



MAY 2026 CLIENT QUESTION OF THE MONTH

US-IRAN, MARKETS, AND THE LONG VIEW

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Since the US–Iran conflict began in late February 2026, the situation has evolved from a rapid military escalation into a tense but contained standoff. The initial phase featured large-scale US and allied strikes on Iranian nuclear and military infrastructure, followed by retaliatory missile and drone attacks from Iran across the region. The conflict disrupted global energy markets, particularly shipping through the Strait of Hormuz, driving volatility in oil prices and contributing to a sharp selloff in risk assets.

US equities were notably affected in March, with the S&P 500 falling -9.1% from its pre-conflict highs and -5.0% over the month as geopolitical uncertainty intensified. The index ultimately bottomed on March 30th amid peak fear of escalation and oil supply disruptions.

Following that trough, however, markets have staged a strong recovery. The S&P 500 rallied sharply through April, gaining +13.6% from its late-March lows. The index has since reached new all-time highs, fully erasing its conflict-driven losses, with a year-to-date return of +5.7% as of this writing. The rebound has been driven primarily by resilient corporate earnings and easing fears of further escalation following a temporary ceasefire in early April. While the fundamental risks tied to energy prices, inflation, and economic growth have not fully dissipated, markets have demonstrated an ability to absorb and recalibrate to recent geopolitical developments.

This sequence – initial dislocation followed by recovery – mirrors the historical pattern we highlighted in our initial US-Iran coverage. We first wrote about the situation in the Middle East on March 17th, in the heart of the conflict and before the equity markets initiated their impressive rebound. This was undoubtedly a time of great uncertainty and volatility, but as we noted then, history can provide a blueprint for how markets typically react to geopolitical shocks in the immediate and long term. What has followed in the weeks since is very much in line with that blueprint.

To demonstrate, we looked at major international conflicts going back to World War II and calculated how the S&P 500 performed in the days and months following. The chart below shows that markets tend to dip slightly in the immediate aftermath of geopolitical events, with the S&P 500 down an average of -1.3% one week later. Those declines were typically temporary though, with an average return of +4.6% and +11.0% after six and twelve months respectively.

Impact of Geopolitical Events on the S&P 500				
Event	Event Date	One Week Later	Six Months Later	Twelve Months Later
Pearl Harbor Attack	12/7/1941	-6.33%	-7.23%	7.25%
North Korea Invades South Korea	6/25/1950	-5.38%	9.45%	20.55%
Cuban Missile Crisis	10/16/1962	-6.29%	22.61%	32.09%
Kennedy Assassination	11/22/1963	5.20%	17.78%	27.79%
Gulf of Tonkin Incident	8/2/1964	-1.59%	6.93%	5.89%
Six-Day War	6/5/1967	4.08%	8.49%	17.14%
Tet Offensive	1/30/1968	-1.07%	7.54%	13.82%
Yom Kippur War	10/6/1973	1.45%	-12.56%	-40.87%
Iraq's Invasion of Kuwait	8/2/1990	-3.13%	-2.70%	14.02%
9/11 Terrorist Attacks	9/11/2001	-5.44%	7.33%	-15.50%
Boston Marathon Bombing	4/15/2013	0.66%	10.89%	21.23%
Saudi Aramco Drone Strike	9/14/2019	-0.49%	-16.75%	13.18%
Iranian General Killed in Airstrike	1/3/2020	0.98%	-2.74%	18.21%
Russian Invasion of Ukraine	2/17/2022	-2.07%	-0.95%	-5.31%
Israel-Hamas War	10/7/2023	0.47%	20.35%	35.39%
US-Israel Airstrikes on Iran	2/28/2026	-1.99%		
Average		-1.31%	4.56%	10.99%

Sources: LPL Financial¹, Bloomberg

Importantly, the past several weeks serve as a real-time reminder of a key principle: geopolitical events can drive short-term volatility, but they have rarely altered the long-term trajectory of markets. Maintaining a disciplined, long-term perspective during periods of uncertainty remains critical, particularly when near-term headlines are most unsettling. *Past performance is no guarantee of future returns. Consider your own risk tolerance, financial circumstances, and time horizon.*

