
Pathstone

Update on the Iran Conflict

March 10, 2026

Market Implications of the Iran Conflict

What's happened: a new supreme leader and an intraday reversal

- Israel and the U.S. launched coordinated strikes, with Israel targeting approximately 30 Iranian fuel depots over the weekend, causing reported friction with a U.S. administration heavily focused on preventing a global energy inflation shock.
- The appointment of hard-liner Mojtaba Khamenei as Iran's new supreme leader early Monday signaled the regime is digging in for a prolonged conflict, triggering severe Monday morning panic.
- However, President Trump later stated the operation is "very complete" and urged tankers to transit the Strait of Hormuz, prompting a rapid de-escalation.

Market reaction: extreme intraday whiplash

- Brent crude spiked near \$120 per barrel early Monday on supply-shock fears, prompting the G7 to actively discuss releasing strategic petroleum reserves, though they held off as prices cooled in the afternoon.
- Equities mirrored this extreme volatility; the Dow opened down roughly 600 points before major indices completely erased losses to close higher on the day, led by the Nasdaq (+1.38%).
- Longer-dated inflation expectations and forward oil prices remain contained, indicating the market views this as a temporary shock, not a structural break.

Our base case: a volatility event, not a macro regime change

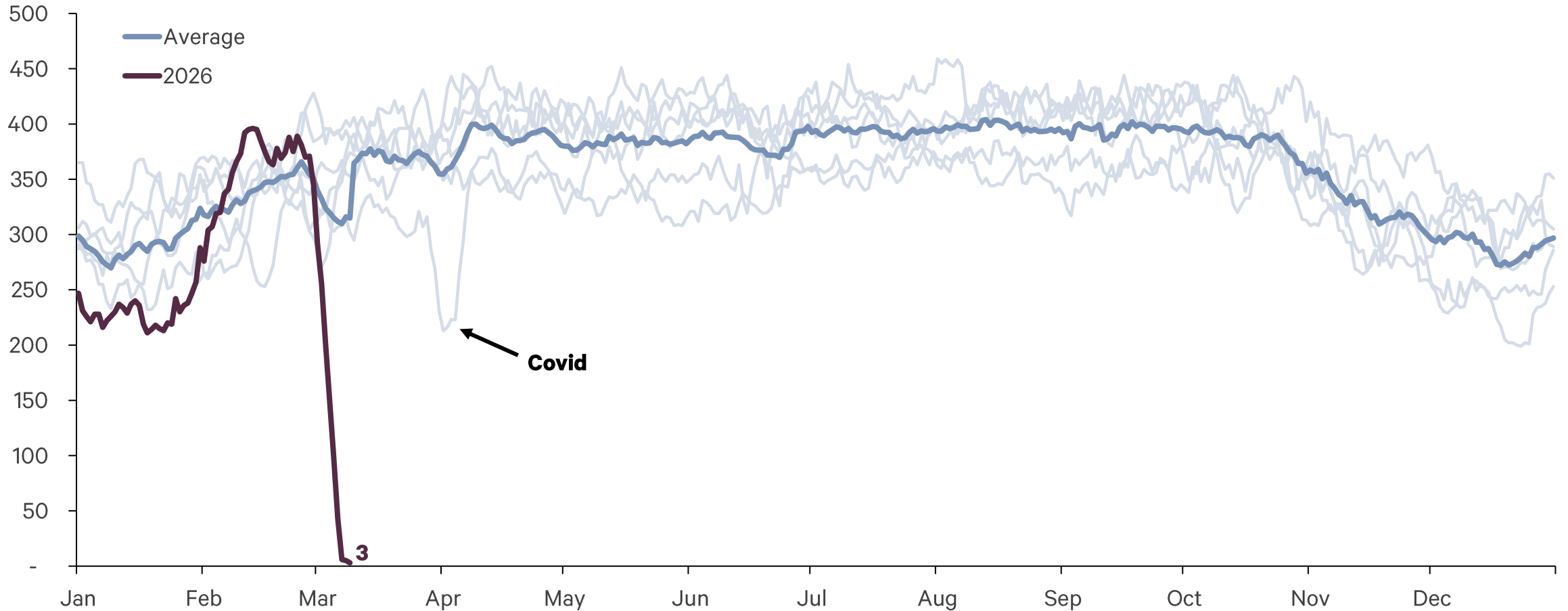
- We view this episode as a volatility event, not a regime change for growth, inflation, or monetary policy.
- Absent a prolonged or sustained closure of the Strait of Hormuz, the conflict is unlikely to materially alter the global macro or Fed outlook.
- Historical precedent suggests geopolitical shocks tend to fade unless they translate into persistent supply-chain disruption or financial tightening.

Portfolio implications: no tactical portfolio changes are recommended at this time.

- Diversification and discipline remain essential as markets react quickly to evolving headlines.
- We are closely monitoring oil price duration and inflation expectations for any signs of broadening risk.
- Major equity market indices are only moderately off their highs and many are still positive tear-to-date (MSCI ACWI up just under 1% as of 3/10).

Strait of Hormuz is effectively closed

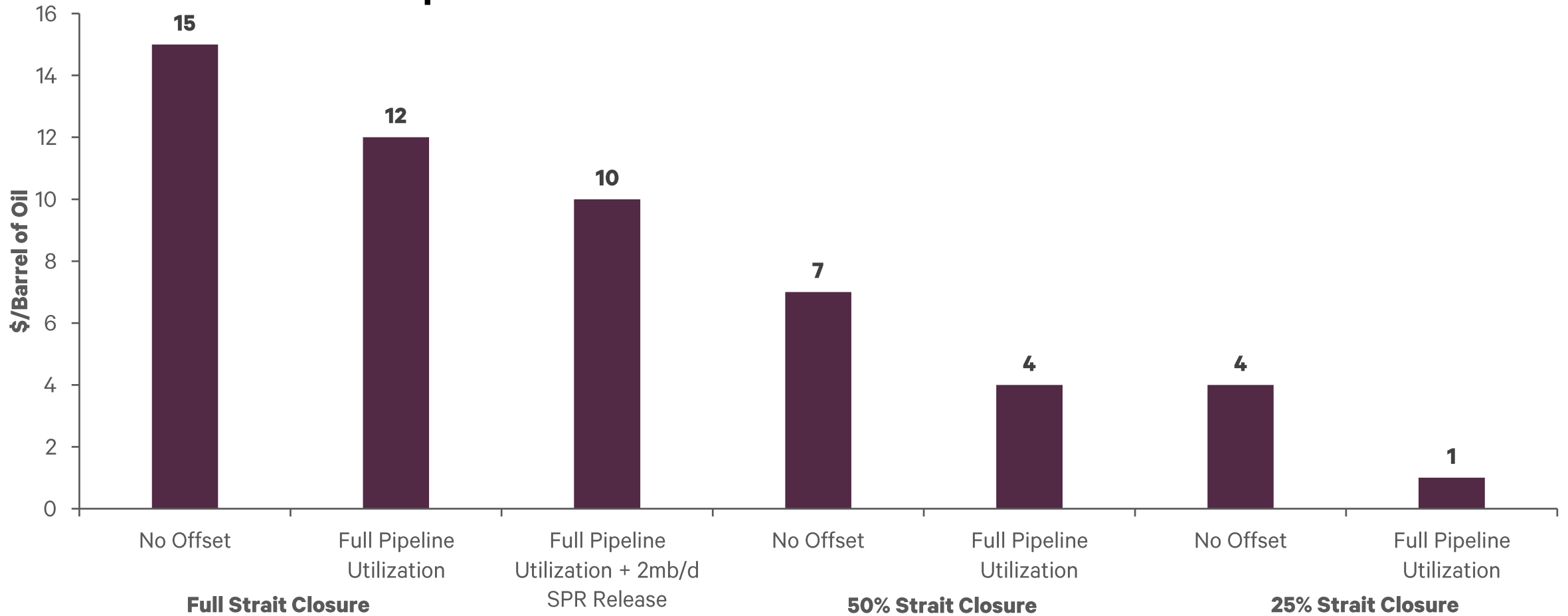
Total Tankers in and out of the Strait of Hormuz (7-Day Total, 2020-2026)



Source(s): Pathstone with data from Bloomberg. As of 3/10/2026.

