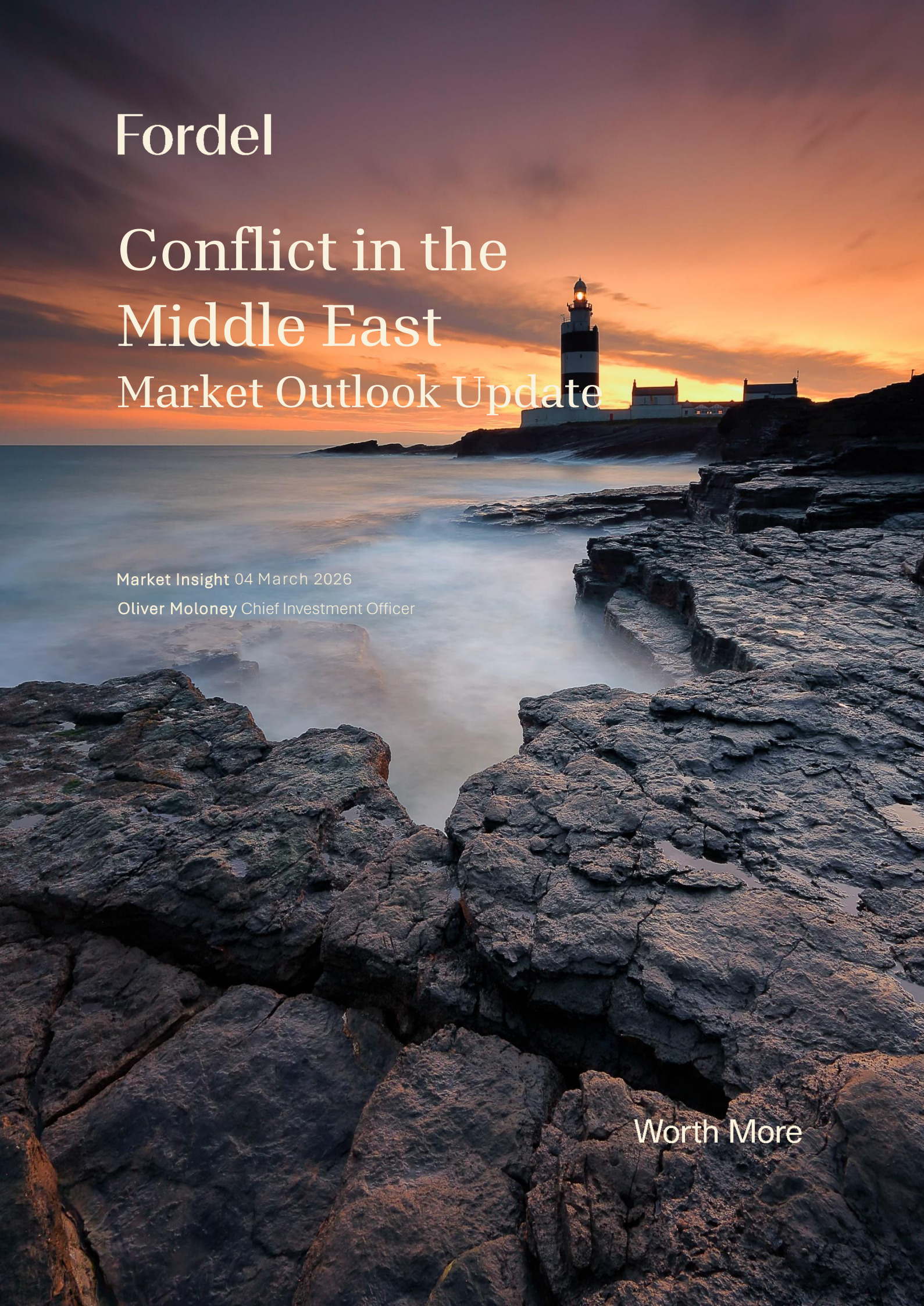

Fordel

Conflict in the Middle East

Market Outlook Update

Market Insight 04 March 2026

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Market Insight

Introduction

Nearly a year on from Liberation Day, Trump has provided markets with another geopolitical shock rocking investor confidence and creating a great deal of uncertainty.

