McIlrath | Eck

INVESTMENT - RETIREMENT - LEGACY PLANNING

Thor's Thoughts:
"The benefits to being our own RIA Fiduciary are we can do tax and estate planning, and we can help clients with a lot more decisions than we could if we were affiliated with a big bank or brokerage firm. For most families, its really not just about their investments."

U.S. Markets During Middle East Conflicts

When headlines escalate in the Middle East, it's natural to wonder what this means for your portfolio.
The good news: markets have faced similar moments before. History gives us useful context about what tends to happen — and what usually does not happen.

The Big Picture

Across multiple conflicts, markets typically follow a two-stage pattern:

Stage 1: Immediate Reaction (Days to Weeks)

- Stocks often fall modestly
- Oil prices rise
- Gold rises
- U.S. Treasuries attract investors seeking safety

Stage 2: Stabilization

- If the conflict does not disrupt global energy supply, markets often recover
- Volatility fades as uncertainty declines
- Long-term economic forces regain control

The key variable historically has not been the conflict itself — but whether it causes a lasting oil shock or recession.

Historical Examples

9/11 and Afghanistan (2001)

- Markets were closed after the September 11 attacks.
- When they reopened, the S&P 500 fell more than 14% during the first week.

- Gold and oil rose.
- Airline and insurance stocks were hit hardest.

The U.S. began military operations in Afghanistan on October 7, 2001.

What mattered most: The economic backdrop (the tech bubble had already burst) played a larger role than the military campaign itself. Once panic subsided, markets began to recover.

Lesson: Major shocks can cause sharp short-term declines, but recovery often begins once uncertainty starts to fade.

Gulf War (1990-1991)

When Irap invaded Kuwait in August 1990:

- U.S. stock markets fell sharply (in the high-teens percentage range).
- Oil prices surged.
- The U.S. economy entered a recession.

However, once the air campaign began in January 1991, markets bottomed and rallied strongly.

Lesson: Markets often bottom near peak uncertainty, not at the end of a conflict.

Iraq War (2003)

Before the invasion, markets were volatile and nervous.

After the invasion began in March 2003:

- Stocks stabilized and then entered a multi-year bull market
- Oil rose but did not cause a sustained global supply shock

Lesson: When uncertainty clears and energy supply remains intact, markets often recover faster than expected.

Syria Strike (2017)

When the U.S. launched missile strikes in Syria in April 2017:

- Oil rose modestly.
- Gold moved higher.
- Stock market reaction was limited and short-lived.

Lesson: Limited or contained military actions typically produce brief market volatility.

Winners & Losers

What Typically Does Well in the Early Phase

- Energy Stocks

What Often Struggles

- Airlines and travel companies

- Oil Prices
- Gold
- U.S. Treausries (initially)
- Defense Companies

- High-growth, high-volatility stocks
- Emerging markets that import energy
- Consumer discretionary stocks

The Most Important Question

The single biggest factor determining whether market declines are temporary or prolonged:

Does the conflict disrupt global energy supply in a sustained way?

If oil prices spike temporarily and then stabilize, markets historically recover. On the contrary, if oil remains elevated long enough to drive inflation and slow economic growth, the impact can be larger.

What This Means for Your Portfolio

Our portfolios are designed with several principles in mind:

- Diversification across asset classes
- Avoiding reactionary moves during headlines
- Maintaining liquidity for your spending needs
- Rebalancing during volatility rather than chasing it

History shows that making large portfolio changes during geopolitical stress often leads to poor long-term outcomes.

Short-term volatility is uncomfortable — but it has rarely justified abandoning a disciplined strategy.

Important Perspective

Geopolitical events feel unpredictable and dangerous in real time. However:

- Most have not led to long-term bear markets.
- Markets tend to focus more on economic fundamentals than military headlines
- Recovery often begins before the news improves.

Our Commitment

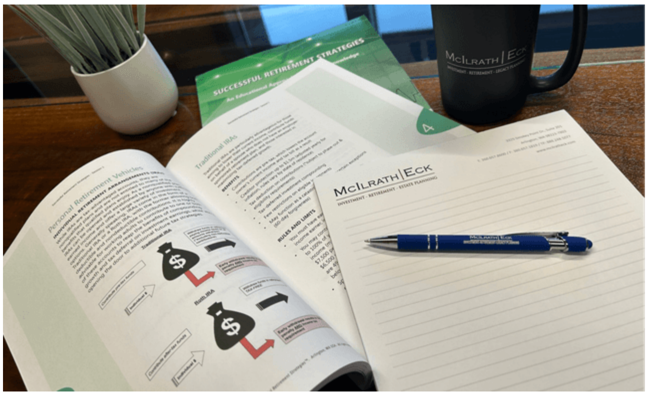
If conditions change in a way that materially affects inflation, energy supply, or recession risk, we will adjust thoughtfully and deliberately.

Until then, our role is to:

- Stay disciplined
- Avoid emotional decisions
- Use volatility strategically

- Protect long-term outcomes

While conflicts in the Middle East can spark short-term volatility, history shows that disciplined investors who stay focused on fundamentals rather than headlines are typically rewarded as markets stabilize and long-term forces reassert themselves.



2025 - 2026 Classes are **LIVE**! If you or anyone you know might be interested in attending, please direct them to the link below to directly register with Everett Community College.

Click here to Register

Document Shred Event
Saturday, June 6th 10 AM - 1 PM

Get ready to safely dispose of those old documents!
We are excited to announce that we will be hosting a
Complimentary Document Shredding Event
for our clients on
Saturday, June 6th from 10 AM - 1 PM
at our office in the parking lot. The shred truck will be onsite and we will be ready to help. To allow the opportunity to serve many, we ask that you limit your shred to 5 banker boxes per household.

Please call us with any questions (360) 657-8600.

We are very honored that a large percentage of our clients have come to us as referrals. It means a great deal that our clients trust us enough to share our information with their loved ones. We consider this to be the highest of compliments! If you have family, friends, co-workers or other acquaintances that you think could benefit from a meeting with us, we would be more than happy to sit down with them for a complimentary consultation to help them analyze their situation and set them on the right track towards a successful financial future.

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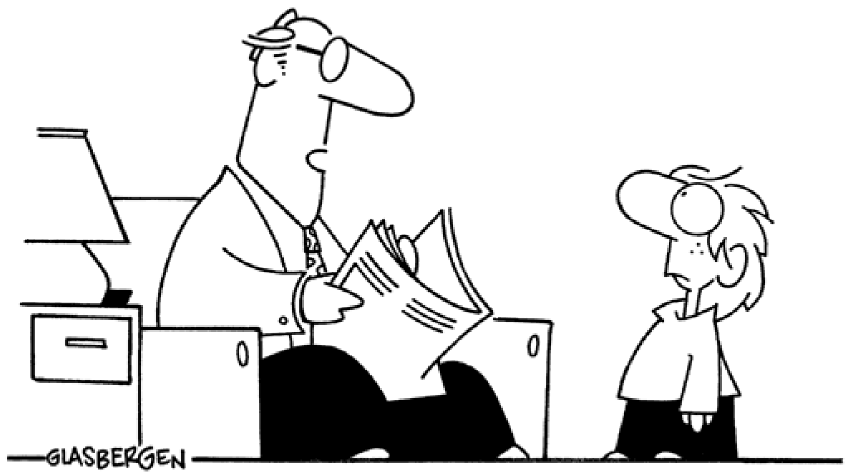

"For our next vacation, I'm taking the family to Wall Street. They've got the most terrifying roller coaster I've ever been on!"

3325 Smokey Point Dr, Suite 201
Arlington, WA 98223-7803
US