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Iran Conflict Update

AS OF JUNE 24, 2025

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IRAN CONFLICT APPEARS TO BE DE-ESCALATING ALMOST AS QUICKLY AS IT ESCALATED

What We Know

- The US launched precision strikes on three Iranian nuclear sites (Fordo, Natanz, Isfahan), reportedly degrading Iran's enrichment capabilities.
- Iran retaliated with perfunctory (and intercepted) missile strikes on US base in Qatar; experts suggest was a more symbolic, non-escalatory response.
- Shipping traffic through the Strait of Hormuz has slowed (20%+ of global oil traffic), with several tankers rerouting over fears of closure.
- Around 6pm ET on 6/23, President Trump said Israel and Iran agreed to a cease-fire that could lead to the end of the conflict.
- Iranian Foreign Minister Abbas Araghchi said Iran would halt its attacks as long as Israel's bombardments ended by 4 a.m. local Tuesday (8 a.m. ET).

What We Don't Know

- The true extent of damage to Iran's nuclear infrastructure remains unclear, and will be an important variable as more information comes to light.
- Whether Iran has the will or ability to close the Strait of Hormuz, and the timing, are still uncertain given the pending ceasefire.
- Potential escalation scenarios: China/Russia show support for Iran, expanded regional conflict or deeper US involvement.

What We're Watching

- If the ceasefire terms are upheld and will bring an end to what Trump says should be called "the 12-day war".
- Early reactions suggests some continued scuffling after the ceasefire deadline, but subsequent reports suggests ceasefire terms may now be holding.
- Oil prices, equity volatility, and credit spreads, all receding further on ceasefire news.

What Markets Suggest

- Fading geopolitical risk on the ceasefire news.
- Equity markets remain resilient (S&P 500 up +0.96% on 6/23, and opened higher on 6/24). Global equities were mixed.
- Oil spiked then retraced; WTI moved over $78 per barrel to below $69, and subsequently to $65 on ceasefire news.
- USD initially strengthened as a safe-haven, but markets turned against the dollar as geopolitical risk faded (similar to oil).
- Yields eased and the probability of a rate cut nearly doubled from a week ago.

Bottom Line:

Markets primarily treated this as a contained event as initial price spikes eased quickly, which was further corroborated by the ceasefire news. That said, volatility remains elevated and we could see ceasefire talks break down or not be followed through with. Key geopolitical and macro data over the next 48 hours could shift the narrative, but the situation appears contained for the time being. Stay alert to real-time updates given the fluidity of the situation.

Source: FactSet,
Past performance is no guarantee of future returns. As with any investment, there is the risk of loss. See Disclosures section at end of presentation for other important disclosures and definitions.

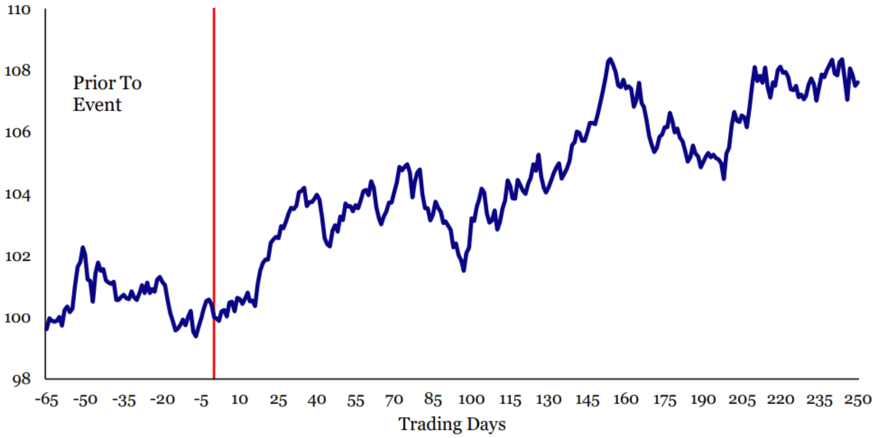
When assessing the longer-term impacts of geopolitical conflicts on the U.S. economy and markets, it's important to ask if such a conflict will have a lasting impact on (1) earnings, (2) inflation, or (3) real rates

- Changes to these variables are more likely to drive longer-term economic growth and market levels
- History suggests most conflicts do not ultimately end up having meaningful impact on these variables, thus any initial volatility has more often than not been followed by a resumption of continued gains in equity markets
- Of course, this does not mean conflicts can't impact these variables or markets, just that they are most often not primary market drivers
- For example, the Iraq War turned out to not have a negative impact on equity markets nor economic growth in the US despite just coming out of a recession. In the 3 years that followed the S&P 500 returned 16.3% annually and Trailing 12m EPS grew about the same. Real GDP grew at almost 4% annually. It feels naïve to assume that this will be over quickly as Goliath trumps David. Additionally, the US economy is in a different place especially on the inflation and government spending front. Defense spending rose dramatically after 9/11 and the invasion of Iraq. A similar shift in defense spending could have a lasting impact on US government debt/deficit as well as inflation.

S&P 500 PERFORMANCE PRIOR TO & FOLLOWING START OF MAJOR MILITARY ACTIONS

	Date	Prior 65 Trading Days	Prior 20 Trading Days	Prior 5 Trading Days	Trading Day	+5 Trading Days	+20 Trading Days	+65 Trading Days	+125 Trading Days	+250 Trading Days
Pearl Harbor	12/7/1941	-9.9%	-2.7%	2.8%	-3.8%	-2.7%	0.3%	-10.5%	-5.6%	3.7%
Korean War	6/25/1950	9.0%	2.5%	1.2%	-5.4%	-2.6%	-4.9%	7.2%	10.0%	17.6%
Bay of Pigs	4/17/1961	11.9%	2.7%	-0.2%	0.5%	-3.4%	0.2%	-3.0%	2.0%	1.8%
Vietnam War	3/8/1965	3.6%	-0.6%	-0.5%	0.0%	0.5%	-0.3%	-2.1%	0.9%	3.0%
Panama	12/20/1989	-1.2%	0.8%	-2.9%	0.1%	2.3%	-1.1%	-1.5%	4.7%	-4.9%
Gulf War	1/17/1991	4.3%	-4.2%	0.5%	3.7%	2.1%	11.1%	16.2%	16.2%	28.2%
Kosovo	3/24/1999	7.0%	0.7%	-2.7%	0.5%	1.4%	7.1%	3.7%	3.1%	14.8%
Afghanistan	10/7/2001	-12.5%	-5.4%	3.2%	-0.8%	2.6%	3.8%	8.9%	5.2%	-24.6%
Iraq War	3/20/2003	-1.7%	4.4%	5.1%	0.2%	-0.8%	2.0%	12.1%	17.2%	28.3%
Libya	3/19/2011	3.6%	-4.8%	-1.3%	1.5%	0.9%	0.5%	-0.9%	-6.3%	8.1%

AVERAGE S&P 500 INDEXED TO START OF MAJOR MILITARY ACTIONS



Source: Bloomberg. Strategas.
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