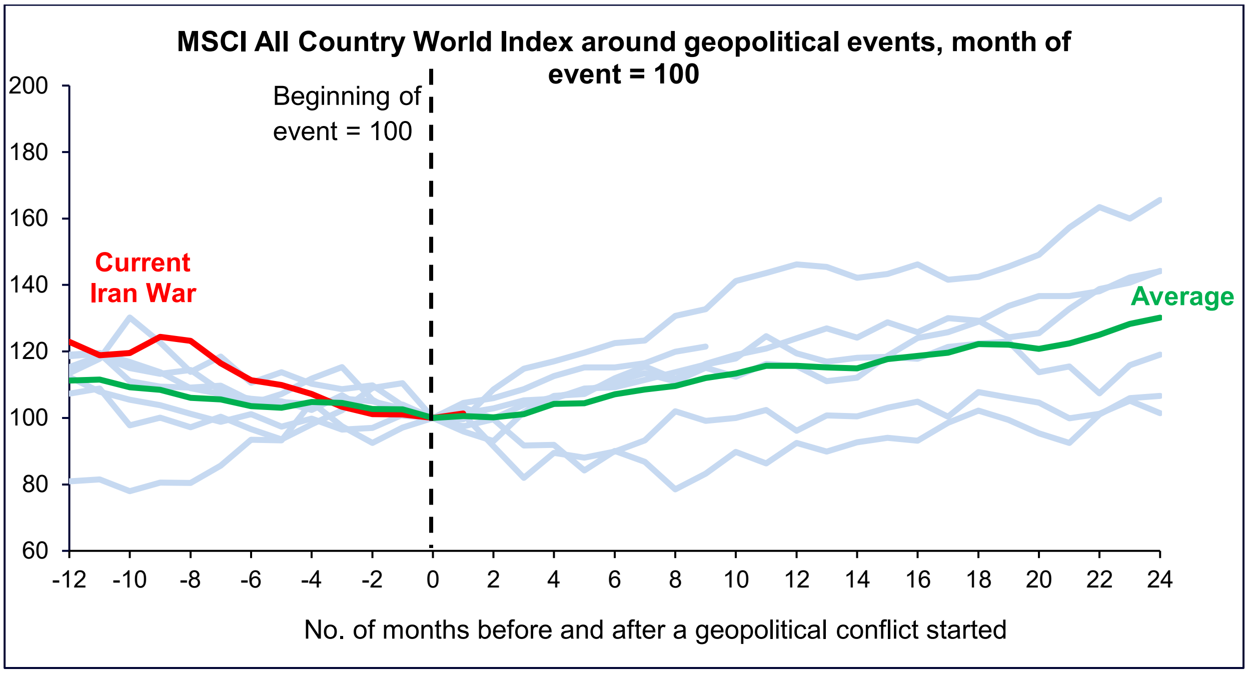
Weekly Highlights

Worst-hit equity market since the Middle East conflict began	Increase in market volatility (VIX) since the beginning of the Middle East conflict	Peak of Brent Crude during ongoing conflict in the Middle East (March 9, 2026)
Korea (-24)%	+27%	$119.5
Source: FactSet. MTD performance, as of March 31, 2026, in USD.	Source: FactSet. Data as of March 31, 2026.	Source: FactSet.

Markets tend to shake off geopolitical conflicts

The war in Iran has entered its fifth week, keeping geopolitical risks elevated and spillovers uncertain. While recent de-escalatory signals have been interpreted by markets as a sign the conflict may be approaching an end, our base case has shifted toward a more prolonged phase. Even if a ceasefire framework begins to take shape, the duration of the energy shock remains unclear. Energy flows may normalize more slowly than consensus expects or continue to carry a risk premium until uncertainty materially recedes, suggesting continued headline-driven volatility, even if longer-term equity outcomes remain resilient.

Market behavior in recent weeks reinforces this dynamic. De-escalation headlines have repeatedly triggered sharp but short-lived risk-on moves, often reversing when those signals failed to translate into lasting outcomes. On March 9, Brent crude recorded its widest intraday range of the conflict, surging to a peak of $119.5 on renewed US/Israeli strikes and fears of deeper disruption in the Strait of Hormuz, before retreating below $90 after President Trump suggested the conflict could end “very soon.” Similarly, a five-day postponement of strikes on Iranian energy infrastructure on March 23 sparked a relief rally, with the S&P 500 rising about 1.2% as yields and the dollar moved lower. A comparable response followed on March 31, when indications that US operations could wind down lifted US equities by nearly 3% in a single session. In each case, markets reacted to changes in perceived risk rather than improvements in fundamentals or physical oil supply.



Source: FactSet, State Street Investment Management. MSCI All Country World Index total returns in USD terms are represented, with data as of March 2026. Events include: First Gulf War/ Iraq's invasion of Kuwait (August 1990 to February 1991) Second Gulf War/Iraq War (March 2003 to December 2011), Bombing of Syria (April 2017), Russia invades Ukraine (February 2022 to April 2022), Hamas attacks Israel/Gaza War (October 2023 to present), Iran attacks Israel (April 2024), US-Israeli attacks on Iran (June 2025), Current Iran War (February 2026).

History suggests such reactions are typical. Geopolitical events have rarely left a lasting imprint on equity markets, with growth dynamics and financial conditions proving far more important over time. The chart tracks global equity returns from the onset of major geopolitical shocks, showing that while markets often sell off initially as worst-case scenarios are priced, they tend to stabilize and recover even while conflicts remain unresolved. On average, equities have been higher one and two years after past shocks. Below-average outcomes have typically followed episodes that evolved into genuine macro shocks - notably the First Gulf War (1990-1991) and the Russia–Ukraine conflict (2022) - where physical oil supply disruptions tightened financial conditions and weighed on growth. By contrast, episodes that did not materially impair supply have tended to track above the average path - War in Iraq (2003-2011), Gaza conflict (2023-present) and Iran's attack on Israel (2024).

So far, the current episode appears closer to this historical norm. The conflict has disrupted oil markets, but the extent to which it creates a prolonged supply shock is still uncertain. While critical supply moving through the Strait remains constrained, alternative routes, emergency stock releases, and temporary policy waivers have helped cushion supply in the short run, leaving the impact felt more in prices than in availability thus far. Even the price move has been relatively contained: Brent's peak near $119.5[1] per barrel remains well below the $129[2] highs reached during the 2022 Russia–Ukraine shock. More importantly, the conflict has not yet forced a material reassessment of inflation dynamics, earnings expectations, or central bank reaction functions. This helps explain why equity weakness has been episodic rather than persistent, and why volatility has been front-loaded.

For investors, the lesson is familiar. Markets do not wait for peace; they stabilize once the probability of worst-case outcomes begins to fall. Efforts to sidestep volatility in response to headlines have often meant missing the early phase of recovery evident across past conflicts. As long as this episode remains primarily a price shock rather than a sustained supply shock, the balance of evidence continues to favor staying invested, maintaining diversification, and preserving liquidity rather than reacting to each shift in geopolitical news.

Source: State Street Investment Management, MSCI, FactSet.

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* This figure is presented as of December 31, 2025 and includes ETF AUM of $1,950.80 billion USD of which approximately $173.02 billion USD in gold assets with respect to SPDR products for which State Street Global Advisors Funds Distributors, LLC (SSGA FD) acts solely as the marketing agent. SSGA FD and State Street Investment Management are affiliated. Please note all AUM is unaudited.

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Important Risk Information

[1] Source: FactSet. Brent crude spot price as of March 9, 2026.
[2] Source: FactSet. Brent crude spot price as of June 8, 2022.

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