Estimated impact of Strait Hormuz closure on the price of oil

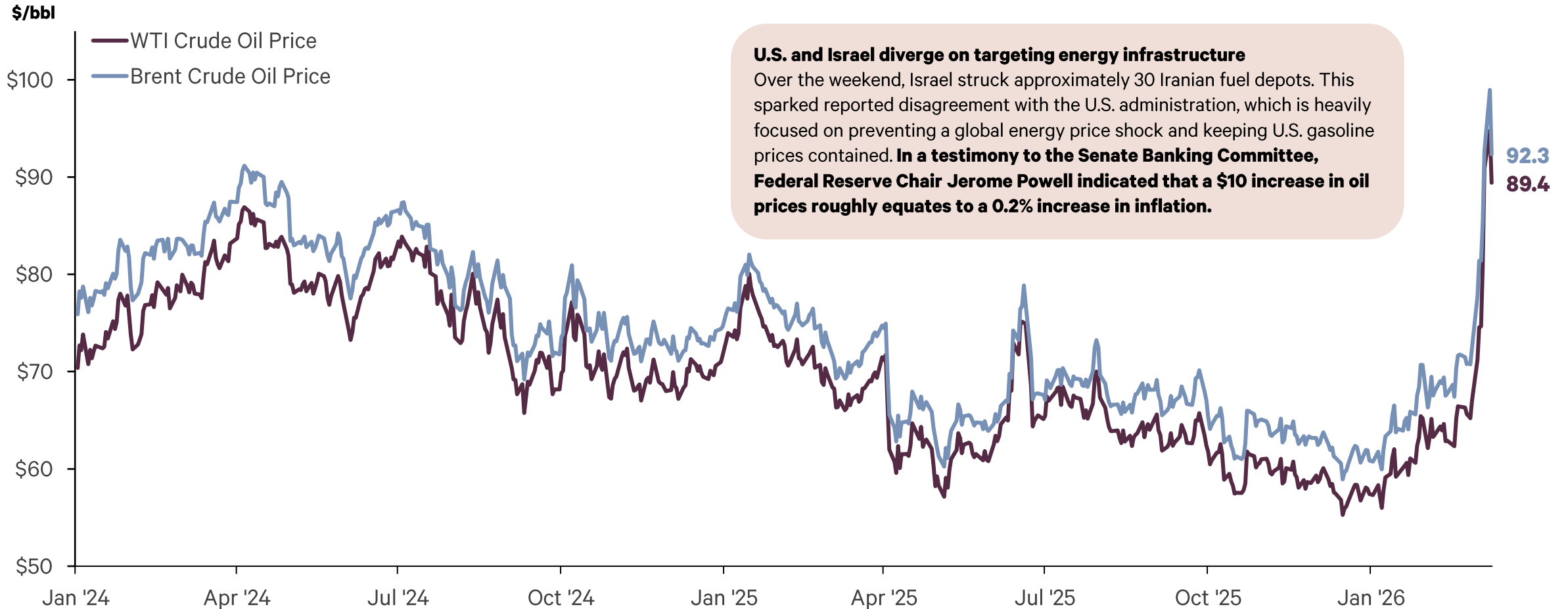
Estimated Impact on the Price of Oil Based on a 1 Month Closure of Strait Hormuz



Sources: Goldman Sachs Global Investment Research

Oil prices surge as supply fears mount

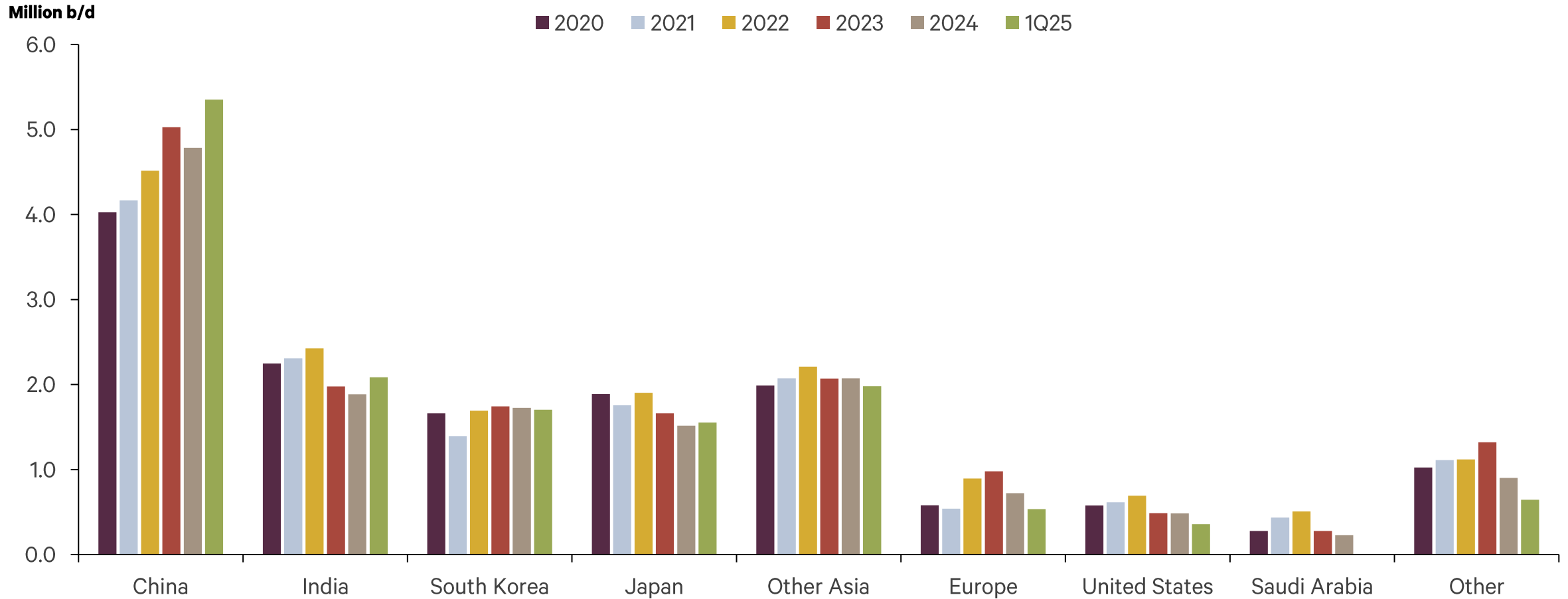
Crude Oil Prices



Source(s): Pathstone with data from Bloomberg. Data as of 3/10/2026.

China has become increasingly dependent on oil through Hormuz

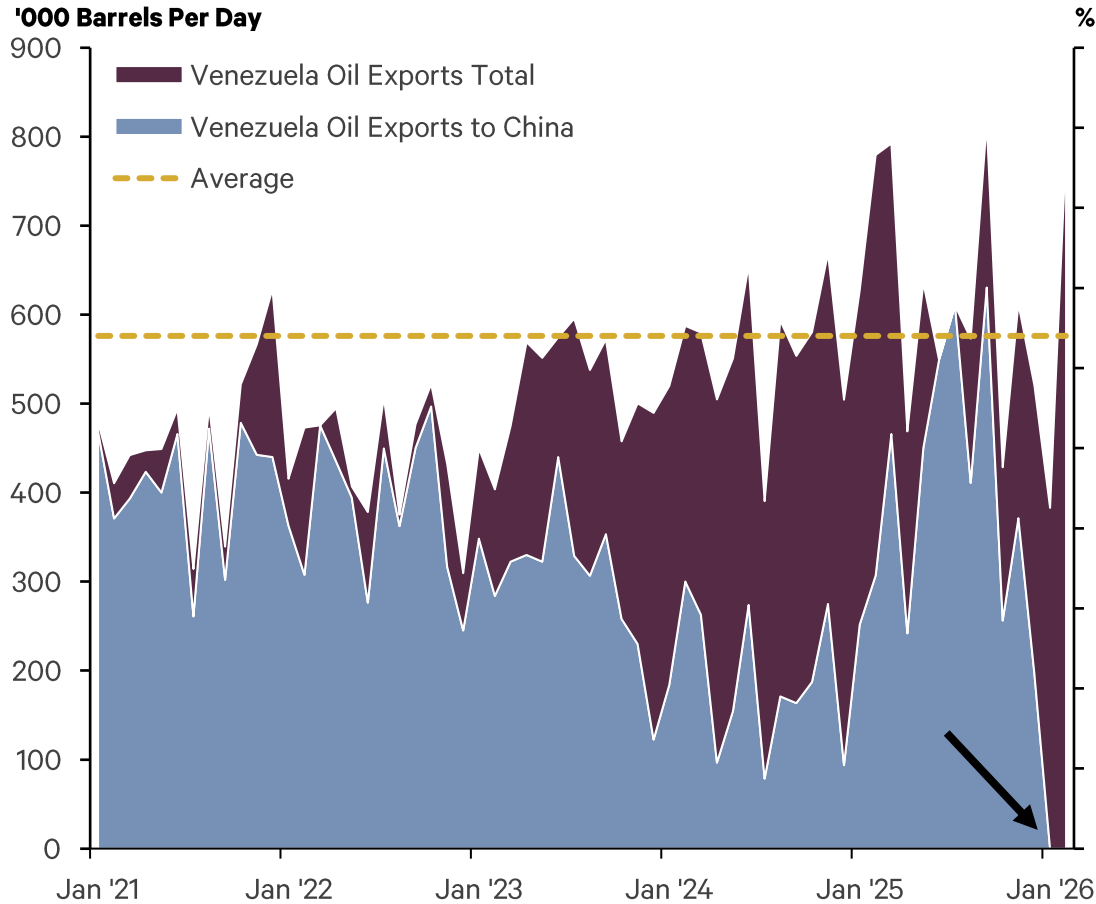
Volume of Crude Oil Transported Through the Strait of Hormuz



Source(s): Pathstone with data from the U.S. Energy Information Administration (analysis based on Vortexa). June 2025.