It is also important to note that despite the equity market recovery, geopolitical tensions remain elevated. The US has maintained a heightened military presence in the region and implemented measures to restrict Iranian oil exports, while negotiations over Iran’s nuclear program and sanctions relief have made limited progress. Ongoing maritime incidents and economic pressure underscore the fragility of the current ceasefire. Overall, while financial markets have demonstrated resilience, the underlying geopolitical conflict remains unresolved, leaving the outlook highly sensitive to further developments.

Due to the unpredictable nature of market environments in the short-term, our investment philosophy places a strong emphasis on staying **D**isciplined, **O**ppportunistic, and **D**iversified, while striving to **M**itigate fees, taxes, and expenses. As we have written many times, no one is able to consistently forecast precisely when the market will decline and then rebound. As such, we do not believe in making major changes to portfolios (i.e. market timing) in anticipation of potential upcoming volatility; this is a futile effort that can be damaging to portfolio performance. Please refer to our [Principles for Long-Term Investing](#) Client Question.

During inevitable market declines, while they can certainly feel uncomfortable, we use the volatility as an opportunity to implement potentially valuable tactical changes for clients where suitable. We do so by leveraging our experience and technology to proactively tax-loss harvest and reposition portfolios; in other words, when the market gives us lemons, we make lemonade.

- **Tax-loss Harvesting:** Tax-loss harvesting is achieved by selling an investment with a loss and immediately purchasing a different security with similar (but not identical) exposure. The loss on the security sold can be used to offset taxable gains. Since we simultaneously sell a security to capture a loss and purchase a different security with similar exposure, the client is never out of the market. We seek to capture losses during declines, and as the market recovers, the new position also recovers PLUS the client has a tax-loss to offset future gains. Please see our Client Question on [Tax-Loss Harvesting](#) for more information. *Tax loss harvesting does not protect against loss and may not be applicable in every tax situation.*
- **Repositioning Portfolios:** Repositioning portfolios means that we can increase the overall equity allocation and/or we can reallocate among various asset classes. During a market selloff, portfolio equity allocations often fall below their target levels. For example, assume a portfolio is invested to its target allocation of 60% equities and then the stock market declines -10%. The new allocation would be about 54% or -6% below the target level. We can use the market decline as an opportunity to buy stocks at lower prices to bring the allocation back to the 60% target level. Furthermore, we can rotate to the equity asset classes that have become more attractive (for equities, we allocate across regions, countries, market caps, factors, styles, sectors, and industries). Keep in mind, some of the best buying opportunities occur during periods of market turmoil. *Rebalancing a portfolio may cause you to incur tax liabilities and/or transaction costs and does not guarantee a profit or protect against a loss.*

In the weeks since our March update, the trajectory of financial markets has largely unfolded in line with the framework we outlined. Nevertheless, the situation in Iran remains fluid, and no one can predict exactly how it will play out. During these periods of market volatility, we follow the same playbook and convey the same messages. At Winthrop Wealth, we believe the right mindset paired with a comprehensive financial plan and a thorough investment process can provide a sense of clarity and confidence in meeting your long-term financial goals.

SOURCES

1. Smith, George. "Iran Escalation: How Markets Have Reacted to Geopolitical Events." *LPL Financial*, 4 March 2026, <https://www.lpl.com/research/blog/iran-escalation-how-markets-have-reacted-to-geopolitical-events.html>.

DISCLOSURES

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Financial planning is a tool intended to review your current financial situation, investment objectives and goals, and suggest potential planning ideas and concepts that may be of benefit. There is no guarantee that financial planning will help you reach your goals.

Rebalancing a portfolio may cause you to incur tax liabilities and/or transaction costs and does not assure a profit or protect against a loss.

Likewise, it is important to remember that no investment strategy assures success or protects against loss. Asset allocation does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. All investing involves risk which you should be prepared to bear.