

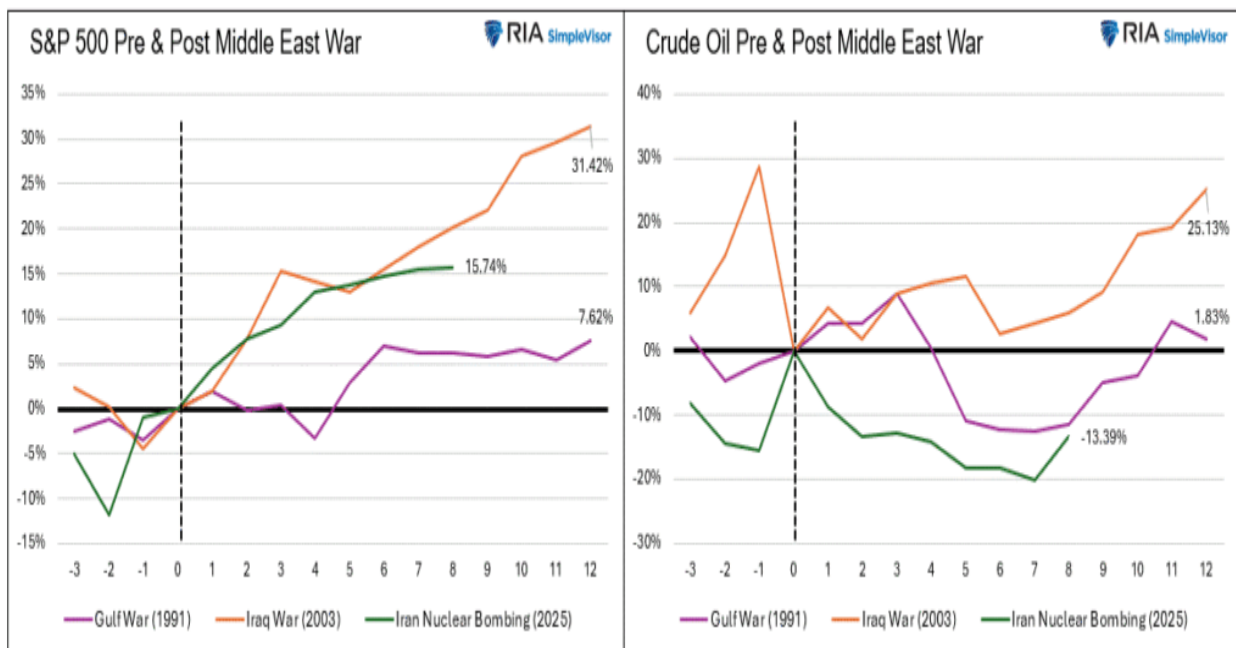
Middle East Military Conflicts And Stocks

The question for investors is how the Iranian conflict will affect the stock market. The markets' initial reaction on Sunday was concern as the S&P 500 fell by over 1%, crude oil rose nearly 10%, and precious metals rallied. Within 12 hours, many of the substantial gains or losses, except oil, were reversed. However, stocks, after closing positively on Monday, opened sharply lower on Tuesday. Such volatility should be expected, especially at the onset of this conflict. We must accept this temporary regime, stay alert to our technical indicators, but not forget longer-term fundamentals. To wit, ask yourself how this Middle East conflict will impact earnings for the stocks I own. The likely answer, assuming the war doesn't escalate significantly, is not much.

A recent history of Middle East conflicts (with large oil producers) shows that stocks tend to be unaffected after the initial jolt. The graphs below show how the S&P 500 and crude oil prices behaved on a monthly basis during the Gulf Crisis in 1991, the Iraq War in 1993, and the 2025 US bombing of Iran's nuclear facilities. The S&P 500 posted gains one month after all three events started and held them for at least a year. In all three instances, crude oil prices spiked; however, over the next three months, the gains during the Gulf and Iraq Wars were somewhat limited.

The markets will be trading from headline to headline over the coming days. Positive headlines, foretelling a quick end to hostilities, should benefit stock prices. Conversely, intensifying actions and damage to Iran's oil complex could unsettle markets. But, as we show below, investors are generally not afraid of conflicts or even war once they have time to digest the news.

We continue with the Middle East topic below regarding the dollar and precious metals.



