Market update – Gulf War

Prepared by GTC Asset Management

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Scope

This communication provides GTC's clients insight into the recent significant investment market developments, specifically the unfolding Gulf war of 2026, to assist clients in making informed and appropriate investment decisions.

What has happened?

The economic fallout from the third Gulf war –involving the United States, Israel, and Iran - has severely restricted supply from one of the world's most significant oil producing regions. This has created a fear fuelled environment which has caused investors around the globe to divest from 'risk-on' assets like equites (shares), emerging market assets, and emerging market currencies in favour of 'safe haven' assets such as the US Dollar and US government bonds. Given gold's 101% surge since the start of 2025, current demand as an alternative safe haven asset has been tempered.

Iran's unexpected resilience to the US and Israel's attacks, which began on 28 February 2026, as well as their determination to spread the conflict to the entire region, has unsettled global investment markets. The Strait of Hormuz, a chokepoint between Iran and the United Arab Emirates (UAE), is being used as a geopolitical bargaining chip as it threatens to restrict around 20% of global crude oil supply. Escalation to this conflict could also impede the flow of crude oil through the Red sea via the Bab el Mandab Strait between Yemen and Djibouti. Crude oil is refined into key global fuels and petrochemicals, namely petrol, diesel, jet fuel, plastics, fertilisers, and synthetic fibres. The expected significant disruption to supply has led to rampant increases in crude oil prices and heightened inflation concerns. The severity and duration of this impact is impossible to predict at this stage, and it is this uncertainty that is driving investor fear.

Global central banks' reaction to high inflation has traditionally involved the enforcing of restrictive monetary policies (i.e. interest rate hikes and quantitative tightening) which has sparked subdued economic growth concerns. While a return to pre-war levels of global economic activity and stability seems distant at this point it is important to remember that these hurdles are relatively short term in nature and akin to "noise" over the full market cycle.

What has the impact been on the markets?

While investment markets performed well from the start of the year to the last trading day of February 2026, prior to the start of the Gulf war, recent weeks have seen elevated volatility, investor fear, and significant sell-offs across asset classes. Most asset classes performed poorly over March (MTD) but are relatively benign year to date (YTD) and remain exceptional when viewed over the 1-year period. The 20 year return provides a necessary normalised long-term perspective of asset class performance.

Index – as at 27 March 2026	MTD in %	YTD in %	1 Year %	20 Year %
Local Shares (All Share Index)	-12.4	-2.8	28.8	12.4
Local Listed property (All Property Index)	-11.1	-4.6	28.7	9.9
Local Cash (Stefi)	0.5	1.6	7.3	7.0
Local Bonds (All Bond Index)	-6.7	-3.2	20.1	8.9
Global Bonds USD (Citigroup WGBI)	-3.7	-1.6	3.9	1.9
Global Developed Equities USD (MSCI World)	-8.1	-5.4	14.6	7.9
Global Emerging Equity USD (MSCI EM)	-10.6	2.7	29.8	5.6
Gold USD	-14.2	3.6	45.1	9.9
Oil USD (Brent Crude)	47.6	80.4	65.1	2.9
The Rand versus the US Dollar	-7.3	-3.3	7.0	

