



War, Markets & Reality: What History Actually Tells Investors

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The U.S./Israel – Iran conflict began five weeks ago, and we’ve witnessed a near doubling of oil prices as well as falling stock prices with increased volatility in most financial markets. It can be instructive to look at prior periods of war and major geopolitical events and review the effects on stocks during those periods.

U.S. Wars Since World War I: Dates and Stock Market Performance

War	Start	End	Duration	S&P 500 During	S&P 500 12M After	Maximum Drawdown
WWI*	4/6/1917	11/11/1918	1.6 years	-11.8%	+34.9%	-20.0%
WWII	12/7/1941	9/2/1945	3.7 years	+114.0%	+11.6%	-16.7%
Korea	6/25/1950	7/27/1953	3.1 years	+64.7%	+34.0%	-7.9%
Vietnam	8/2/1964	1/27/1973	8.5 years	+84.4%	-14.0%	-16.5%
Gulf War	1/17/1991	2/28/1991	1.4 months	+12.5%	+16.0%	0.0%
Afghanistan	10/7/2001	8/30/2021	19.9 years	+531.9%	-10.7%	-36.3%
Iraq	3/20/2003	12/15/2011	8.7 years	+65.4%	+18.9%	-22.7%
Average**			4.3 years	+54.9%	+16.9%	-17.2%
Median			3.7 years	+65.4%	+16.0%	-16.7%

Data from Bloomberg

* WWI returns are Dow Jones Industrial Index due to data limitations for S&P 500.

** Afghanistan excluded from averages due to extended duration.

Of the seven wars shown, the Afghanistan War (nearly 20 years) saw exceptional returns, though this reflects nearly two decades of general market growth rather than war-specific effects. Both Vietnam and Afghanistan saw negative returns in the 12 months following their conclusions, coinciding with broader economic challenges (1973–74 oil crisis and 2022 inflation/rate hikes, respectively). The Gulf War lasted just 42 days but still generated positive returns both during and after. The average and median returns were significantly positive both during and 12 months after each war.

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The average and median maximum drawdowns during the period of wars were less than an 18% decline each. It can also be instructive to review prior periods of geopolitical crises.

S&P 500 Performance During Major Geopolitical Crises

War	Start	End	Duration	S&P 500 During	S&P 500 12M After	Maximum Drawdown
Cuban Missile Crisis	10/16/1962	10/28/1962	13 days	-4.4%	+38.1%	-6.3%
Yom Kippur War & Oil Embargo	10/6/1973	3/18/1974	5.4 months	-9.7%	+22.9%	-17.8%
Iran Hostage Crisis	11/4/1979	1/20/1981	14.2 months	+37.5%	-7.8%	-3.5%
Iraq - Kuwait Invasion	8/2/1990	1/17/1991	5.5 months	-5.1%	n/a*	-15.9%
9/11 – 1 st 10 Days	9/11/2001	9/21/2001	10 days	-7.0%	-11.2%**	-7.0%
Covid 19 Pandemic	2/19/2020	3/23/2020	33 days	-33.8%	+77.8%	-33.9%
Russia-Ukraine	2/24/2022	12/31/2022	10.2 months	-9.3%	-5.9%	-16.6%
Average			5.3 months	-4.5%	+19.0%	-14.4%
Median			5.4 months	-7.0%	+8.5	-15.9%

Data from Bloomberg


*Gulf War began immediately after this period

**12-month return from 9/11 date; includes broader tech bubble aftermath

Short, acute crises like the Cuban Missile Crisis and COVID-19 crash showed sharp initial declines followed by strong recoveries. The market gained +38.1% in the year after the Cuban Missile Crisis resolved, and +77.8% after the COVID-19 bottom. The COVID-19 pandemic produced the steepest decline (-33.8%) in just 33 days, representing the fastest bear market in history. The 1973 Yom Kippur War and oil embargo caused a -9.7% decline, while Iraq's invasion of Kuwait (which threatened oil supplies) led to a -5.1% drop before the Gulf War began. The Iran Hostage Crisis actually saw positive returns (+37.5%) during the event itself, as markets adapted to the ongoing situation.

However, the subsequent year saw declines (-7.8%) amid high inflation and recession. The Russia-Ukraine invasion led to a -9.2% decline through year-end 2022, with the market still down -5.9% one year after the invasion began, reflecting persistent inflation concerns and aggressive Fed tightening. The -7.0% decline in the first 10 days after 9/11 was significant, but the -11.2% one-year return reflects the broader dot-com bubble aftermath and 2001-2002 recession more than the attacks themselves. During the crises, the average period lasted 5.3 months with a -4.5% return followed by a +19.0% average recovery in the subsequent 12 months. During the crises, the median period lasted 5.4 months with a -7.0% return followed by a +8.5% median recovery in the subsequent 12 months. The average and median maximum drawdowns during the crises were both less than a 16.0% decline.

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The Afghanistan War saw the worst maximum drawdown at -36.3% (during the 2008-2009 financial crisis), followed by the COVID-19 crash at -33.9% in just 33 days, and the Iraq War at -22.7% (also during the financial crisis). The Gulf War had 0% drawdown from its start date, as markets rallied immediately. The Iran Hostage Crisis saw only a -3.5% drawdown despite lasting over 14 months. Brief crises like the Cuban Missile Crisis (-6.3%) and 9/11 (-7.0%) had relatively contained drawdowns, while longer conflicts like Vietnam (-16.5%) and Iraq (-22.7%) experienced deeper declines, often influenced by broader economic factors.

Events tied to oil supply disruptions showed significant drawdowns: the Yom Kippur War/Oil Embargo (-17.8%) and Iraq's invasion of Kuwait (-15.9%) both impacted markets substantially. The strongest post-crisis recoveries occurred after the COVID-19 crash (+77.8%), Cuban Missile Crisis (+38.1%), and Korean War (+34.0%), suggesting markets often rebound sharply once acute geopolitical uncertainty resolves. The largest drawdowns during the Afghanistan and Iraq wars were driven more by the 2008 financial crisis than the conflicts themselves, highlighting that broader economic conditions often overshadow geopolitical events.

Final Thoughts

The message for investors is clear. Wars and geopolitical crises may vary widely in their causes and duration, however, the stock markets have fully recovered and proceeded to generate gains in 100% of the situations. Often those recoveries occurred in the first 12 months or less after the conclusion of the event. Given the near impossibility of predicting the impact and duration of wars and crises, it makes sense for stock market investors to ride out the turmoil and enjoy subsequent gains rather than trying to time an uncertain exit and re-entry into the market based upon headlines.

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