What To Watch Today

Earnings

Wednesday Mar 4	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
Broadcom AVGO.US		2.02	1.60		19.17B	14.92B	\$1.64T	Q1	PM
Veeva Systems VEEV.US		1.93	1.74	810.68M	720.88M		\$39.49B	Q4	PM
OKTA OKTA.US		0.85	0.78	749.54M	682M		\$13.72B	Q4	PM
Primo Brands Corporation (L		0.25	0.13	591.4M	1.4B		\$11.94B	Q4	AM
Dycom Industries DY.US		1.77	1.17	1.31B	1.08B		\$9.49B	Q4	AM
Abercrombie & Fitch ANF.US		3.6	3.57	1.68B	1.58B		\$4.55B	Q4	AM
American Eagle Outfitters AE		0.67	0.54	1.74B	1.6B		\$4B	Q4	PM
Bath And Body Works BBWI.U		1.73	2.09	2.58B	2.8B		\$3.22B	Q4	AM
Alexander Baldwin ALEX.US	0.05	0.14	0.17	43.78M	50.76M	62.45M	\$1.5B	Q4	AM
Cracker Barrel Old Country !		0.78	1.38	920.09M	949.4M		\$666M	Q2	PM

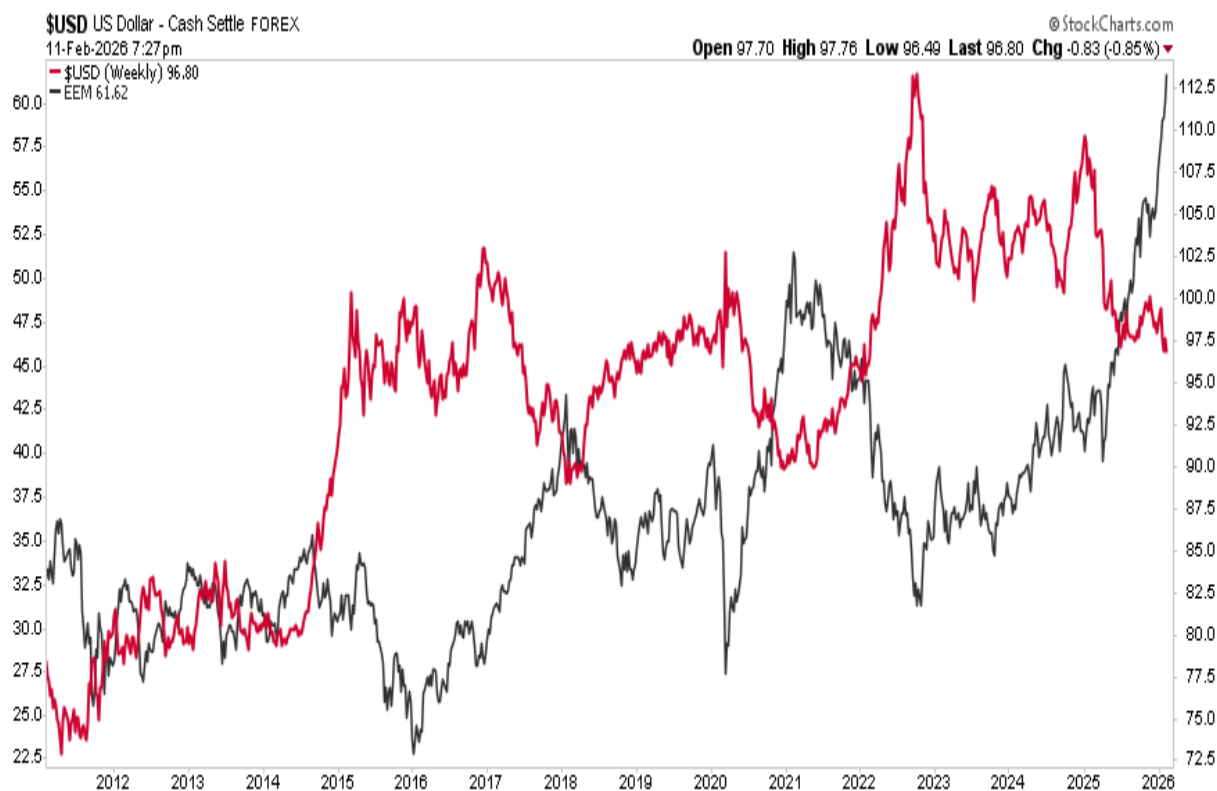
Economy

Wednesday March 04 2026	Actual	Previous	Consensus	Forecast
07:00 AM US MBA 30-Year Mortgage Rate FEB/27		6.09%		
07:00 AM US MBA Mortgage Applications FEB/27		0.4%		
07:00 AM US MBA Mortgage Market Index FEB/27		340.2		
07:00 AM US MBA Mortgage Refinance Index FEB/27		1432.9		
07:00 AM US MBA Purchase Index FEB/27		149.7		
08:15 AM US ADP Employment Change FEB		22K		19.0K
09:45 AM US S&P Global Composite PMI Final FEB		53	52.3	52.3
09:45 AM US S&P Global Services PMI Final FEB		52.7	52.3	52.3
10:00 AM US ISM Services PMI FEB		53.8		53
10:00 AM US ISM Services Business Activity FEB		57.4		57
10:00 AM US ISM Services Employment FEB		50.3		50.2
10:00 AM US ISM Services New Orders FEB		53.1		52.5
10:00 AM US ISM Services Prices FEB		66.6		66

