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Flash Memorandum  
Thoughts on Recent Developments in the Middle East

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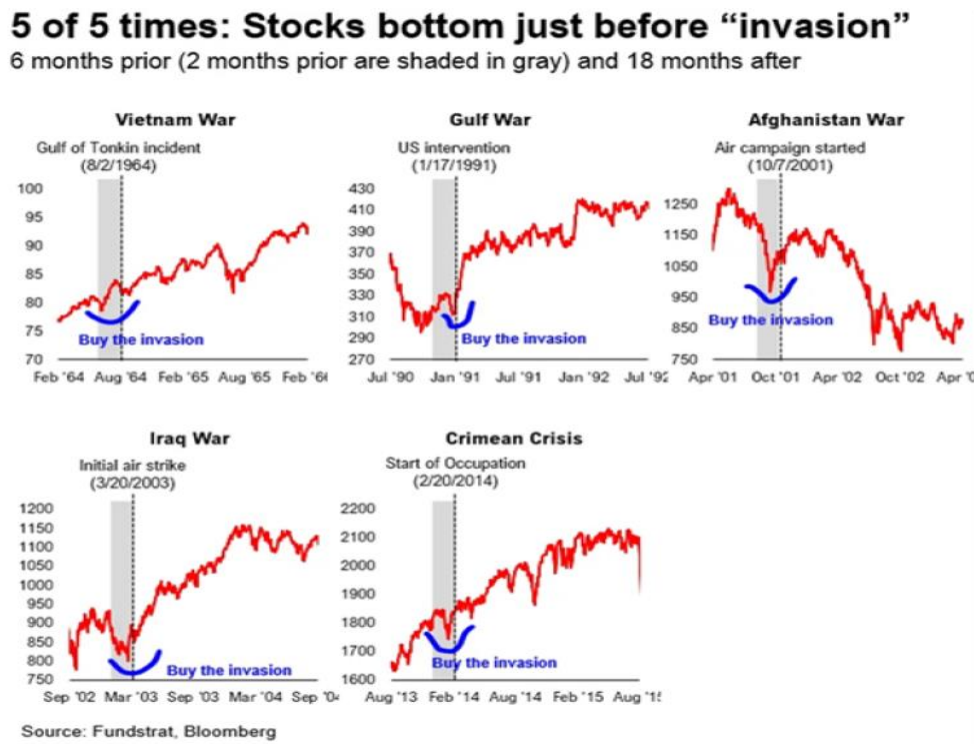
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Date: October 2, 2024

The ongoing tensions and recent escalation in the middle east certainly warrant close attention. Iran sits right next to the straight a Hormuz which 20% of the worlds oil and 25% of the worlds LNG flows through. Major disruptions to this supply would cause an oil price spike and likely be the catalyst for a global recession and a bear market in equities. That said, these risks are very difficult to handicap, and we advise against making knee jerk reactions to the unfolding events. We still have constructive view on risk assets and recommend staying focused on a diversified investment approach despite short-term ‘fear’ driven market movements.

Below are a few charts that we think help contextualize the current environment quite well:

Fundstrat has analyzed five separate events below. The vertical lines represent the commencement of hostilities, with the 6-months preceding invasions to the left of the vertical dashed line and the 18 months after the invasion represented to the right of the line. Clearly, the angst felt leading up to the events generally over-exaggerate worst-case scenarios and represented potential buying opportunities.





Additionally the current state of the economy is an important factor when considering the market impacts geopolitical conflict may bring. When the economy is already in or entering a recession, geo-political shocks can exacerbate problems; however, if recessionary conditions are not present, the table below suggests that market declines tend to be short-lived and relatively shallow.

