

Iran, Oil, and Your Portfolio

Rockwood's Quarterly Perspective

Financial markets have always had a flair for drama. Just when things start to feel calm, something arrives to test our nerves—and lately, headlines surrounding conflict with Iran and rising oil prices have understandably unsettled some investors. Oil, it seems, is not just another commodity—it is deeply embedded in the global economy, touching everything from transportation costs to inflation expectations. When it spikes, it feels consequential. When it spikes alongside geopolitical tension, it feels ominous.

A HISTORICAL PERSPECTIVE ON CRISIS AND MARKETS

It's worth stepping back and remembering a simple, data-backed truth: geopolitical crises and oil shocks are not new, will happen again, and historically, they have not been reliable predictors of long-term market downturns.

Let's consider a few examples. During the Gulf War in 1990–91, oil prices surged roughly 130% in a matter of months. Recession fears mounted. Yet the market bottomed in October 1990—well before the conflict officially began in January 1991—and the S&P 500 went on to gain over 30% that year.

Or take the Iraq War in 2003. Markets were weak leading up to the invasion, weighed down by uncertainty. But once the event itself occurred—once uncertainty became reality—the S&P 500 rallied approximately 26% over the course of the year.



Even in more recent history, the pattern holds. During Russia's invasion of Ukraine in 2022, oil prices spiked above \$120 per barrel, inflation surged, and recession fears dominated headlines. The market experienced volatility, but it also began adjusting almost immediately. New information was incorporated, and investors who stayed invested were rewarded.

More broadly, data from the Center for Research in Securities Prices show that, since World War II, the average market drawdown during major geopolitical events has been in the mid-teens, with recovery typically occurring within months—not years. In other words, markets tend to process bad news quickly and then move forward, often before the news itself improves.

IT MAY FEEL WORSE THAN IT IS

This brings us to the more recent past. Twelve months ago, the dominant narrative was not oil or geopolitics, but tariffs and trade wars. Investors were deeply concerned about escalating tensions, supply chain disruptions, and the potential for a global slowdown.

It was, in many ways, a perfect storm of uncertainty. And yet, the outcome was strikingly different from the fears. Global stocks delivered a historically strong year, and diversified portfolios performed well. Once again, the story felt worse than the reality.

This is where behavioral finance becomes critical. As investors, we are wired to react to vivid, immediate threats. Oil prices spike, headlines flash, and our instincts tell us to “do something.” But historically, “doing something” in response to fear has been far more damaging to long-term investor outcomes than the events themselves.



YOUR STRATEGY IS ALREADY IN PLACE

The disciplined alternative is not inaction—it is strategy. It is the strategy you already have in place. One that already contemplates rebalancing, tax-loss harvesting, and continuous evaluation of your protective reserves. Your strategy features the decision to remain invested in a well-constructed portfolio: balanced, low-cost, globally diversified, and tax-aware. Your strategy is not illusory; it is rooted in evidence, backed by data, and specifically designed to weather uncertainty. Diversification is not just your slogan; it is your shock absorber.

It is also worth remembering that markets are forward-looking. By the time a geopolitical risk is widely discussed—by the time it feels obvious—it is typically already reflected in prices. The greater danger is not that markets are ignoring the risk, but that investors are reacting to it after the fact.

Or, to put it in food-related terms: by the time the evening news, TikTok, or X is explaining why you should be worried, the market has already had breakfast, digested the issue, and moved on with its day.

That doesn't mean that prices can't fall further, or that a persistent downturn might not follow. Market risk is quite relevant. It is real, and it matters. But risks are also persistent. There will always be another concern, another headline, another reason to feel uneasy. If long-term investment success depended on waiting for a world free of worry, it would be categorically unattainable. Fortunately, as a Rockwood client, you already know that it certainly does not!



Our Team

Mark Arcidiacono Jr., CFP®, Principal
Kenny B. Bauer, EA, CFP®, Principal
John T. Hagan, MSF, CFP®, Principal
Mark T. Kelly, CPA, MST, CAIA, Principal
Jeff B. Llewellyn, MBA, CFA, CFP®, Principal
Paige E. Marlow, Principal
Renee A. Schuster, EA, MBA, CFP®, Principal
Rob T. Stephenson, CFP®, AIF®, Principal
Geraldine Broadbent, ChFC
Maxwell V. Dalavai, EA, CFP®
Trey N. Dusek
Michael D. Flaten
Najeedah Ghias, CFP®
Erin Hahn
Benjamin Herman, CFP®
Courtney Krzaczyk, MAcc, CPA, CFP®
John A. Little
Jennifer L. Malinowski, SHRM-CP
Siddhi S. Malvankar
Mackenzie A. Molan
Emily A. O'Connor, CFA
Kyle D. Quigley, MBA, CFP®
Natalia Rybak, CFP®
Carlie E. Shorr
Daphne J. Smoley
Patti A. Vidakovic

John R. Augenblick, MBA, CFP®, CEO
Sam W. Feldbaum, MST, CFP®, Principal
Brian M. Hansen, CPA, CFP®, Principal
Adam R. Klazmer, EA, CFP®, Principal
Megan J. Lottier, MST, CPA, Principal
Travis Roe-Raymond, CFA, CFP®, Principal
James A. Smith, Principal
Robert M. Vogel, CFP®, Principal
John E. Collins, CFP®
Courtney L. Durham, CFP®
Kimberly A. Evans, CFP®
Jack P. Gawason, CFP®
Hunter Gilmore
John Helvie, CFP®, DPT
Joe Houk
Kristen G. Lepson
Leigh R. Machion
Robert J. Maloney
Jade A. Meier, CFP®
Catherine P. Morgan, CFP®
Phoebe A. O'Malley
Tiffany Revels
Viviana Salgado
Alexis N. Smith
Jack P. Ventresca
Jackson C. West