Market Trading Update

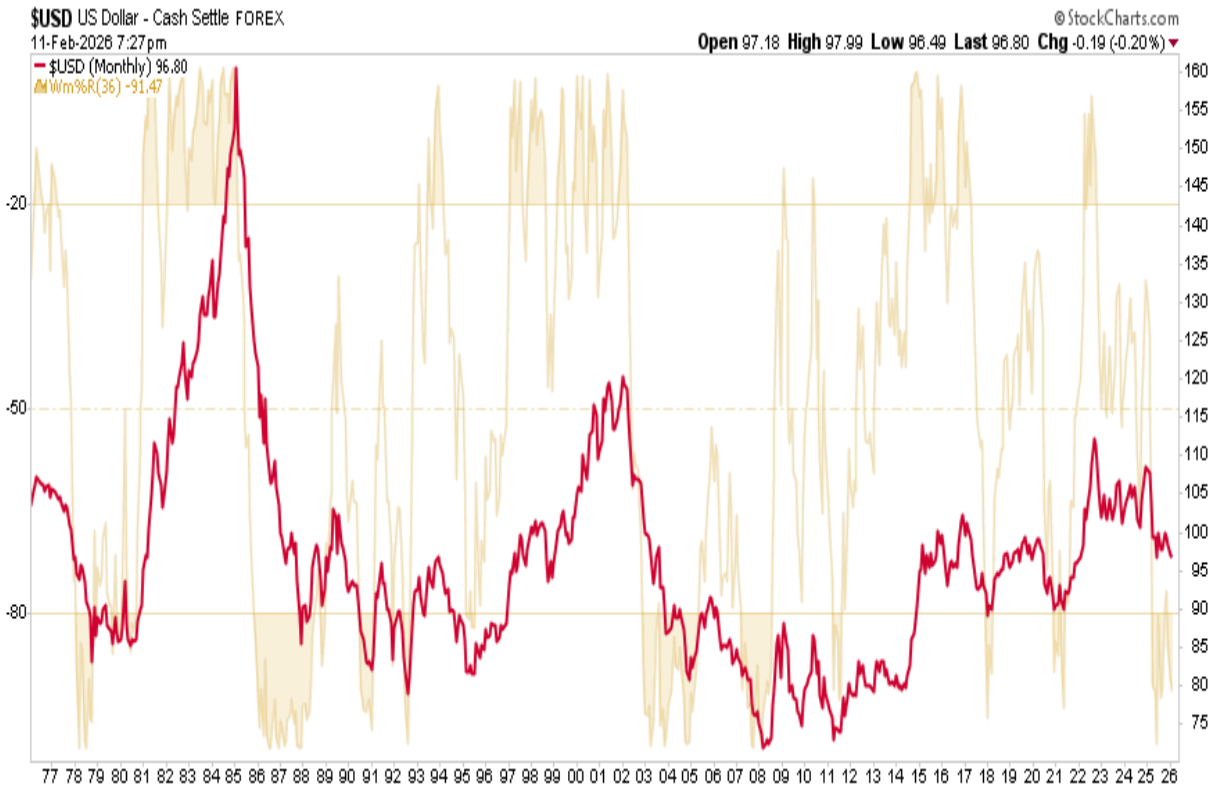
Yesterday, we touched on the historical relationship between oil prices and military operations and conflicts. Another area to watch, and as [we have discussed previously](#), is the US Dollar.

?A good example of that lately has been the weak dollar narrative, which has pushed investors to chase foreign assets. The negative correlation between a weak dollar and rising international stock exposure appears to be a free return. Unsurprisingly, the story spreads fast because performance charts look clean during a dollar slide.?



As we noted in that discussion, a dollar rally was becoming more likely.

