PeaQ News

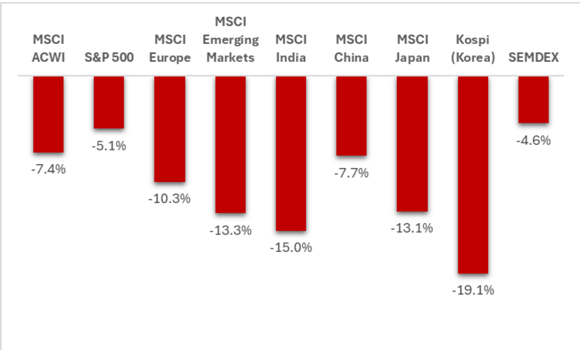
Vol. 6 No. 4

US & ISRAEL'S WAR ON IRAN

- The US-Israel military campaign against Iran, which began on 28 February 2026, has become the defining macro event of early 2026. With traffic in the Strait of Hormuz greatly disrupted, oil prices spiking above $100/bbl and global equity markets selling off sharply, investors face a question that has defined every market drawdown: is this a buying opportunity?

Market Performance since beginning of war

- The initial market reaction was swift and asymmetric. The conflict revealed a clear fault line: energy-importing nations - particularly in Asia and Europe - bore the brunt of the equity selloff, while the US proved comparatively resilient. Below is the performance picture derived from closing prices.



- The US was the clear relative outperformer. The S&P 500 declined by only 5.1%, cushioned by lower Middle East energy dependence (<20% of crude imports) and an AI-driven capex cycle that remained intact.
- South Korea (−19.1%) and India (−15.0%) were the hardest hit, reflecting extreme energy import dependency. South Korea sources ~70% of its crude from the Middle East; India imports roughly 90% of its oil.
- Japan fell 13.1-13.2% despite holding 254 days of combined oil reserves (state and private), as markets priced in stagflation risk. The government began to release strategic reserve on 16 March.
- Europe dropped 8-10%, compounded by gas storage at just 29% of capacity, the QatarEnergy force majeure on LNG from 4 March and gas-fired power costs rising over 50% in ten days.
- China was notably resilient (−7.7%), shielded by its 2021 economic pact with Iran, $1Trn in clean energy investment in 2025 and 38 nuclear reactors under construction.
- SEMDEX fell 4.6%, outperforming the global average.

Oil : The Central Variable

- It is well documented that the Strait of Hormuz is the most critical chokepoint in global energy markets. It carries 20% of global oil supplies, 30% of EU jet fuel, 20% of global LNG and 34% of global fertilizer.
- Oil prices have shot up above $100 as markets are gauging the duration of the conflict.
- Some energy infrastructures have also been struck, which will impact long term supply. For instance, QatarEnergy estimates a 17% decline in production over the next 5 years, impacting LNG deliveries. The US and Iran are also constantly threatening further attacks on energy infrastructures.

US Markets During Military Conflicts

Event	S&P 500 1Y Later
Arab Oil Embargo (Oct 1973)	-36.2%
1979 Iranian Revolution	+25.9%
Iraq Invades Kuwait (Aug 1990)	+10.2%
Operation Desert Storm (Jan 1991)	+32.3%
9/11 Attacks (Sep 2001)	-16.7%
Iraq War (Mar 2003)	+27.0%
2007–08 Oil Spike	-38.5%
Russia invades Ukraine (Feb 2022)	-11.0%
Hamas attacks Israel (Oct 2023)	+33.6%

Source: FED, ECB, BOE, BoM, Bloomberg, SEMDEX, Statistics Mauritius, MSCI, CNBC, Reuters, Goldman Sachs

For more information about our services, please contact:

André Chung Shui
Managing Director
+230 52512216
ac@peaqadvisors.com

Ishrat Cheeroo
Senior Investment Manager
+230 55012900
ic@peaqadvisors.com

Keshav Maghoo
Investment Analyst
+230 4687900
km@peaqadvisors.com

Nashini Ramye
Portfolio Analyst
+230 4687900
nr@peaqadvisors.com

- The key differentiator in the historical data is whether the shock triggered a broader economic recession. The Gulf War (1990), Operation Desert Storm (1991), Iraq War (2003) and Hamas attack (2023) all resulted in strong equity recoveries within a year.
- The negative outcomes (1973 Arab Oil Embargo, 2007-08 Oil Spike) involved compounding factors — the 1973 shock coincided with Volcker-era inflation; 2007-08 with the Global Financial Crisis. The current environment is more analogous to 1990-1991.
- Goldman Sachs views any equity correction as a buying opportunity, not the start of a bear market. BlackRock concurs, estimating disruptions will be measured in weeks, not months.
- JPMorgan is more cautious, cutting its year-end S&P 500 target to 7,200 from 7,500, warning that four out of five oil shocks since the 1970s have led to recessions and that oil-equity correlations turn sharply negative after a 30% crude spike, a threshold already breached.

Conclusion

- Uncertainty in markets creates opportunities. Stock valuations have re-rated downwards across the board providing good entry points on selected names. PeaQ recommends using this opportunity to add to high conviction name and themes for the long term.

2nd April 2026