

United States and Israel Strike Iran

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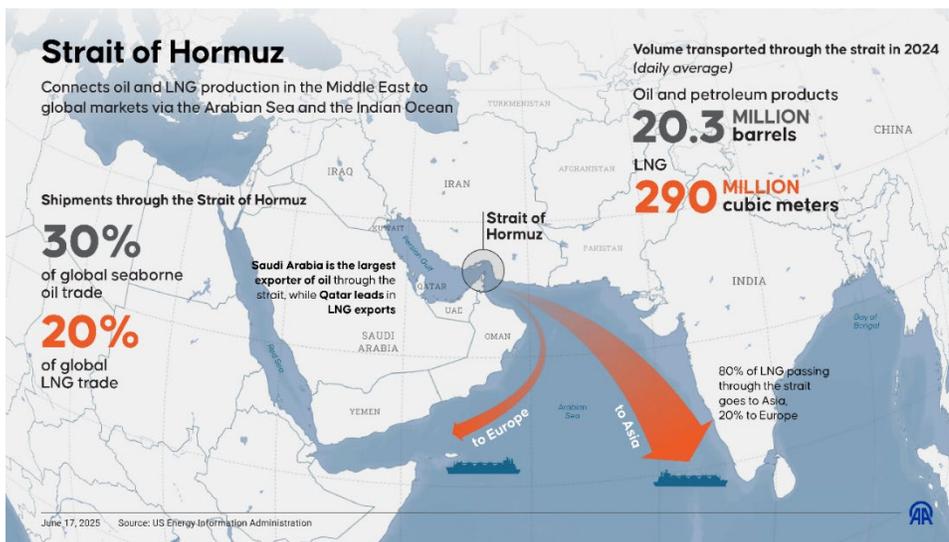
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Market Impact:

The renewed conflict in the Middle East, marked by joint U.S. and Israeli strikes on Iran, has understandably unsettled financial markets and heightened uncertainty globally. In the near term, markets have reacted in a familiar risk-off pattern: global equities softened, the U.S. dollar and precious metals strengthened as safe havens, and oil prices spiked amid concerns about disruptions to the Strait of Hormuz. Higher energy prices represent the primary channel through which geopolitical tensions feed into inflation and growth expectations. If oil prices remain elevated for a prolonged period, the resulting inflationary pressures could prove detrimental to the global economy and may constrain the Federal Reserve from cutting rates, and in a more adverse scenario, could even open the door to rate hikes. While these spikes can temporarily pressure consumers and slow disinflation, the U.S. economy is far less energy-dependent than in past decades. As a net energy producer, the United States also benefits from rising oil prices, which support domestic production and investment, mitigating the broader economic impact. Historical evidence suggests that unless supply disruptions are severe and prolonged, Middle East conflicts rarely derail long-term market fundamentals.

Equity markets, both domestic and international, may continue to experience headline-driven volatility in the short term, but should stabilize as the situation becomes clearer. That said, the conflict’s duration and the potential for further U.S. involvement and resources remain uncertain. Fixed income yields could remain elevated in response to inflationary concerns, though a recessionary scenario appears unlikely at this stage. Typically, geopolitical shocks trigger a short-lived flight to safety, benefiting assets like gold, before markets refocus on core fundamentals such as earnings growth and overall economic activity, which currently remain intact. For investors, disciplined adherence to strategic asset allocation and portfolio resilience remains more critical than reactive positioning during periods of uncertainty.

Chart 1¹



Global Impact:

Iran's decision to restrict maritime traffic through the Strait of Hormuz without formally declaring a closure has effectively disrupted one of the world's most critical shipping chokepoints (Chart 1). Although Tehran has stated it does not intend to officially shut the waterway, tanker traffic has slowed sharply, insurers are withdrawing war risk coverage, and vessels are rerouting or idling amid heightening security threats.² The Strait handles roughly 30% of global seaborne oil trade and about 20% of global LNG supply³, meaning

even partial disruptions inject an immediate risk premium into crude, natural gas, and refined fuel markets. Higher

freight rates, elevated insurance costs, and longer shipping routes compound supply constraints, raising delivered energy costs for major importers in Asia, Europe, and beyond.

Timeline of Events

February-March 2026: After renewed but unsuccessful indirect negotiations, the United States and Israel launched coordinated strikes targeting Iranian military leadership, missile infrastructure, and nuclear-related facilities. Unlike prior limited exchanges, this was a broader campaign against strategic targets. Reports indicated significant damage in the killing of senior Iranian figures, including Iran's supreme leader, Ayatollah Ali Khamenei, escalating tensions further.⁴ Iran retaliated with missile and drone strikes against Israeli cities and US bases in the region. Hezbollah signaled potential expansion from Lebanon, and Iran-aligned militias heightened activity in Iraq and Syria.⁵ Markets reacted sharply amid rising concerns that Iran could threaten the Strait of Hormuz, the critical choke point through which 20% of global oil supply flows.⁶

Late 2025: Following the ceasefire, Iran continued to expand uranium enrichment activity and reduced cooperation with inspectors. Diplomatic efforts failed to regain traction. Military deployments increased across the Persian Gulf, and proxy groups maintained readiness. The region entered a phase of sustained strategic instability rather than open warfare.⁷