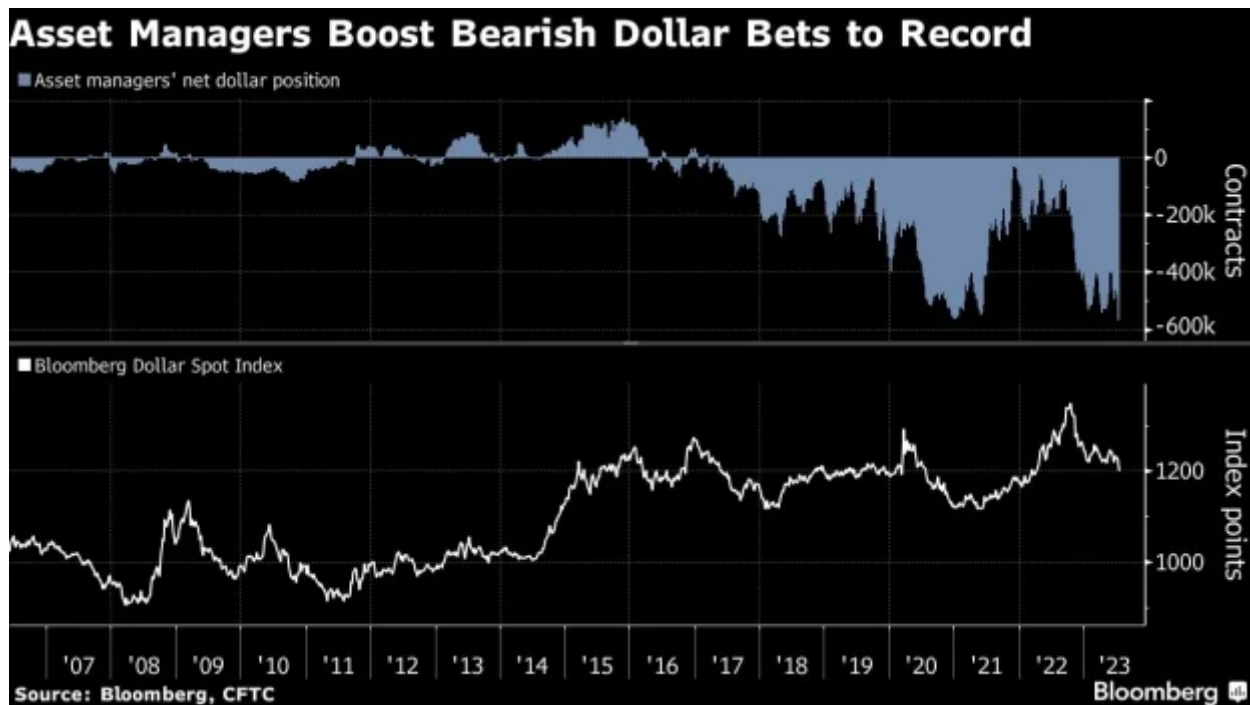
?First, positioning and technicals matter. From a long-term technical perspective, the U.S. Dollar Index is attempting to stabilize after a 2025 downside move. As shown, using a 3-year price momentum measure, the dollar is as oversold now as it was at previous dollar bottoms. The current move lower is becoming increasingly stretched, reducing the catalyst needed to trigger a sharp reversal. A weak dollar trend also encourages leverage through unhedged international stock exposure. As shown, investors have piled into global sector funds (excluding technology) over the past year to boost returns. However, the last time we saw that kind of exposure shift was in 2021, just before the counter-trend rally in the dollar that hit returns fast.?



When you have a lot of positioning that becomes offside due to a momentum chase, all it takes is an *event* of some kind to cause a reversal. Military operations in Iran certainly qualify as a reason to seek the safety of the US Dollar.



With asset managers pushing record shorts against the US Dollar, if the military conflict in Iran continues, short-covering as the dollar rises could further fuel that rise.



The risk for investors is that if the dollar rally gains traction and breaks above 100, the negative impact on non-dollar trades, such as emerging markets, international stocks, and precious metals, could intensify. As such, investors should consider managing potential risk until the situation in Iran begins to cool.

