

HLM Capital Insight – March 2026

The escalating war with Iran has increased geopolitical risk across global financial markets. As history repeatedly demonstrates, uncertainty—particularly when tied to military conflict and energy supply—can result in a repricing of risk assets. In the current environment, both equity and fixed income markets have experienced pressure as investors digest the potential economic consequences.

The magnitude of the economic impact will depend largely on two factors: the duration of the conflict and the extent to which Iran disrupts global energy markets, particularly shipping routes in the Middle East. Iran's geographic position provides leverage over critical transit routes that handle about 20% of global oil shipments.

Importantly, the United States enters this period in a structurally stronger energy position than in past conflicts. The U.S. is now close to energy independence, with domestic production significantly reducing reliance on Middle Eastern oil. In contrast, much of Iran's oil exports are directed toward China and India, leaving those economies more exposed to potential supply disruptions. This relative insulation provides some buffer to the U.S. economy.

From an equity market standpoint, it is also important to maintain perspective. The energy sector currently represents approximately 3.5% of the S&P 500, compared to nearly 10% two decades ago. While energy stocks may benefit from higher oil prices, their smaller weighting limits the broader index impact relative to prior cycles.

In fixed income markets, the environment is more nuanced. Treasuries can initially benefit from safe-haven flows; however, higher inflation expectations may place upward pressure on yields. Also, credit markets may see some spread-widening as investors demand higher compensation for risk.

We are closely monitoring all developments surrounding this conflict. Should conditions warrant, we will not hesitate to make thoughtful and timely adjustments to investment portfolios. However, disciplined diversification, prudent risk management, and a long-term investment framework remain essential in navigating such periods.

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