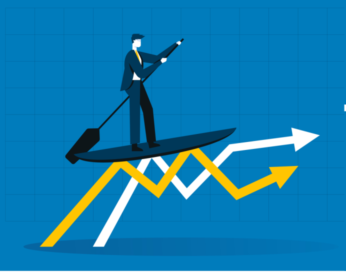

TURNING GEOPOLITICAL VOLATILITY INTO OPPORTUNITY

Mr. Market Has Returned — And He Is Emotional Again

Benjamin Graham, in *The Intelligent Investor*, introduced the concept of **Mr. Market** - a hypothetical partner who quotes prices for businesses every day. Some days he is euphoric and offers absurdly high prices and on other days he becomes deeply pessimistic and offers to sell quality businesses at steep discounts.

Today, Mr. Market is clearly in one of his **fearful moods**.

The escalation in tensions between **Israel, Iran and the United States** has triggered a surge in risk aversion globally. Equity markets corrected sharply while crude oil prices surged amid concerns about supply disruptions through the Strait of Hormuz, a key global oil transit route.

But history tells us something important.

Markets Recover Faster Than Fear

Across the past three decades, markets have consistently reacted to geopolitical tensions with **sharp but temporary corrections**. On average, these corrections last only a few weeks before the recovery begins.

Geopolitical crisis	Initial Market Correction	Correction Duration	1M Return	3M Return	6M Return
Gulf War (1990)	-14%	36 weeks	26%	39%	65%
Kargil War (1999)	-11%	6 weeks	17%	33%	40%
Iraq-US War (2003)	-6%	6 weeks	7%	28%	55%
Russia-Ukraine War (2022)	-11%	23 weeks	7%	19%	25%
Israel-Hamas War (2023)	-3%	3 weeks	6%	14%	17%

Average correction: ~-9% || **Average 6-month return after the event:** ~40%

Source: Bloomberg, BSE, ICICI Securities, Internal Analysis || Data as on 28th February 2026
Past performance may or may not be sustained in future.

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Why Markets Are Nervous: The Crude Oil Factor

The key trigger behind the current volatility is not the conflict alone but also the **risk to global energy supply**. The **Strait of Hormuz**, controlled partly by Iran, carries nearly **20% of global oil supply**, making it one of the most critical energy chokepoints in the world.

Escalation in the region raises fears of supply disruptions, which can cause oil prices to spike sharply.

HOW OIL PRICES HAVE REACTED TO PAST CONFLICTS IN THE MIDDLE-EAST

Year	Event	Price at start	Peak price	Price at end	Impact on global supply (%)
1973–74	Yom Kippur War & Arab Oil Embargo	3	12	11	7–9%
1978–80	Iranian Revolution	14	39	36	6–8%
1980–81	Iran–Iraq War	32	40	28*	5–6%
2002–03	Iraq War	25	35	23**	2–3%
1990–91	Gulf War	17	41	21	6–8%
2011	Libyan Civil War	95	125	110	1.6–2%
2022	Russia's Invasion of Ukraine	75	130	NA	2–3%

Approx prices in $/ barrel; *1986 collapse; **May 2003; Source: Equirus research

Oil prices during conflicts have historically risen **10%–90% depending on supply disruption risks**. In the current situation, brent crude is expected to trade **$75–$95 per barrel** in the near term. If energy infrastructure is disrupted or the Strait of Hormuz remains blocked, prices could **temporarily remain above $100 per barrel**.

However, global oil markets currently have **excess supply buffers and spare production capacity**, which could help stabilize prices once tensions ease. For markets, this means:

- **Short-term volatility**
- **But limited long-term structural disruption**

Past performance may or may not be sustained in future. Source: Bloomberg, ICICI Bank Research
Data as on 9th March 2026

Sectoral Impact on Indian Markets

The Middle East conflict introduces sector-specific risks primarily through crude oil prices, logistics disruptions, and commodity costs.

Importantly, most **domestic demand-driven sectors remain structurally intact** despite short-term disruptions.

The following sectors could see varying degrees of impact in the near term.

Sector	Likely Impact	Key Drivers
Auto & Auto Ancillaries	Mildly Negative	Higher crude derivatives (plastics, rubber, carbon black), higher logistics and transportation costs
Capital Goods / Infrastructure	Near-term uncertainty	Execution risks for EPC players with Middle East exposure
Defence	Positive structural outlook	Rising defence spending and increased focus on domestic procurement
Pharmaceuticals	Short-term logistics impact	Supply chain disruptions through West Asia shipping routes
Paints	Margin pressure	Crude-linked raw materials such as solvents and resins
Oil & Gas	Near-term volatility	Crude price swings and supply risks via the Strait of Hormuz
Chemicals	Cost pressure	Crude-based feedstock and higher freight costs
Metals	Neutral to Positive	Potential upside in aluminium and base metal prices
Cement	Slight cost pressure	Higher fuel, petcoke, and freight costs

Volatility is a Friend not a Foe

Geopolitical events create uncertainty, and uncertainty creates volatility. The current correction caused by the **Israel-Iran-US conflict** currently is relatively modest compared to past episodes. While these **geopolitical crises often mark periods of maximum pessimism, historically have been attractive entry points for long-term investors.**

India's structural story is driven by domestic demand, infrastructure investment, manufacturing expansion and financial deepening, **that remains intact**. Corporate earnings are expected to grow **10–15% annually over the next few years**, supporting long-term equity returns. For investors with a **horizon of 3years and above**, this environment presents an opportunity to accumulate quality assets.

Past performance may or may not be sustained in future. Source: Bloomberg || Data as on 28th February 2026