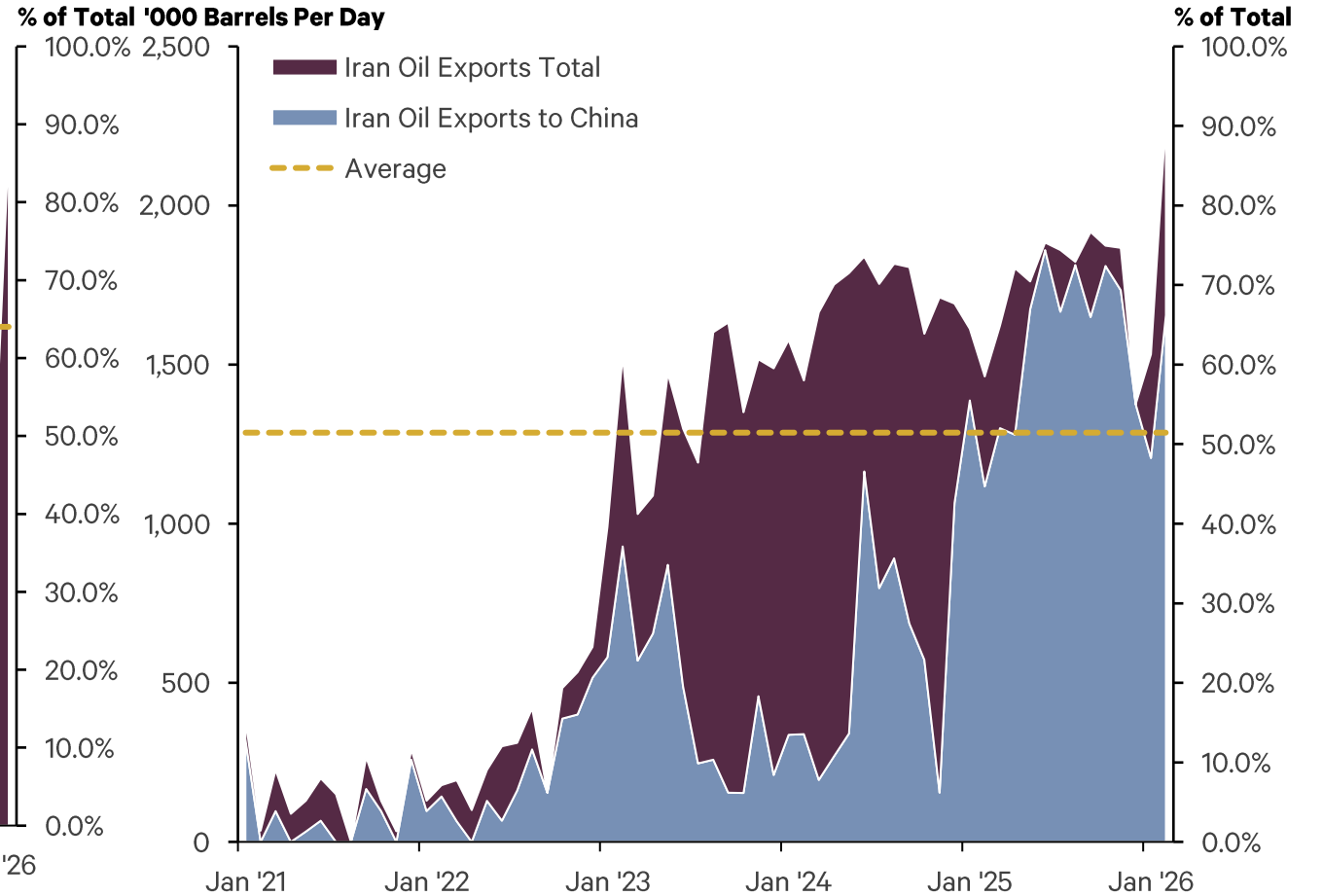
Venezuela & Iran are (were) key oil markets for China

Venezuela



Source(s): Pathstone with data from Bloomberg. Data as of 3/4/2026.

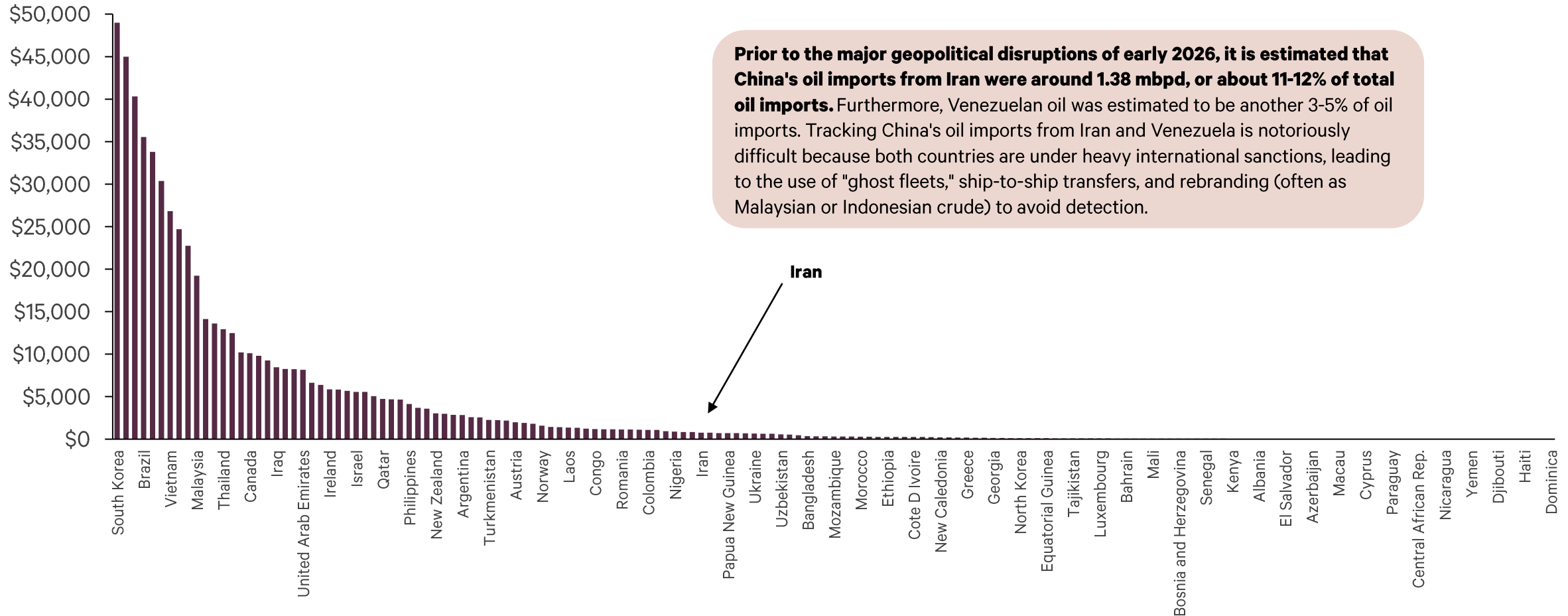
Iran



Source(s): Pathstone with data from Bloomberg. Data as of 3/4/2026.