April-June 2025: US-Iran nuclear negotiations resumed in April 2025, aimed at limiting uranium enrichment and easing sanction pressures. However, talks faltered over inspection protocols, enrichment caps, and sanctions relief⁸. In June 2025, Israel launched major strikes on Iranian military and nuclear facilities, and the confrontation became known as the Twelve-Day War. The United States formally entered the conflict on June 21, with air strikes on Fordow, Natanz, and Isfahan, marking the first large-scale conventional US strike on Iranian nuclear infrastructure in this cycle. Although officials described significant damage, intelligence assessments later suggested Iran's nuclear program was set back but not eliminated.⁹ Iran responded with missile strikes on US regional assets, including Al Udeid Air Base in Qatar. A ceasefire was brokered on June 24th, halting the immediate fighting, but the conflict's character had changed permanently.¹⁰

October 2024: Israel conducted air and missile strikes inside Iran, targeting missile production facilities and air defense systems. Iran responded with ballistic missile attacks on Israeli territory, further normalizing direct military exchanges between the two states. At this point, the conflict moved beyond episodic retaliation and into a pattern of direct deterrence signaling. Hezbollah remained active along the northern Israeli border, maintaining pressure and keeping escalation risk elevated¹¹.

April 2024: Israel was accused of bombing an Iranian embassy in Syria. The airstrike destroyed the consulate building in the capital city of Damascus, killing at least seven officials, including a top commander in Iran's elite Revolutionary Guards (IRGC). Israel neither confirmed nor denied responsibility for the attack. But this only intensified the military campaign. Iran retaliated by launching hundreds of drones toward Israel in an attack. It is the first time that Iran has launched an attack on Israel from Iranian soil.¹²

Late 2023 and Early 2024: International efforts to mediate a ceasefire began to gain momentum amid rising global concern over the humanitarian crisis in Gaza and the escalating death toll. However, a peaceful resolution was never reached.

October 7, 2023: An Iran-backed military group (Hamas) launched an attack on Israel, which killed over 1,200 people and saw more than 240 taken hostage. Although the conflict between Israel and Palestine had been ongoing for years, this marked the most severe invasion of Israeli territory since 1948.¹ To which Israel responded with significant military strikes aimed at Hamas and other militant targets in Gaza (a densely populated Palestinian area), initiating a blockade of essential supplies to the Gaza Strip and further escalating tensions in the Middle East.

Economic Definitions

Brent Crude Oil: Brent Crude is the benchmark used for the light oil market in Europe, Africa, and the Middle East, originating from oil fields in the North Sea between the Shetland Islands and Norway. West Texas Intermediate is the benchmark for the U.S. light oil market and is sourced from U.S. oil fields.

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

Gold: Gold is mostly traded on the OTC London market, the US futures market (COMEX) and the Shanghai Gold Exchange (SGE). The standard future contract is 100 troy ounces.

Liquefied natural gas (LNG): Liquefied natural gas (LNG) is natural gas that has been cooled to a liquid state (*liquefied*), to about -260° Fahrenheit, for shipping and storage.

Natural Gas: Natural gas is a fossil fuel energy source. Natural gas contains many different compounds. The largest component of natural gas is methane, a compound with one carbon atom and four hydrogen atoms.

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¹ <https://www.cnn.com/2026/03/02/strait-of-hormuz-crisis-us-iran-israel-war-shipping-trade-oil.html>

² <https://www.spglobal.com/energy/en/news-research/latest-news/crude-oil/022826-iran-claims-hormuz-is-shut-down-after-irgc-threat-to-shipping-tasnim>

³ <https://www.eia.gov/todayinenergy/detail.php?id=65504#:~:text=The%20Strait%20of%20Hormuz%2C%20located,of%20global%20petroleum%20liquids%20consumption>

⁴ <https://www.foxnews.com/world/dozens-top-iranian-regime-officials-supreme-leader-killed-israeli-strikes>

⁵ https://www.idahostatejournal.com/news/local/war-widens-to-include-iranian-backed-militias-as-israeli-and-american-planes-pound-iran/article_2ceb8ddc-cf7b-4c8d-8d98-c6e929498824.html

⁶ <https://www.foxnews.com/world/strait-hormuz-maritime-incidents-follow-us-israeli-operation-epic-fury-strikes-iran>

⁷ <https://www.pbs.org/newshour/world/irans-president-suspends-cooperation-with-un-nuclear-watchdog-after-u-s-and-israeli-strikes>

⁸ <https://www.pbs.org/newshour/world/iran-and-u-s-hold-a-fifth-round-of-nuclear-negotiations-in-rome-with-enrichment-a-key-issue->

⁹ <https://www.nbcnews.com/politics/national-security/new-us-assessment-finds-american-strikes-destroyed-only-one-three-iran-rcna218761>

¹⁰ [The Iran–Israel Ceasefire of 2025: What Happened, Why It Matters, and What Comes Next – The Word 360](https://www.foxnews.com/world/iran-israel-ceasefire-2025-what-happened-why-it-matters-what-comes-next-the-word-360)

¹¹ <https://www.livenowfox.com/news/israel-launches-attack-iran>

¹² <https://www.npr.org/2024/04/13/1244641489/iran-israel-drone-attack-middle-east-gaza>