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# How Has The US Stock Market Responded To Wars or the Prospects of War?

*by Terry E. Nager, CFP®, CLU®, ChFC®*

*The following is a compilation by Terry Nager from AI:*

On June 22, 2025, the United States, in coordination with Israel, launched airstrikes targeting three of Iran's primary nuclear enrichment facilities: Fordow, Natanz, and Esfahan. The operation was justified by the US as an act of collective self-defense under Article 51 of the UN Charter, aiming to degrade Iran's nuclear capabilities after diplomatic efforts were deemed exhausted.

The US used B-2 Spirit bombers equipped with "bunker buster" bombs to penetrate heavily fortified underground sites. President Trump declared the mission a success, claiming the facilities were "obliterated" and that all US aircraft returned safely.

Iran retaliated by launching missiles at US military bases in Qatar and Iraq. These attacks were largely intercepted, resulting in no reported casualties. Iranian officials stated they would continue uranium enrichment but signaled openness to renewed diplomacy while denying any intent to build nuclear weapons.

In the days leading up to and immediately following the US strikes, US and global markets experienced heightened volatility. The Dow Jones Industrial Average dropped over 750 points (1.8%) after Israel's initial attack on Iran, reflecting investor fears of a broader Middle East conflict and potential oil supply disruptions.

Oil prices surged by over 7% immediately after the strikes, with Brent crude reaching $74.23 per barrel as markets priced in the risk of supply shocks from the region.

There was a brief flight to safety, with increased demand for US Treasurys and gold, as investors braced for possible escalation. Despite initial fears, US stocks rebounded quickly. On June 24, the Dow Jones rose by nearly 375 points (0.89%), the S&P 500 gained 0.96%, and the Nasdaq climbed 0.94%. This recovery was driven by several factors:

- Iran's retaliatory missile strikes were limited and caused no casualties, signaling a possible de-escalation.
- Oil prices, after spiking, fell sharply as it became clear that energy supplies were not immediately threatened and Iran's response was measured.
- Investors grew optimistic that the worst-case scenario—a prolonged, region-wide war—might be avoided.

The market's reaction followed a familiar pattern seen in previous geopolitical crises: an initial selloff driven by uncertainty, followed by a rebound as the situation clarified and worst-case fears faded.

While the immediate threat to oil supplies eased, analysts warned that any renewed escalation or disruption in the Strait of Hormuz could reignite inflation and pressure global markets.

Both US and Iranian officials indicated a willingness to return to negotiations, which further calmed markets and reduced the risk premium on equities and oil.

The US attack on Iran's nuclear facilities marked a major escalation in Middle East tensions but, as of early July 2025, markets have largely stabilized. The limited nature of Iran's retaliation, the absence of casualties, and signals of renewed diplomacy have reassured investors, leading to a swift recovery in US equities and a retreat in oil prices. However, the situation remains fluid, and any renewed escalation could quickly reverse these gains.

Major events such as the attack on Pearl Harbor (1941) and the start of the Iraq War saw immediate drops in the Dow Jones Industrial Average and S&P 500. For example, after Pearl Harbor, the DJIA fell by 3.5% on the first trading day. During the outbreak of World War I, stocks fell around 30% and the market was closed for several months.

Despite initial declines, the US stock market has historically shown resilience. After the initial shock, markets often stabilize and can recover quickly as the situation becomes clearer or as the war effort mobilizes the economy.

During World War II, after a brief slump, the Dow steadily climbed, gaining over 50% by the end of the war. Likewise, after the September 11th attacks in 2001, the market dropped sharply but rebounded in the following months as investor confidence returned.

## OUTLOOK

The first half of 2025 can only be characterized as extremely volatile. The market was at an all-time high in February, then, on April 2, President Trump announced tariffs on virtually all countries of the world and called it national "Liberation Day." His objective was to establish fair trade through reciprocal tariffs. The market's reaction was swift and dramatic; within two weeks the market was down almost twenty percent from its peak. Then, as the President began to negotiate individual trade deals, the market began to recover. Presently, in the early days of July, the market is once again at an **all-time high.**

The second half of this year looks favorable. Trump's One Big Beautiful Bill has been signed into law, which means lower taxes, less regulation, more military spending and more energy development (drilling). All of these factors are positive for the market, also the fact that the trade deals which are being negotiated are starting to come to fruition. The Federal Reserve Board (Chairman Powell) will probably lower interest rates once or twice sometime in the Fall which will be stimulative for the economy. Trillions of dollars of corporate investments in new plants and equipment are more plus factors.

It is important to be careful not to become too optimistic. There are reasons to be concerned. Stock market valuation is on the high side which could make things ripe for a correction. The peace in the Mideast could come unraveled, and the Russian-Ukraine war is not showing any signs of resolving. The trade deals may not come to pass, and the Fed may not lower the interest rates. We are not expecting these negative occurrences, but being blindly euphoric is dangerous. Our outlook is positive but cautious, and as always unexpected events can always change our outlook.

**Remember to notify us if you have any material changes in your financial circumstances.**