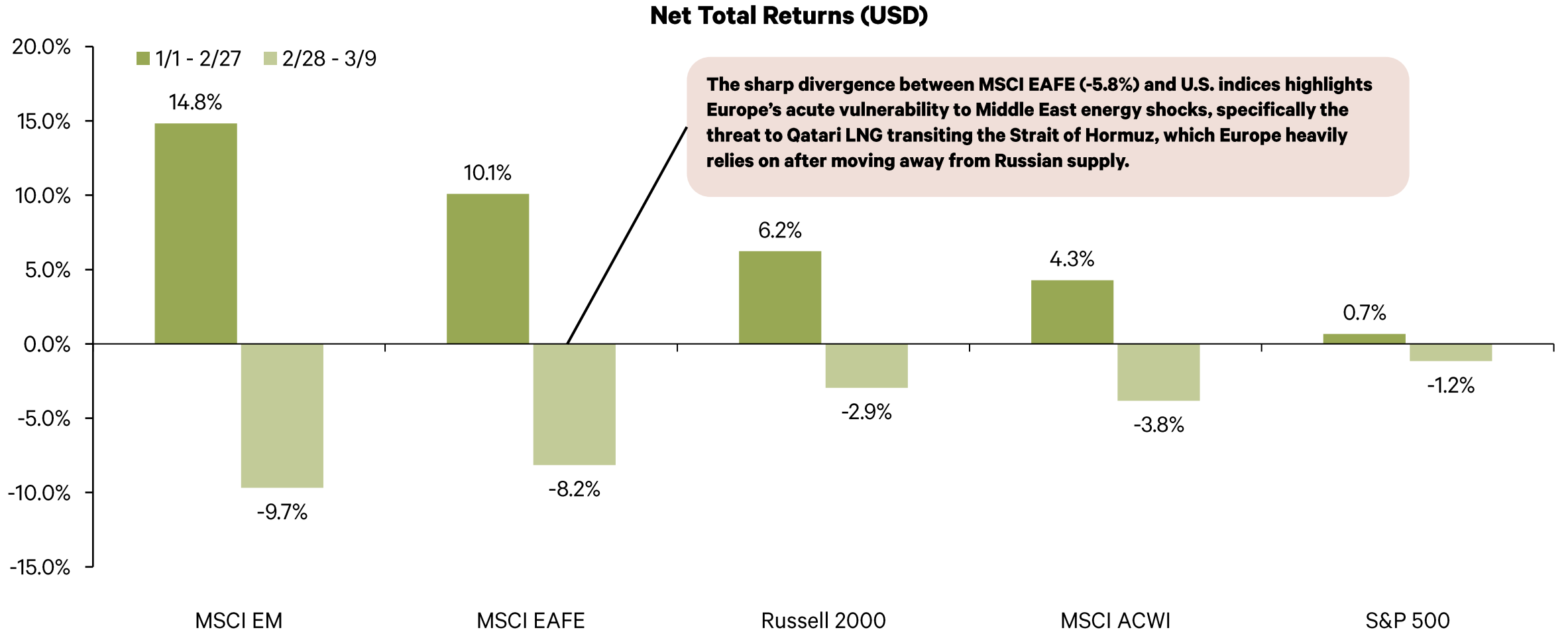
Iranian imports show small overall, but a meaningful portion of oil imports

Chinese Imports (\$M) – Q3 2025



Prior to the major geopolitical disruptions of early 2026, it is estimated that China's oil imports from Iran were around 1.38 mbpd, or about 11-12% of total oil imports. Furthermore, Venezuelan oil was estimated to be another 3-5% of oil imports. Tracking China's oil imports from Iran and Venezuela is notoriously difficult because both countries are under heavy international sanctions, leading to the use of "ghost fleets," ship-to-ship transfers, and rebranding (often as Malaysian or Indonesian crude) to avoid detection.

Key market trends reverse post strike on Iran



Source(s): Pathstone with data from Bloomberg. Data as of 3/10/2026.

Asian markets sold off last week on larger risks to energy

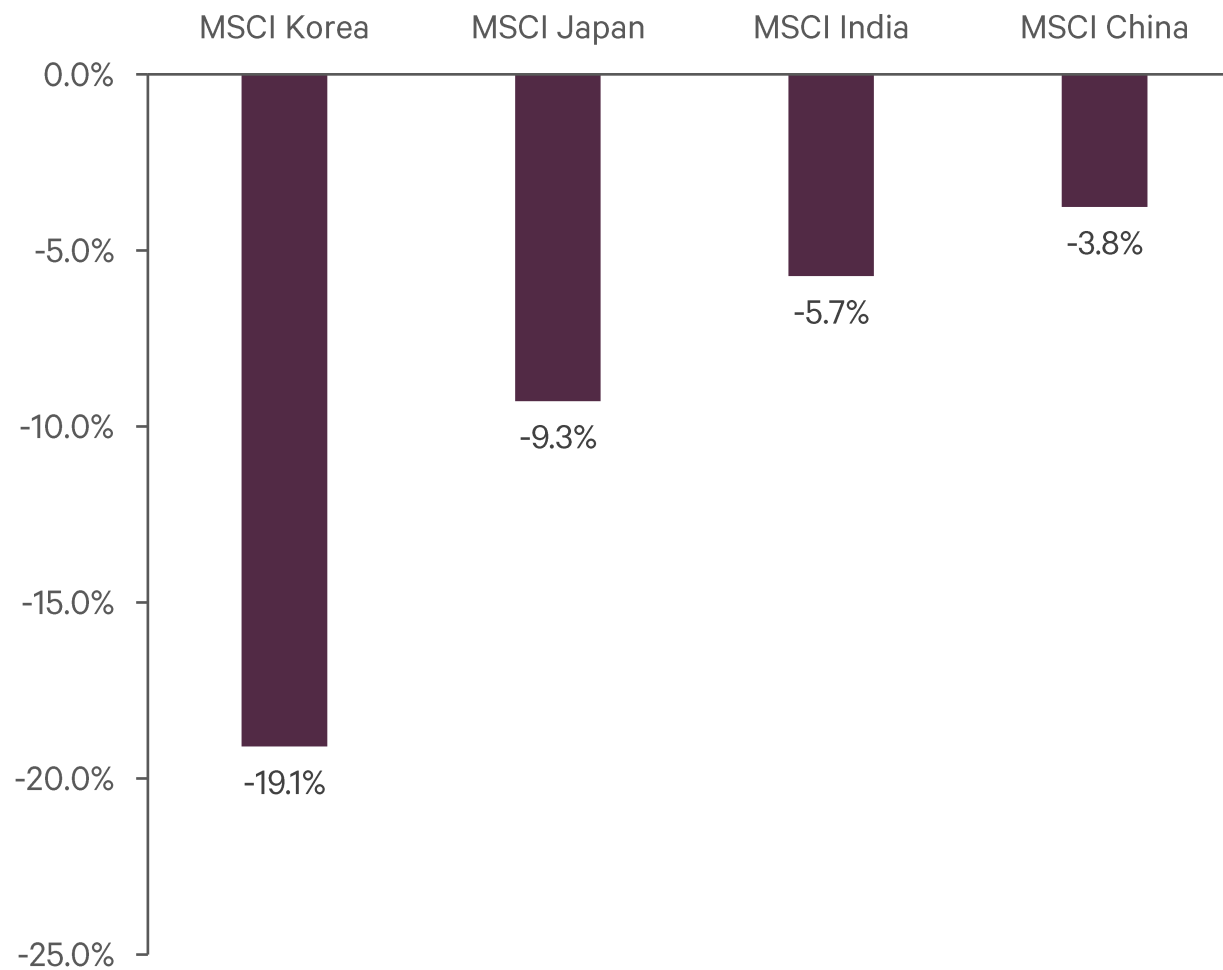
The selloff in Asian markets **reflects the structural energy dependency of Asia’s four largest economies on the Strait of Hormuz, now facing an active blockade** with significant risk of prolonged closure.

According to estimates from the U.S Energy Information Administration (EIA) **89% of the crude oil and condensate that moved through the Strait of Hormuz went to Asian markets in the first half of 2025.** China, India, Japan, and South Korea were the top destinations, **accounting for a combined 74% of all Hormuz crude oil and condensate flows.**

Simultaneously, over **20% of all global LNG trade transited the Strait of Hormuz in the first half of 2025, primarily originating from Qatar with China being the single largest destination with approximately one third of its total imports passing through the strait.** Following Iranian drone attacks, Qatar temporarily halted production.