### Stocks Usually Take Geopolitical Events In Stride

#### S&P 500 Index And Geopolitical Events

Market Shock Events	Event Date	S&P 500 Returns		Days	
		One Day	Total Drawdown	Bottom	Recovery
U.S. Pulls Out of Afghanistan	8/30/2021	0.4%	-0.1%	1	3
Iranian General Killed In Airstrike	1/3/2020	-0.7%	-0.7%	1	5
Saudi Aramco Drone Strike	9/14/2019	-0.3%	-4.0%	19	41
North Korea Missile Crisis	7/28/2017	-0.1%	-1.5%	14	36
Bombing of Syria	4/7/2017	-0.1%	-1.2%	7	18
Boston Marathon Bombing	4/15/2013	-2.3%	-3.0%	4	15
London Subway Bombing	7/5/2005	0.9%	0.0%	1	4
Madrid Bombing	3/11/2004	-1.5%	-2.9%	14	20
U.S. Terrorist Attacks	9/11/2001	-4.9%	-11.6%	11	31
Iraq's Invasion of Kuwait	8/2/1990	-1.1%	-16.9%	71	189
Reagan Shooting	3/30/1981	-0.3%	-0.3%	1	2
Yom Kippur War	10/6/1973	0.3%	-0.6%	5	6
Munich Olympics	9/5/1972	-0.3%	-4.3%	42	57
Tet Offensive	1/30/1968	-0.5%	-6.0%	36	65
Six-Day War	6/5/1967	-1.5%	-1.5%	1	2
Gulf of Tonkin Incident	8/2/1964	-0.2%	-2.2%	25	41
Kennedy Assassination	11/22/1963	-2.8%	-2.8%	1	1
Cuban Missile Crisis	10/16/1962	-0.3%	-6.6%	8	18
Suez Crisis	10/29/1956	0.3%	-1.5%	3	4
Hungarian Uprising	10/23/1956	-0.2%	-0.8%	3	4
N. Korean Invades S. Korea	6/25/1950	-5.4%	-12.9%	23	82
Pearl Harbor Attack	12/7/1941	-3.8%	-19.8%	143	307
<b>Average</b>		<b>-1.1%</b>	<b>-4.6%</b>	<b>19.7</b>	<b>43.2</b>

Source: LPL Research, S&P Dow Jones Indices, CFRA, 01/24/2021

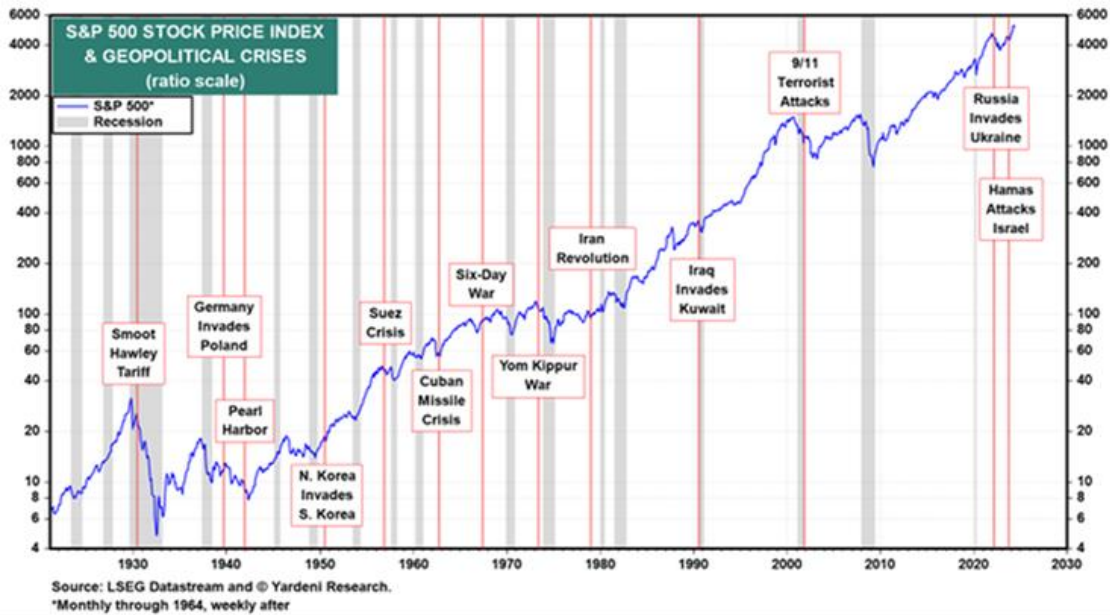
All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

The modern design of the S&P 500 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 90.



Below are a few more charts that we find helpful in times like this. It's always very easy to find reasons to sell! Notably the S&P 500 is up ~35% since the October 7<sup>th</sup> attacks last year.

## Reasons to Sell





**Investment Planners, Inc.**  
Member FINRA/SIPC  
**IPI Wealth Management, Inc.**

We recently increased duration of the IPI Intelligent Portfolios and have a modest overweight relative to our benchmark. Our bond positioning will help hedge some decline in equities as yields are at levels not seen since the GFC. We will continue to monitor the situation and let you know if we have any further insight to provide or if we feel portfolio adjustments are needed. If there are any additional questions, please let me know and we would be happy to answer them.

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