Geopolitical shocks have a long history of injecting sharp, short-lived volatility into financial markets. The latest escalation in the Middle East is no exception and, while the situation remains fluid, it is possible to map out the principal transmission mechanisms with a reasonable degree of confidence.

The purpose of this note is not to forecast the course of the conflict, but to provide clients with a clear assessment of how such events have historically fed through to asset prices, and what that implies for portfolio positioning today.

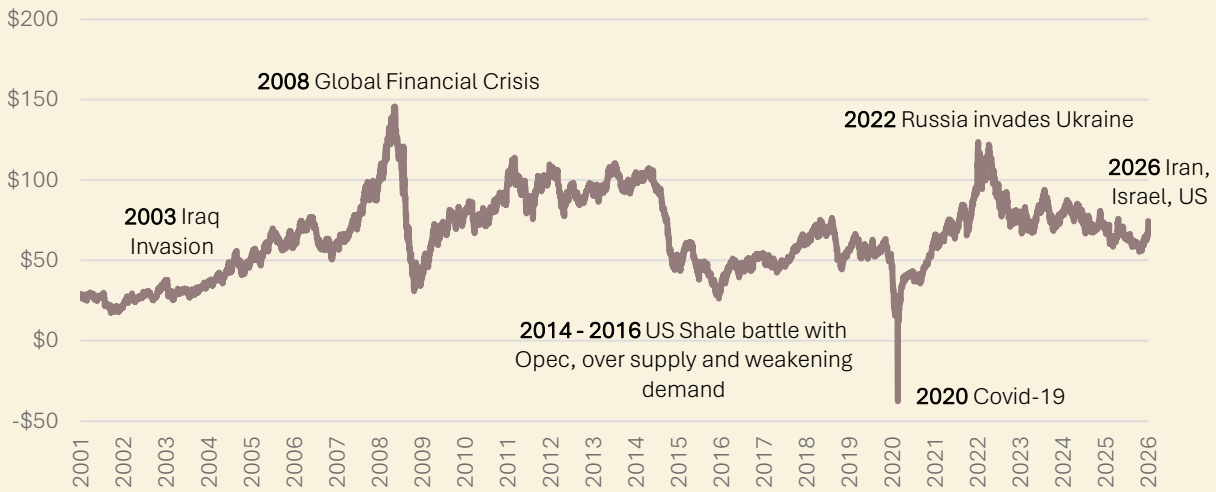
It is worth noting that this is more severe than a typical geopolitical flare-up - the killing of Iran's Supreme Leader and direct US military involvement makes this news significant. While not our base case, it could be the catalyst for a more pronounced sell-off.

Consistent with the guidance in our 2026 Market Outlook, we do not recommend changes to long-term strategic allocations based on near-term geopolitical volatility. What follows explains why.

Initial Market Reaction

The most direct channel through which Middle East conflict affects global financial markets is the oil price. The region accounts for a substantial share of global crude supply, and any credible threat to that supply, whether real or perceived, has historically driven an immediate spike in Brent crude. The 1973 Arab oil embargo, the 1990 Gulf War, and the early phase of the Russia-Ukraine conflict in 2022 all follow similar patterns.

25 YEAR HISTORY OF OIL PRICES



Source: Refinitiv. Data to 03/03/2026. Performance data in local currency terms.

The downstream consequences are well understood. Higher energy prices feed directly and with relatively short lags into headline inflation data. In the current environment, this creates a particular complication: markets had been pricing a continuation of the Federal Reserve's rate-cut timelines through 2026, with Wall Street consensus pointing to an S&P 500 gain of around 11% for the year. A sustained move higher in energy costs threatens to undermine that expectation, pushing rate cut timelines further out and potentially placing upward pressure on the long end of the yield curve.

