

MARKET UPDATE

US-Iran Conflict Escalation



What has happened in markets?

Over the weekend, the United States, alongside Israel, carried out significant military strikes against Iran. The operation reportedly killed Iran's Supreme Leader Ayatollah Ali Khamenei and targeted key military and nuclear facilities. Iran has since launched retaliatory strikes across the region, and tensions remain elevated.

Despite the gravity of the developments, early trading suggests markets are responding in a measured way. Oil prices jumped sharply, with Brent crude rising more than 10% at one stage as traders reacted to the risk of supply disruption. Gold also moved higher. However, as Asia opened on Monday, broader share market moves have been relatively contained.

In Australia, the ASX was only modestly lower on Monday, easing slightly from record highs. Most sectors traded softer, while oil-exposed companies and gold miners were stronger in line with commodity moves. Importantly, the pullback has been orderly rather than disorderly.

What comes next?

For markets, the central question is whether this becomes a sustained disruption to global oil supply.

The Strait of Hormuz remains the key pressure point. Roughly one-fifth of global oil supply, and a similar share of global LNG trade, passes through this narrow shipping corridor each day. A prolonged disruption would likely push oil prices higher and flow through to transport and production costs globally.

Oil is the main channel through which geopolitical events affect the broader economy. If price increases are brief, the economic impact is usually manageable. If sustained, higher fuel costs can add to inflationary pressures and weigh on

growth. In that environment, central banks would need to take higher energy costs into account, although it is too early to determine whether this will be a lasting shift.

What history tells us

Geopolitical shocks are unsettling, but they are not unusual.

History shows that markets often react in the short term before stabilising as uncertainty becomes clearer. From the Gulf War to 9/11 to the invasion of Ukraine, initial declines have typically been followed by recovery once it became evident that the broader economic system remained intact.

The lasting impact on long-term returns has generally been limited unless an event fundamentally changed economic conditions. In the current situation, the main variable to watch remains oil supply, not the headlines themselves. Markets are forward-looking. They focus on earnings, growth and liquidity over time. Unless those drivers are materially impaired, markets have historically demonstrated resilience.



What are we doing in response?

First and foremost, we acknowledge the human cost and seriousness of conflict.

Periods like this can understandably make investors feel uneasy. A natural response to uncertainty and incomplete information is to become protective and reduce risk. However, history suggests that decisions made in the heat of the moment rarely improve long-term outcomes.

Our role is to provide perspective and remain steady when headlines are anything but. We do not adjust portfolios based on short-term volatility alone.

Our portfolios are built with diversification in mind, recognising that geopolitical events are an inevitable part of global investing. We are monitoring developments closely, particularly around oil supply routes, inflation trends and broader market functioning. If the economic outlook changes in a meaningful way, we will respond thoughtfully and deliberately.

For now, early market moves suggest investors are approaching the situation in an orderly manner. Remaining disciplined through periods of uncertainty has historically been far more effective than reacting to short-term noise.

We're here to support you through all market conditions. If you have any questions or would like to discuss anything about your portfolio in more detail, please don't hesitate to reach out.

This communication may contain general financial product advice but should not be relied upon or construed as a recommendation of any financial product. The information has been prepared without taking into account your objectives, financial situation or needs. Past performance is not a reliable indicator of future performance. Intergen Advisory Partners Pty Ltd (ABN 89 633 484 161) and Intergen Wealth Advisory Pty Ltd (ABN 69 679 557 352) [t/a Intergen Advisory] are corporate authorised representative of Intergen Advisory Pty Ltd (ABN 94 688 941 746, AFSL# 700082).