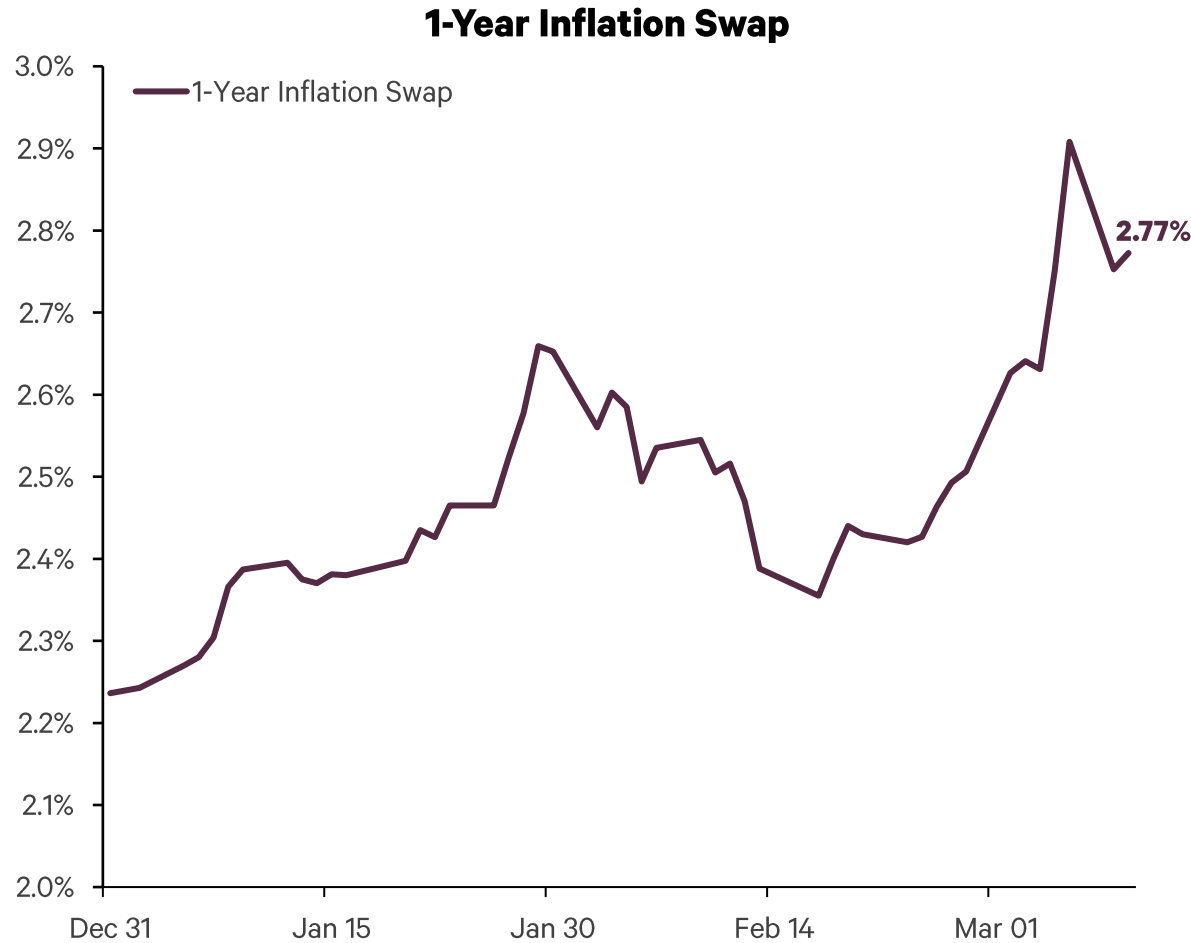
Losses in Korea and Japan were the largest **because they source 95% and 70% of crude imports through the Strait.** China’s decline was less, **partially reflecting its 1.2-1.5-billion-barrel strategic reserve buffer.** China is also the dominant buyer of Iranian crude oil, **absorbing 90% of Iran oil exports at \$8-\$9 per barrel discount.**

Returns since 2/27/2026

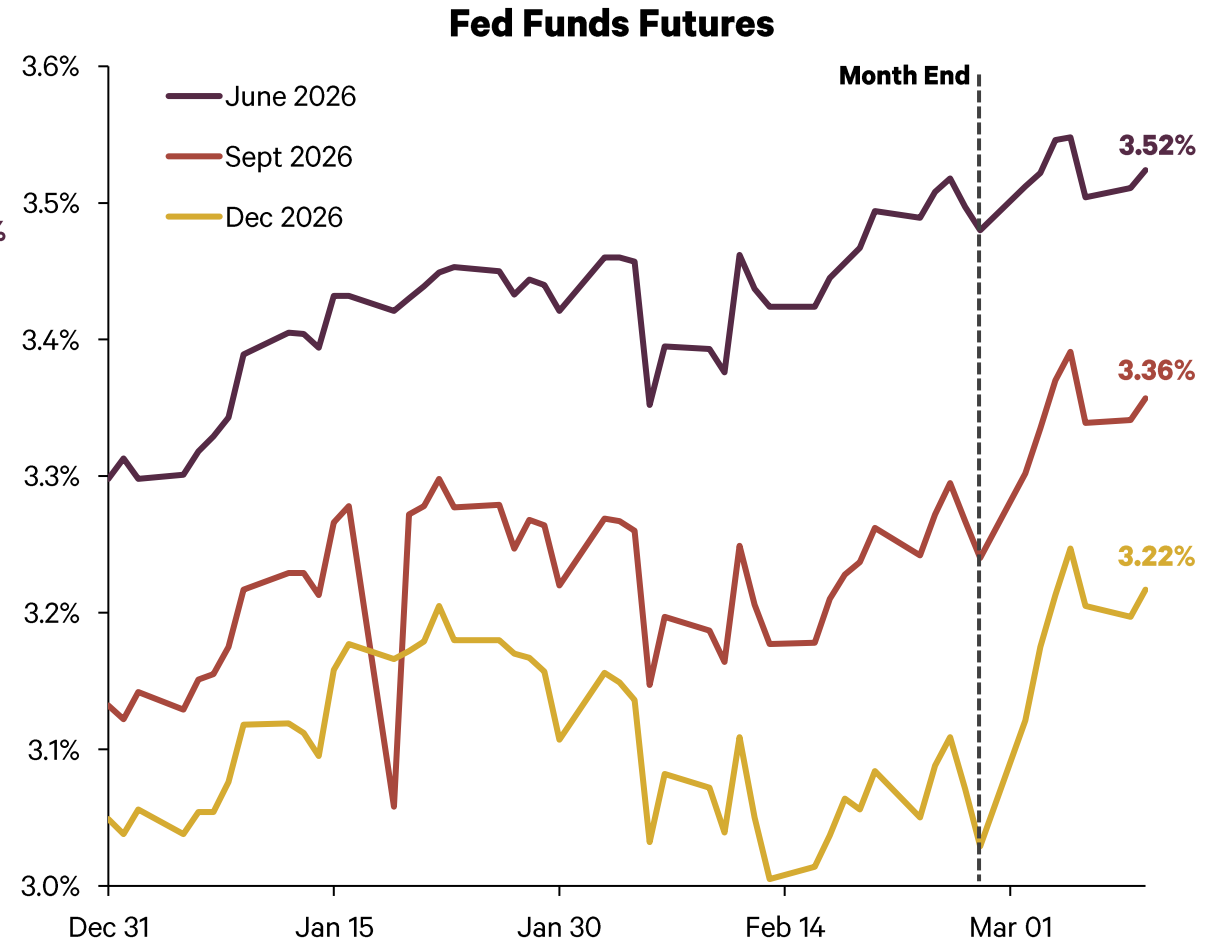


Sources: Pathstone with data from Bloomberg. Data as of 3/9/2026

Inflation expectations trend higher, rate cut expectations in H2 drop



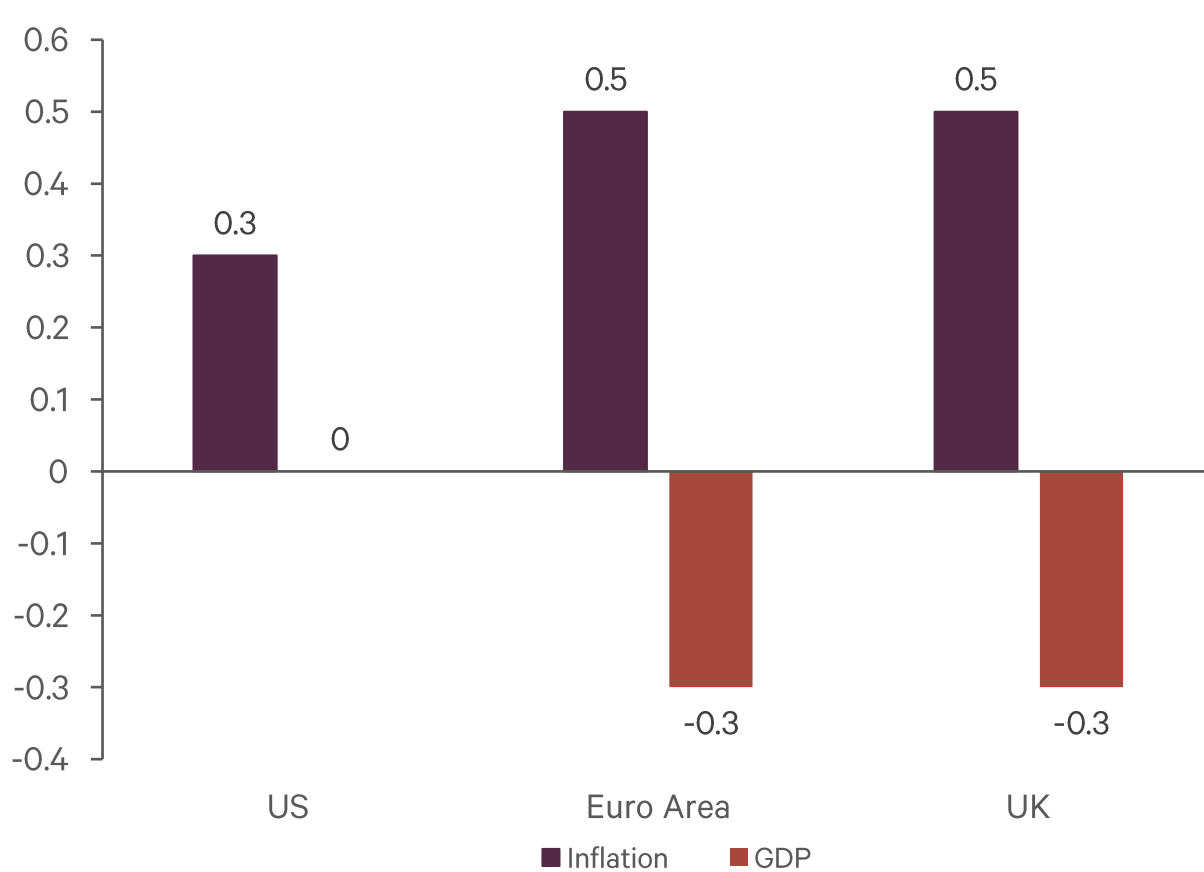
Source(s): Pathstone with data from Bloomberg. Data as of 3/10/2026.