For now, however, the market reaction has been relatively muted. Since events escalated over the weekend, oil and gas prices did spike as expected, however, global equity markets only fell by 2% and remain flat on a year-to-date basis. The flow-through to risk sentiment has not yet transpired.

Despite oil prices moving up 11%, the current level around $80 is nowhere near previous oil shock levels. What’s more, the forward curve indicates that markets expect oil to be priced back down toward $70 by December 2026.

Markets are assuming that events, as they stand today, will be short-lived.

GLOBAL MARKETS - INITIAL 2-DAY REACTION

Index	Asset Class	2 Day Performance
Oil	Commodity	+11.2%
Natural Gas	Commodity	+6.8%
US Dollar Index	Currency	+1.5%
US Treasuries	Bonds	+0.6%
Euro Government Bonds	Bonds	-0.8%
US Equities	Equities	-0.9%
USD/ EUR	Currency	-1.7%
Global High Yield Bonds	Bonds	-1.8%
Global Equities	Equities	-2.2%
Gold	Commodity	-2.8%
UK Equities	Equities	-3.9%
Emerging Market Equities	Equities	-5.2%
European Equities	Equities	-6.0%

Source: Refinitiv. Data to 03/03/2026. Performance data in local currency terms.

Rising inflation colliding with a previous dovish rate path - in our view is the main macro risk for equity markets in this scenario.

As we saw during the post-Covid inflation spike and subsequent global rate hiking cycle in 2022/2023, markets can be sensitive to changes in interest rates and the inflation outlook. Global equities fell by 26% while the NASDAQ was down 35% over a nine-month period in 2022.

“Liberation day” tariffs were another recent example of how these shocks can affect equity markets. In 2025 global equities experienced a drawdown of 16.5% while the NASDAQ was lower by 23% over a short window of less than two months.

A new energy-led inflation impulse could activate similar dynamics. Beyond the mechanical transmission via oil and rates, geopolitical escalation typically triggers a broader risk-off rotation.

Equity Markets

In the near term, elevated uncertainty is negative for equity markets, particularly for sectors exposed to consumer confidence and discretionary spending. As evidenced by the AI-driven volatility episodes of 2025, assets with the thinnest fundamental grounding fall hardest and fastest in a de-risking environment.

That said, the historical record warns against excessive alarm. The Gulf War of 1990 (August 1990 – February 1991), which represents perhaps the closest

structural set-up to the current situation, produced a drawdown of 20% in the S&P 500, as oil spiked from $15 to $40.

As oil prices settled back down towards pre-conflict levels, the S&P 500 recovered and had broken even by February 1991.

S&P 500 & OIL PRICES – DEC 1989 to DEC 1991

Source: Refinitiv. Data to 03/03/2026. Performance data in local currency terms.

Our base case is for something similar to happen in today's scenario.

As we dive deeper into equity markets, we expect divergence between winners and losers. Higher oil prices will, no doubt, affect different regions in different ways. Oil exporters (Norway, Russia) will benefit, while oil importers (much of Asia and Europe) will face a headwind.

This is what we have seen in the initial market reaction. South Korean equities suffered their worst day on record on Wednesday, falling 12%, amid escalating tensions. The country imports virtually all its oil from the Middle East, which threatens to disrupt their economy.

When you get down to sector level, the same divergence will likely play out. As a clear example the global aerospace & defence sector was up 11% in 2025 while

the global passenger airline index was down 7% in the same period, a 20% difference.

Higher oil prices represent a direct tailwind for energy producers. Within investable markets, European integrated oil majors and US energy companies are the most immediate beneficiaries of a sustained price spike.

Safe Havens: Gold, Bonds and the US Dollar

Gold: The counterweight to equity weakness in a risk-off environment is a flight to safety. Gold - already elevated in 2025 on the back of dollar weakness, persistent inflation concerns and geopolitical uncertainty - is the most obvious beneficiary. Its role as a store of value during periods of elevated risk is well established, and with the US Dollar losing its shine over recent years, there are no clear alternative safe havens.