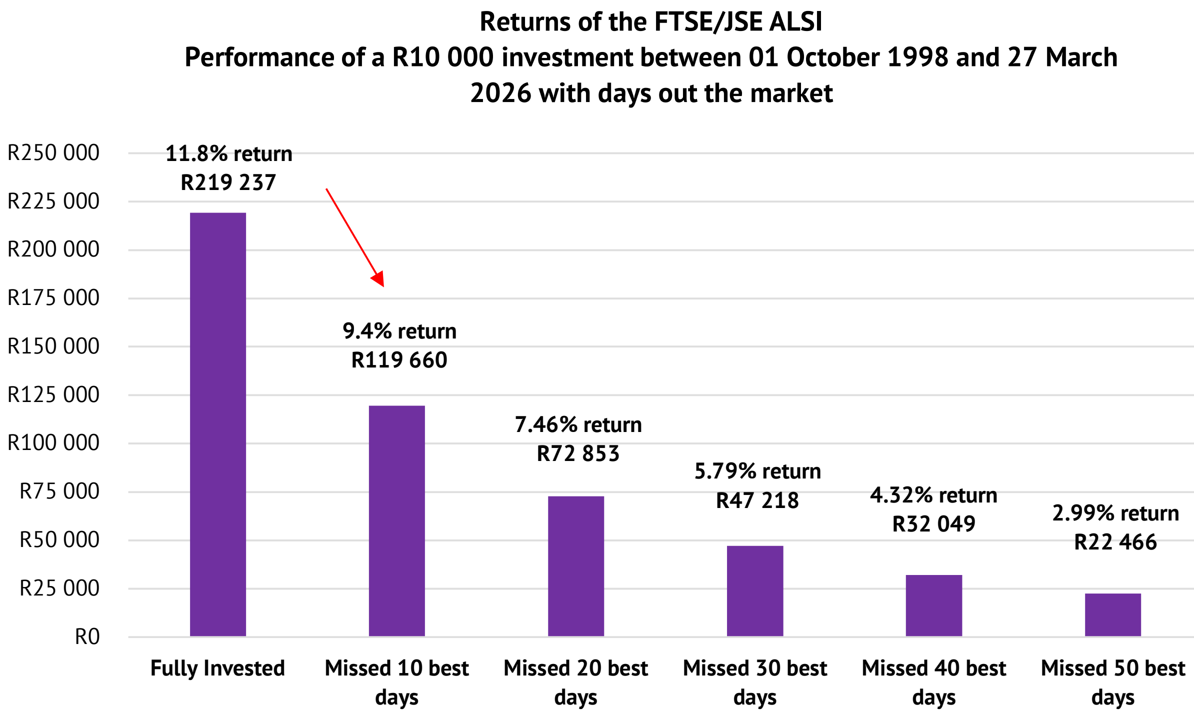
The fall in the Rand (-7.3%) will go some way to absorbing the losses experienced by South African investors in Rand terms.

What should investors do?

Building upon our previous communications, we want to reiterate the importance of maintaining a long-term investment perspective, particularly in the face of short-term market fluctuations driven by events such as the ongoing Gulf war. It is crucial to resist the urge to make impulsive investment decisions based on prevailing market sentiment or out of fear. History has repeatedly shown that attempting to time the market, especially during periods of uncertainty, often leads to suboptimal outcomes. The temptation to shift towards seemingly "safer" assets during market downturns can result in missing out on subsequent recoveries, ultimately diminishing long-term investment returns.

We felt it prudent to revisit the analysis below - which clearly illustrates that this decision almost always leads to a lower investment value over long periods of time - due to the investors' inability to know when share markets are going to go up or down.

The below chart illustrates the risk and impact of timing investments into, or out of, the share market. If an investor missed only 10 of the best trading days over an approximate 27-year period, that investor would effectively earn almost half the Rand value achievable (R119 660 versus R219 237) by remaining fully invested even during negative markets. Furthermore, research by JP Morgan in the United States found that on average 6 of the best 10 trading days occurred shortly after the 10 worst trading days! These facts explain why trying to "time" the market almost always results in failure.



Given the demonstrable advantages of remaining invested, as highlighted by the post-pandemic recovery, we strongly advise against reacting to short-term market noise. Instead, investors should ensure their portfolios remain aligned with their individual risk tolerance and long-term investment objectives, which should not be fundamentally altered by transient market developments. In most cases, the most prudent course of action is to maintain your existing investment strategy and avoid making reactive changes. We firmly believe that this disciplined approach offers the greatest potential for achieving your financial goals over the long term.

Conclusion

While the long-term ramifications of this Gulf war remain uncertain, we believe that maintaining a disciplined, long-term investment horizon and a well-diversified portfolio is crucial. To our clients, we recommend that you continue to maintain investing in line with your originally identified risk and return objectives. If your circumstances have changed, or if you feel it may be time to revisit your risk and return objectives, please contact your GTC consultant.

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