

# Your Money Monthly

April 2026



Wealth  
Management

## Battling volatility

The first quarter of 2026 certainly brought its share of challenges for financial markets. At the end of March, almost all public investment markets sat

lower than they did when the year started. The market declines cut across the entire risk spectrum, with both stocks and bonds down for the year. While there are a few different factors contributing to this, one of the biggest contributors is uncertainty surrounding war with Iran.<sup>(1)</sup>

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Although it may seem counterintuitive, there's a silver lining here for financial markets: U.S. financial markets have generated positive annualized returns through all of the major wars the U.S. has fought over the past one hundred years. These include World War II, the Korean War, the Vietnam War, the first Iraq War, and the second Iraq War. Overall, the average annual returns during these wars were similar to average annual returns of the stock market through the entire one-hundred-year time period. Compared to the U.S. stock market's average annual return from 1926 to 2024, two wars were above the average, two were below the average, and one came it right around average.<sup>(2)</sup>

You might wonder why I would have an expectation of positive returns amid the Iran war, considering that U.S. financial markets are currently sitting in a position of loss since the conflict began. Well, it's important to distinguish short-term, knee-jerk reactions from a longer time horizon such as a year. For example, the one-day return for wars and armed conflicts since World War 2 shows a negative one-day reaction for seven of the nine events. Yet the one-year return ended up being positive for seven of the nine events. So, while most armed conflicts and wars showed a negative short-term return, the one-year return was positive for the vast majority of events.<sup>(2)(3)</sup>

We can also point to a data set that shows the peak decline the stock market experienced during wars and armed conflicts since the Korean War. The average top to bottom decline for all conflicts came to a 6% drop. As of the end of March with the Iran war, the U.S. stock market bottomed out on March 30th with a 7% decline, and has recovered some since then following news of negotiations between the U.S. and Iran.<sup>(2)(4)</sup>

Another point to consider is the pattern of financial market response to U.S. geopolitical policies over the past year. As you know, we've typically seen an extreme position announced, followed by a movement toward negotiation. We saw that with tariffs last year. 2025 brought a 20% drop in April but markets ended higher for the year when we saw progress with negotiations. The same thing happened with Greenland earlier this year. And so far, we're seeing a similar path unfold with Iran.

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Comments and analysis from economists seem to reflect the data we just reviewed. For example, although the headlines are dramatic – the Iran war has caused a record disruption to the oil supply and sent prices of crude and other commodities higher – economists still don't see much recession risk from the war. The Wall Street Journal conducted a survey of economists during the latter part of March, and the conclusion was that expectations are for inflation to be temporarily higher, but for economic growth and unemployment to largely remain unchanged. Specifically, economists pegged the probability of a recession in the next 12 months at 32%, up

moderately from 27% in January. When asked how high crude oil would need to climb to push the chance of a U.S. recession above 50%, economists responded that crude oil would need to reach an average of \$138 per barrel and stay at that price for 14 weeks. As of the end of March, the price of oil hovered around \$100, much lower than the key \$138 level.<sup>(4)</sup>

And finally, comments from Federal Reserve officials appear to echo the long-term data as well as the survey of economists. In a public talk given at the end of March, Fed Chair Powell said the Fed is inclined to look beyond the short-term spike in energy prices, and that he believes inflation

expectations remain in check. These comments are supportive of the view that the Fed is not simply going to raise interest rates as a knee-jerk reaction to temporarily higher energy prices. This policy position would be supportive of the economy.<sup>(5)</sup>

Overall, I view the comments by economists and the Fed as reflective of the data I reviewed showing short-term negative impacts from wars, followed by positive trends when looking out a year. Unless something changes, that is what I continue to expect.

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Sources: (1) Factset. (2) FirstTrust. (3) RBC Wealth Management. (4) Google Finance. (4) The Wall Street Journal 3/19/26. (5) CNBC 3/30/26.

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