GOLD PRICE

Source: Refinitiv. Data to 03/03/2026. Performance data in local currency terms.

The reaction of gold has been muted following the most recent events this week, but it remains up 18% in 2025.

Year	2021	2022	2023	2024	2025	2026 YTD
Performance	-4.0%	-0.4%	+13.8%	+27.1%	+64.7%	+18.1%

Source: Refinitiv. Data to 03/03/2026. Performance data in local currency terms.

Bonds: High-quality sovereign bonds, particularly US Treasuries, would also typically attract inflows in a genuine escalation scenario, although a longer-term inflation spike would put upward pressure on rates. The net effect on yields is therefore less certain.

Despite this, we expect portfolios with higher quality fixed income exposure are better placed to navigate this uncertainty. High yield and emerging market bonds are likely to be hit harder than investment grade and developed government bonds.

Currency: The US dollar, which depreciated by over 13% against the euro in 2025, may find some relief in a risk-off environment. Dollar strength during geopolitical crises reflects its reserve currency status and the relative safe-haven appeal of US assets in periods of global uncertainty. For Euro-based investors, we have seen a move from 1.20 at the end of January to 1.16 today- a 3.5% change.

GOLD PRICE

Source: Refinitiv. Data to 03/03/2026.

Fordel Summary Asset Class View

Asset Class	Fordel Comment
OIL	Immediate upside on supply disruption fears. Degree of move depends on duration of the conflict.
EQUITIES	Near-term negative. AI/tech and high-multiple names most exposed. Broad drawdown likely contained absent wider escalation. Buying opportunity is markets continue to fall.
GOLD	Positive. Already elevated, but further upside in a genuine escalation scenario. Initial reaction has been a downward move which is unexpected.
BONDS	Mixed. Flight-to-quality supports duration; inflation impulse is a cross-current on yields.
USD	Modest relief from recent weakness. Reserve currency flows provide near-term support.
EUROPE	Underperform. Net energy importer; disproportionate sensitivity to a sustained oil price spike.
EMERGING MARKETS	Differentiated. Oil exporters (Gulf, parts of Africa) benefit; Asian and other importers face headwinds.

What actions should investors take?

A Middle East escalation does not alter that fundamental assessment, but it does add a further layer of complexity.

The key question is not whether this produces volatility - it will - but whether it represents the kind of sustained structural disruption that warrants repositioning long-term portfolios. On current evidence, it does not.

For clients holding cash and awaiting deployment, periods of geopolitically driven volatility have historically represented constructive entry points. We encourage those clients to contact their Fordel Wealth Manager to discuss implementation strategies before markets recover.

Bringing that back into practical steps an investor can take as we move through the year, we believe the following provide a basis to start from:

1. Stay Invested: For those already invested, who have most likely gained from strong market performance over the past two to three years, Fordel does not recommend any changes to their long-term strategy at this time.

2. Revisit your Financial Plan: Review of overall risk profile, liquidity buffers, and portfolio exposures across all your pensions and investments. Ensure that any equity drawdown will not impact on your financial plan.

3. Review Risk: Review your current allocations across your investment accounts to ensure you are not over allocated to any one sector and/or region.

4. Control Behaviours: Take a step back from the noise and focus on controlling behaviours. There are always reasons not to invest, which can often distract from long term financial plans and investment strategies.

5. Costs & Charges: Be sure to check your costs and charges disclosures in detail. Costs are one of the biggest unnecessary drags on investment performance over the long term. With lower returns expected going forward, costs have become a critical consideration.

Our team is here to help you understand how the current market environment may impact on your portfolio or wider financial circumstances.

If you have any concerns, we're always happy to discuss them. Please get in contact with your Fordel Wealth Manager or reach out to us via the www.fordel.ie website.

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