- **Start with position sizing.** Set a strategic range for international stock exposure based on your risk tolerance and drawdown limits. Critically, keep that range stable and don't allow the recent weakness in the dollar to dictate long-term weights.
- **Use rules-based rebalancing.** When foreign equities run above target due to a weak dollar surge, trim toward policy weight. When foreign equities lag, add slowly. Rebalancing reduces the damage of an unexpected reversal.
- **Add currency awareness.** Consider a split allocation between hedged and unhedged developed exposure. Hedged exposure reduces the impact of a dollar rally, while unhedged exposure keeps diversification benefits when the weak dollar resumes. MSCI publishes a 100% hedged EAFE benchmark that helps investors compare results across hedged and unhedged frameworks.
- **Focus on earnings quality** as fundamentals will always matter in the end. Continue to favor markets and sectors with stable cash flows, strong balance sheets, and pricing power, as those traits matter when currencies swing and financial conditions tighten.
- **Avoid valuation shortcuts.** Do not rely on cheaper than the U.S.? Use local history and earnings trends. If international multiples rise while earnings lag, reduce exposure, even if the weak-dollar story remains popular.
- **Finally, stress test the portfolio.** Model a 5 percent to 10 percent dollar rally and a 10 percent drawdown in foreign equities at the same time. If the model shows unacceptable damage, reduce unhedged international stock exposure before the market enforces the change.

Trade accordingly.

The Dollar Soars: Gold And Silver Falter

It's a widely held opinion that precious metals are a safe-haven asset in times of geopolitical stress. However, as we share below, that is not the case today. The explanation lies in the dollar. When investors become risk-averse, global investors instinctively move into US dollar-denominated assets, resulting in a surge in dollar demand. Accordingly, a stronger dollar makes gold more expensive for foreign buyers, directly suppressing demand and pushing prices lower even as headlines suggest the opposite should be happening.

When the dollar surges, it effectively absorbs the fear trade that would otherwise flow into precious metals. Silver tends to be worse off than gold because it has a significant industrial demand component. To wit, if the conflict raises fears of slowing global growth or trade disruption, expectations of industrial demand fall.

Simply put, and as shown below, the dollar, not gold or silver, is thus far the preferred panic button in this conflict.



SILVER [Draw](#) [Candle](#) [Fullscreen](#) [Settings](#)

-0.71 (7.55%)

Mar 3 O:82.55 H:82.55 L:81.80 C:82.15 Vol:534.00
SMA 20 - 82.75
SMA 50 - 85.00
SMA 200 - 91.13



USD [Draw](#) [Candle](#) [Fullscreen](#) [Settings](#)

+0.80 (0.81%)

Mar 3 O:99.17 H:99.22 L:98.14 C:99.14 Vol:274.00
SMA 20 - 99.15
SMA 50 - 98.85
SMA 200 - 98.22



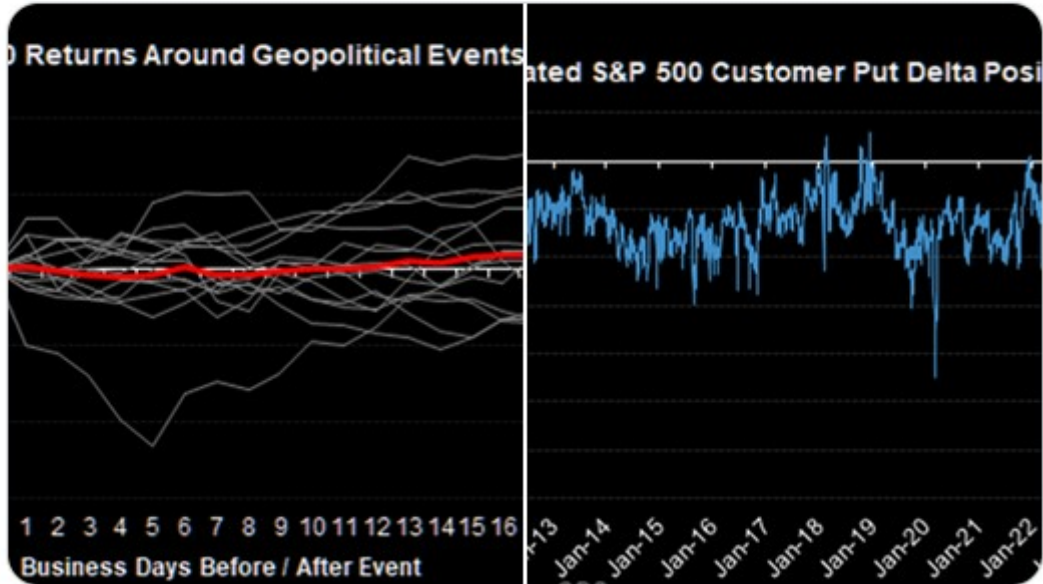
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While US #equities are generally resilient to macro conflicts, that doesn't mean there won't be some volatility as we are seeing this morning, investors currently hold a RECORD amount of put protection. The good news is that it is fuel for an eventual reversal. (Note: 2020, 2022, and 2023, and 2025.)



?Want to achieve better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.?](#)

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