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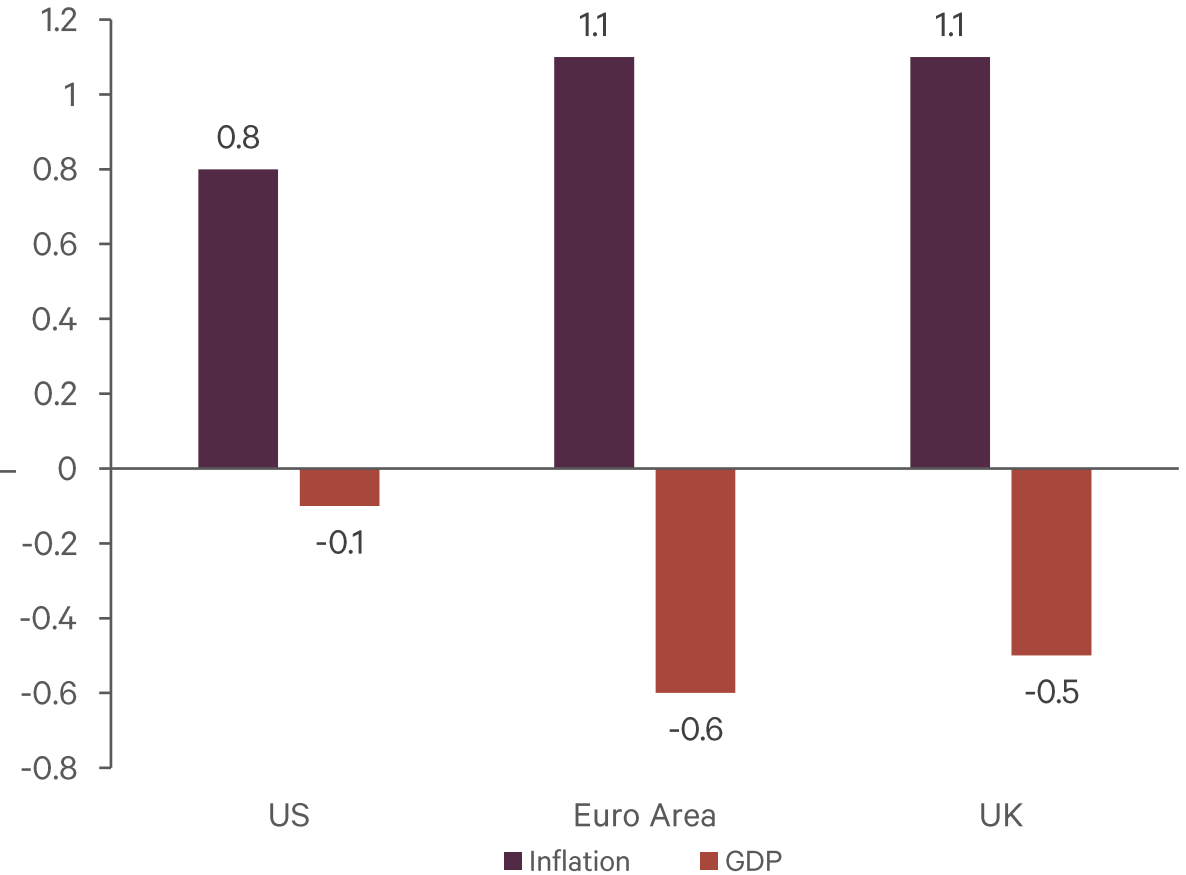
Different scenarios estimated impact on inflation and GDP

The Cost of Oil at \$80/Barrel
Impact on Inflation (ppt Contribution) and GDP (%)



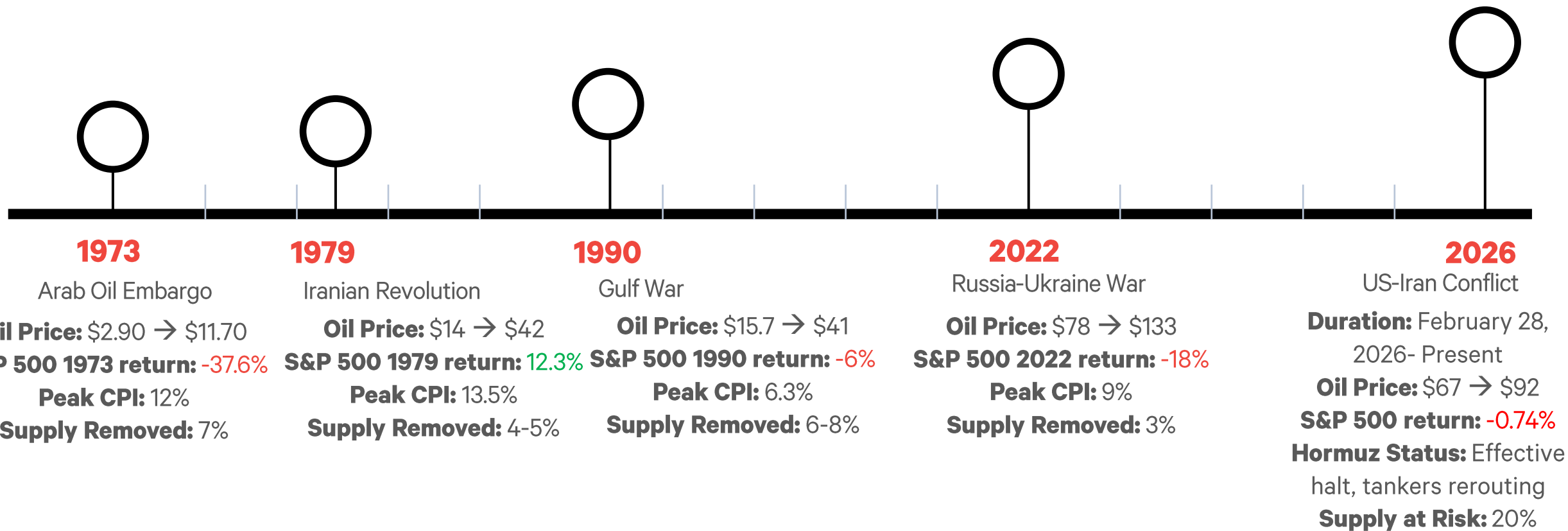
Sources: Pathstone with data from Bloomberg Economics, BECO MODELS SHOK

The Cost of Oil at \$108/Barrel
Impact on Inflation (ppt Contribution) and GDP (%)



Sources: Pathstone with data from Bloomberg Economics, BECO MODELS SHOK

Historical context of regional conflicts and implications on the market



Historical context suggests markets mostly move higher after geopolitical volatility

This data helps to explain the old adage of “buy at the sound of cannons, sell at the sound of trumpets” – suggesting markets often climb a wall of worry when volatility spikes, and investors should be more cautious when the market is euphoric.

