Market Commentary | June 23, 2025

Navigator® Market Update

Crisis in the Middle East, Again, and Amplified

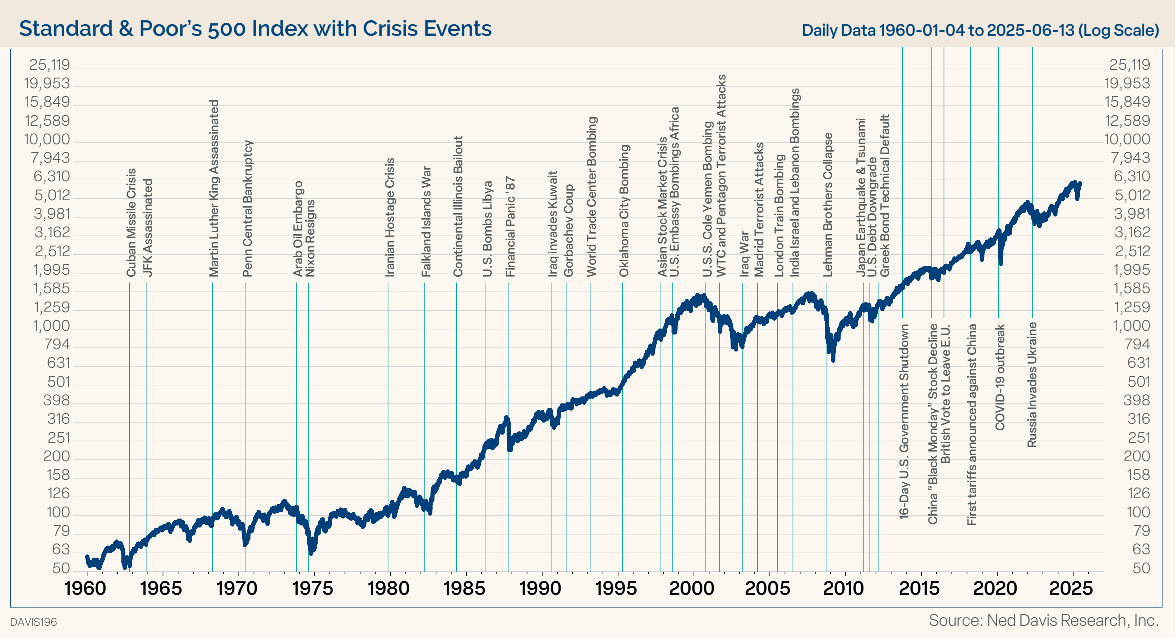
Tensions in the Middle East have escalated further, with Israel and Iran exchanging missile and aerial attacks. Over the weekend, the U.S. became directly involved, targeting Iran's nuclear facilities.

On Saturday night, U.S. forces attacked three of Iran's nuclear sites, hitting Fordow, Natanz, and Isfahan. In a short speech on Saturday night after the attacks, President Trump said that Iran's key nuclear sites were "completely and totally obliterated" by the strikes. He noted that many more sites in Iran could easily be destroyed if the Iranians retaliate.

Many questions remain about what happens next, and they are largely dependent on Iran's response. Could dismantling Iran's nuclear ambitions force negotiations? Possibly. It is also possible that Iran could retaliate in several ways, including increased attacks on Israel, attacks on U.S. military bases, terrorist attacks, or efforts to obstruct or shut down the Strait of Hormuz. Additionally, the reaction of the international community (particularly China and Russia) will be important in determining how this situation unfolds. We suspect the coming days will be telling.

While every geopolitical event is different and scary, there are patterns and commonalities in how markets tend to react. Intuitively, you might think that geopolitical events would impact the market. It's true that in general, investors tend to sell risk assets first and ask questions later. But over time, the market cares more about earnings and less about everything else.

That's evident in the chart below, which shows how the S&P 500 has reacted to geopolitical events. After initial reactions to geopolitical events, the market usually rallies. The median initial response is a 3% decline, then the market recovers. One month later it's 4.7% higher, three months later it's 6.1% higher, six months later it's 9.2% higher, and one year later it's 16.9% higher on average.



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The bottom line is this: the world is a scary place. It always has been and always will be. Do not let that fear come between you and your financial plan. Your financial plan was built with the understanding that markets are volatile and that geopolitical events exacerbate volatility. It is critical to stay focused on the long term and not to let short-term market volatility lead you to make emotionally driven decisions that could be detrimental to achieving your goals.

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