Equity Market Selloffs and Recoveries Around Geopolitical Events

Event*	Event date	Time to bottom**	Time to recover**	Size of selloff (%)	Percent Returns from Trough				
					1w	1m	3m	6m	12m
WW-II Germany annexes Czechoslovakia	15-Mar-39	17	108	-20.5	2.3	8.3	9.6	22.2	12.9
WW-II Germany attacks France	09-May-40	22	745	-25.8	8.6	10.9	17.1	15.0	15.3
WW-II Pearl Harbor	07-Dec-41	17	201	-10.8	8.6	6.5	-3.8	-1.1	15.3
N. Korea invades S. Korea	24-Jun-50	17	43	-12.9	4.8	11.2	19.2	29.2	31.4
Suez Crisis	29-Oct-56	17	131	-6.8	5.5	4.9	-1.4	6.2	-6.0
Berlin Wall built	13-Aug-61	25	18	-3.9	1.4	4.1	8.0	6.2	-14.5
Cuban missile crisis	14-Oct-62	7	9	-6.6	5.7	15.0	22.7	30.0	36.5
Assassination of President Kennedy	22-Nov-63	2	1	-2.8	5.2	6.7	11.5	16.0	23.9
Authorization of military operations in Vietnam	07-Aug-64	15	36	-3.2	1.3	1.7	4.8	7.3	5.6
Six Day Israel Arab war	05-Jun-67	20	40	-3.5	4.1	5.3	6.5	7.7	13.0
Assassination of Martin Luther King Jr	04-Apr-68	2	2	-0.6	3.5	8.8	8.2	11.2	7.9
Israel Arab war/Oil embargo	16-Oct-73	27	1475	-17.1	1.6	7.3	5.6	-2.0	-28.2
President Nixon impeachment proceedings	06-Feb-74	9	16	-6.6	1.8	9.1	0.9	-10.8	-13.3
Shah of Iran exiled	16-Jan-79	9	34	-4.6	1.5	1.3	1.9	8.7	18.7
Iranian hostage crisis	04-Nov-79	24	51	-10.2	3.5	7.7	16.4	7.3	29.3
Soviet invasion of Afghanistan	24-Dec-79	12	6	-3.8	4.4	9.4	-2.9	11.6	29.6
Invasion of Grenada	25-Oct-83	22	304	-6.3	2.2	2.1	-3.7	-0.8	4.3
Bombing of Libya	15-Apr-86	20	7	-4.9	3.7	5.7	6.2	5.0	23.5
First Gulf War	02-Aug-90	50	87	-15.9	3.5	6.2	6.7	27.8	23.1
President Clinton impeachment proceedings	19-Dec-98	6	5	-3.9	3.5	6.2	13.4	13.4	23.0
Kosovo bombing	24-Mar-99	4	9	-4.1	3.1	7.5	5.6	1.4	21.0
9/11 attacks	11-Sep-01	6	15	-11.6	7.8	11.1	18.5	19.4	-12.5
Iraq war	20-Mar-03	7	15	-5.3	3.7	6.0	15.8	20.0	32.8
Arab spring (Egypt)	25-Jan-11	2	3	-1.8	2.7	4.0	6.6	1.9	3.1
Intervention in Libya	19-Mar-11	18	29	-6.4	3.2	5.0	0.9	-3.3	11.7
Russian invasion of Crimea	01-Mar-14	6	13	-2.0	1.4	-0.6	5.2	7.8	11.5
Intervention in Syria	22-Sep-14	21	12	-7.4	4.7	8.5	8.4	13.0	9.1
Brexit vote	23-Jun-16	14	9	-5.6	5.1	8.3	8.0	13.4	20.9
Airstrike on Syrian airbase	07-Apr-17	32	16	-5.6	1.2	2.7	6.1	9.6	14.1
Russian invasion of Ukraine	25-Feb-22	20	16	-9.1	2.2	7.6	-1.3	-3.9	-4.3
Israel-Hamas War	07-Oct-23	13	8	-5.9	5.9	10.5	18.8	23.9	41.1
Israel-Iran Airstrike	01-Apr-24	16	19	-5.9	5.7	6.8	10.8	18.1	6.4
US bombing of Iran bunkers	20-Jun-25	-	-	-	3.0	5.5	10.5	14.7	-
US strikes in Venezuela	02-Jan-26	-	-	-	1.1	0.5	-	-	-
Median		17	16	-6.1	3.5	6.7	8.7	9.6	13.5
Average		16	109	-7.5	8.5	6.5	7.8	10.6	12.9

Previous Week Return

1-Month Return

1-Year Return

U.S. Equities

Large Cap	-3.4%	-2.1%	-0.7%
Mid Cap	-4.0%	-3.6%	-2.3%
Small Cap	-3.6%	-4.0%	-4.5%
	Value	Core	Growth

U.S. Equities

Large Cap	-3.1%	-2.6%	-2.1%
Mid Cap	-2.8%	-2.5%	-1.4%
Small Cap	-5.0%	-5.3%	-5.7%
	Value	Core	Growth

U.S. Equities

Large Cap	17.8%	18.8%	19.2%
Mid Cap	18.4%	17.0%	11.6%
Small Cap	25.4%	23.9%	22.5%
	Value	Core	Growth

Global Equities

-2.0%	-7.3%	-6.5%
S&P 500	Europe LC	Japan
-1.2%	-6.4%	-6%
Nasdaq	Europe SC	Asia ex-Japan
-7.8%	-8.3%	-3.0%
Lat Am	EM Europe	China

Global Equities

-2.6%	-4.5%	-0.3%
S&P 500	Europe LC	Japan
-1.6%	-4.8%	1%
Nasdaq	Europe SC	Asia ex-Japan
-5.9%	-9.9%	-4.9%
Lat Am	EM Europe	China

Global Equities

19.0%	18.6%	29.6%
S&P 500	Europe LC	Japan
23.8%	21.0%	35%
Nasdaq	Europe SC	Asia ex-Japan
56.6%	32.6%	4.1%
Lat Am	EM Europe	China

Fixed Income

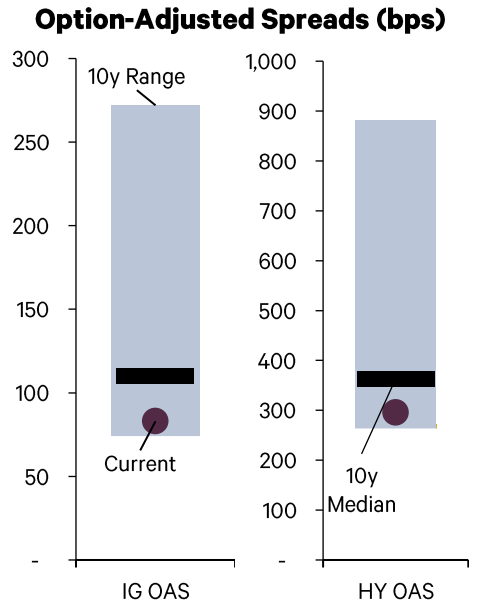
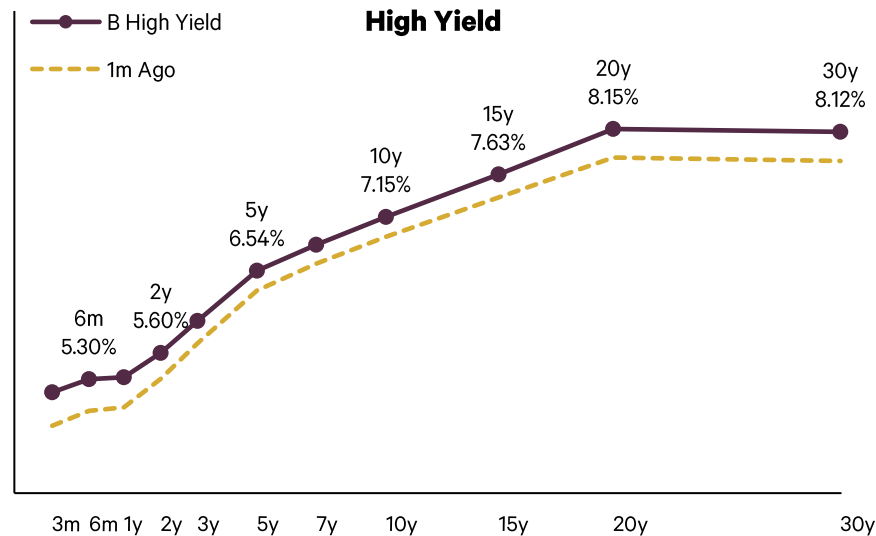
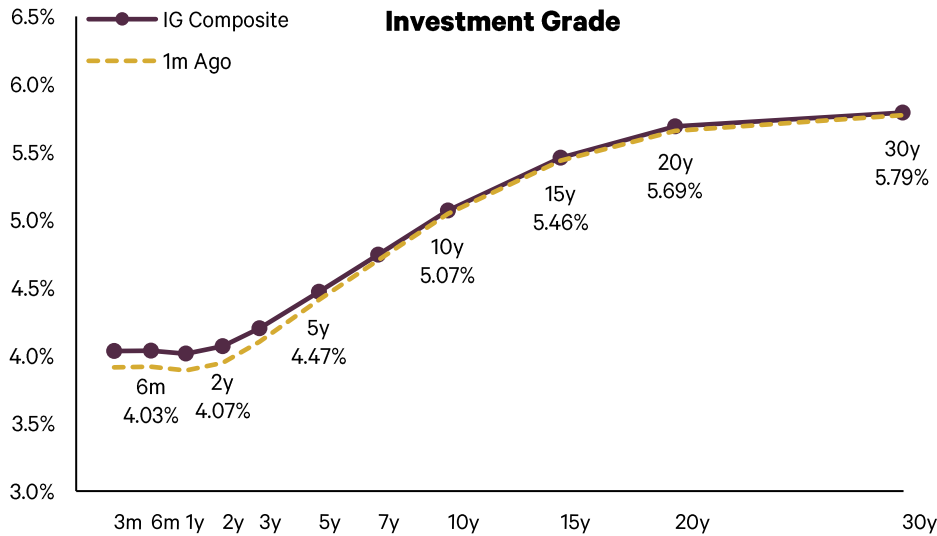
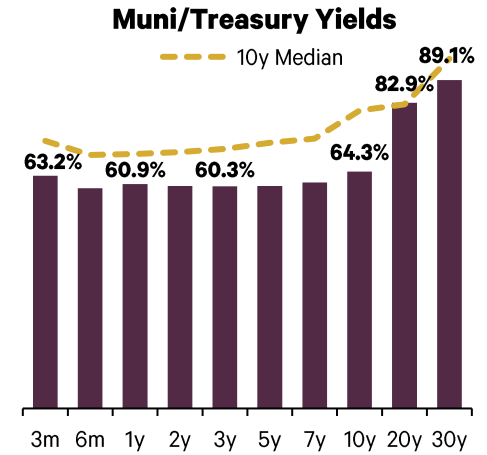
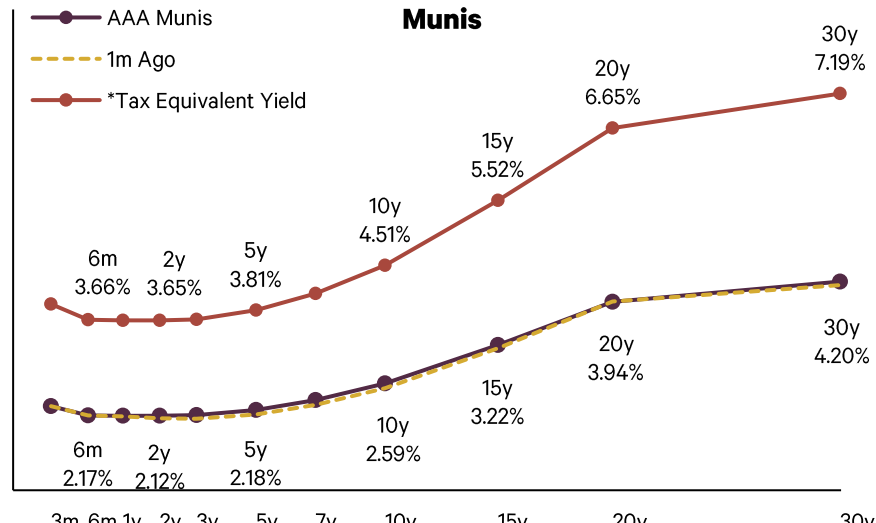
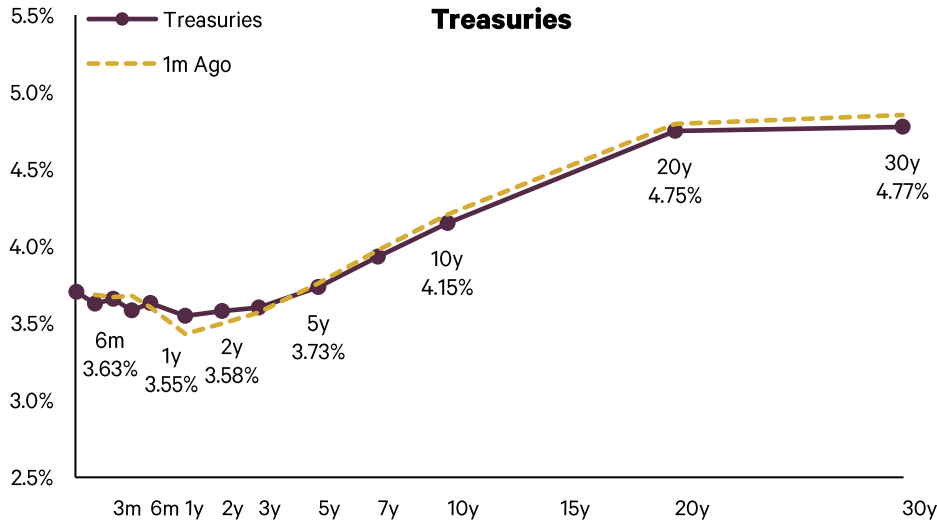
-0.3%	-2.1%	-0.4%
ST Treasury	LT Treas	TIPS
-0.4%	-0.9%	-0.8%
ST Corp	LT Corp	Muni
-0.4%	-1.0%	-1.1%
High Yield	MBS	EM

Fixed Income

0.1%	1.2%	0.7%
ST Treasury	LT Treas	TIPS
0.1%	0.1%	-0.2%
ST Corp	LT Corp	Muni
-0.4%	0.4%	-0.1%
High Yield	MBS	EM

Fixed Income

4.4%	3.2%	5.4%
ST Treasury	LT Treas	TIPS
5.8%	6.1%	5.1%
ST Corp	LT Corp	Muni
7.0%	7.0%	9.1%
High Yield	MBS	EM



Money Market Yields	Schwab	>\$1m	3.5%
	Fidelity	Gov't Cash Reserves	3.4%
	Pershing	Vanguard Federal MMF	3.6%

Short-term Fund Yields	Muni*	4.4%
	Treasury	3.6%
	Agg	4.1%

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US Equities by Size and Style

US Large Cap	Russell 1000 TR USD	The Russell 1000 Index consists of the largest 1000 companies in the Russell 3000 Index.
US Large Cap Growth	Russell 1000 Growth TR USD	Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
US Large Cap Value	Russell 1000 Value TR USD	Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
US Small Cap	Russell 2000 TR USD	The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.
US Small Cap Growth	Russell 2000 Growth TR USD	Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.
US Small Cap Value	Russell 2000 Value TR USD	Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.
US Mid Cap	Russell Mid Cap TR USD	Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.
US Mid Cap Growth	Russell Mid Cap Growth TR USD	Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.
US Mid Cap Value	Russell Mid Cap Value TR USD	Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

Global Equities

US Large Cap	S&P 500 TR USD	The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.
US Large Cap Tech	NASDAQ	The NASDAQ-100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ.
European Large Cap	MSCI Europe Large GR USD	The MSCI Europe Large Cap Index is a free-float weighted equity index.
European Small Cap	MSCI Europe Small Cap GR USD	Europe Small Cap - Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland and UKMSCI's Developed Market Indices are based on the share prices of approximately 1.60
Japan	MSCI Japan GR USD	The MSCI Japan Index is a free-float weighted equity index. This index prices in real time in USD.
Asia ex-Japan	MSCI AC Asia Ex Japan GR USD	The MSCI AC Asia ex Japan Index is a free-float weighted equity index. This index is priced in USD.
China	MSCI China GR USD	The MSCI China Index is a free-float weighted equity index. This index is priced in USD.
EM Latin America	MSCI EM Latin America GR USD	The MSCI EM Latin America Index is a free-float weighted equity index. This index is priced in USD.
EM Europe	MSCI EM Europe GR USD	The MSCI EM Europe Index is a free-float weighted equity index. This index is priced in USD.
Magnificent 7	Magnificent 7 Index	The Mag 7 index tracks the performance of the seven largest US-listed technology and communication companies: Apple, Tesla, Nvidia, Meta, Amazon, Google, and Microsoft
AI Leaders Index	Goldman Sachs AI Leaders Index	The index developed by Goldman Sachs selects companies positioned to benefit from artificial intelligence integration while excluding "Magnificent 7" firms to provide diversified exposure to the broader AI ecosystem.
Nuclear Energy Basket	UBS Nuclear Energy Basket	The index developed by UBS provides exposure to the nuclear power value chain by selecting companies involved in uranium mining, enrichment, and nuclear technology services through a rules-based methodology.
Cloud Index	Bessemer Cloud Index	The index tracks the performance of emerging public companies primarily involved in providing cloud computing software and services to their customers.
AI Exposed Semiconductors	UBS AI Exposed Semiconductors Index	The index developed by UBS provides exposure to semiconductors by selecting companies positioned to benefit from projected growth in AI compute revenues..

Fixed Income

Short-term Treasuries	Bloomberg 1-3 Yr US Treasury TR USD	The Bloomberg US Treasury 1-3 Yr Index measures the performance of US Treasuries with a maturity of between 1-3 years.
Long-term Treasuries	Bloomberg US Treasury 10+ Yr TR USD	The Bloomberg US Treasury 10+ Yr Index measures the performance of US Treasuries with a maturity of at least 10 years.
Inflation-Linked Bonds	Bloomberg US Treasury US TIPS TR USD	The Bloomberg US Treasury Inflation-Linked Bond Index (Series-L) measures the performance of the US Treasury Inflation Protected Securities (TIPS) market. Federal Reserve holdings of US TIPS are not index eligible and are excluded from the face amount outstanding of each bond in the index.
Municipal Bonds	Bloomberg Managed Money Short/	Bloomberg Managed Money Short/Intermediate Total Return Index Unhedged USD
Mortgage-Backed Securities	Bloomberg US MBS TR USD	The Bloomberg US Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.
Short-term Investment Grade	Bloomberg USD Corp Bd 1-5 Yr TR USD	Bloomberg US Corporate 1-5 years Total Return Index Value Unhedged USD.
Long-term Investment Grade	Bloomberg US Corp Bond TR USD	The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.
High Yield	Bloomberg US Corporate High Yield TR USD	The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.
EM Aggregate Bonds	Bloomberg Emerging Markets Hard Currency Aggregate Index	The Bloomberg Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.