

HOUSE VIEW

TRUMP CAN'T AFFORD A PYRRHIC VICTORY

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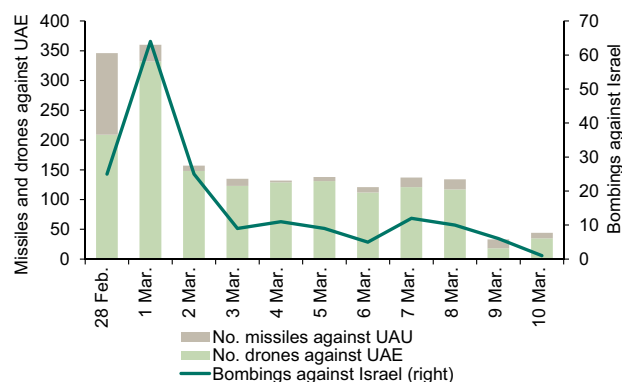
Following the military actions carried out by the United States and Israel against Iran, the authorities of the Islamic Republic have decided to exert the maximum possible pressure on the Strait of Hormuz, the strategic chokepoint through which 30% of global crude oil trade and 20% of LNG flows pass, in order to trigger a shock in the global energy supply and sharply curb economic growth. The Iranian regime, mindful of the old Persian proverb that *patience is a tree with bitter roots but very sweet fruit*, is absorbing its enormous military losses and the damage to its infrastructure in the knowledge that the economic impact of a prolonged closure of the strait would not leave even the world's greatest power unscathed.

With such a move threatening the largest energy production hub on Earth – something not seen since the oil crisis of the 1970s – it is worth asking whether the United States truly has the capacity to cope with a Pyrrhic victory, and whether the reasons that have led its government to embark on this conflict are genuinely unshakeable.

What does Donald Trump hope to achieve with the siege of Iran? To free the country from a brutal Islamic theocracy? To wipe out its nuclear programme? To weaken China by cutting off its energy supplies? Above all, it is essential to bear in mind that while the regime of the ayatollahs represents an existential problem for Israel, it does not do so for the United States – even less so eight months before the US midterm elections, given that Trump governs pragmatically and, when pressure mounts, has no qualms about adjusting his position provided he can present his voters with a sufficiently triumphalist narrative.

1. IRANIAN ATTACKS LOSE INTENSITY

Sources: INSS, UAE Ministry of Defence and Banca March

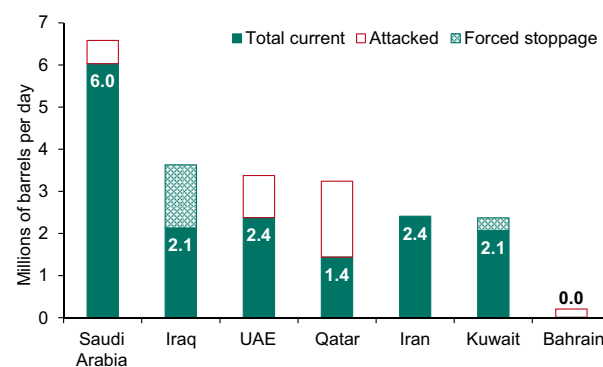


For the time being, it should be noted that Iran's military response capability is being severely affected. This is reflected in its missile and drone launches, which have fallen by 90% compared with the first day, and in the fact that it has already used up 40% of its arsenal.

Another consideration is that, so far, the numerous attacks do not appear to have significantly affected energy facilities. However, the pace of production has fallen by 25%, largely due to the lack of storage capacity for fuel after a week with no traffic through the strait. It is also important to consider that the blockage of the Strait of Hormuz is not due to an effective deployment of the Iranian navy, but rather to shipping companies' refusal to operate under unsafe conditions and to the impossibility of insuring freight at a reasonable cost. In this regard, the US Development Finance Corporation is already preparing to offer reinsurance cover worth 20 billion dollars to insurers.

2. EXPORT CAPACITY AFFECTED IN THE PERSIAN GULF

Sources: IAE, EIA, press and Banca March



(*) Gas capacities are converted from Bcf to mbd.

A measure that, if accompanied by military support to escort oil tankers, would lay the groundwork for reopening the Strait of Hormuz.

Although the severe instability has driven oil prices sharply up to \$119.5 a barrel and gas prices up by 118%, it is important to note that the medium- and long-term parts of the curve anticipate a fairly rapid easing of the conflict. In the case of six-month Brent futures, which are mainly used in the petrochemical, refining and airline sectors, the increase is far more moderate and barely reaches \$77 — 5.5% higher than the average of the past two years.

But no matter how much all these mitigating factors might eventually turn against the United States, the greatest threat to Donald Trump is neither Mojtaba Khamenei nor the ayatollahs, but rather persisting with a conflict that is not a priority for the United States at a time when the economic cycle has begun to show its first signs of weakness. The labour market is gradually losing momentum and 92,000 non-farm jobs were lost in February, the weakest figure since October, with the unemployment rate rising by one tenth to 4.4%.

Although we are undoubtedly going through a turbulent period, history has shown that times of war are usually a poor moment to rush decisions in financial markets. Beyond the short term, it is important to remain calm, take a long-term view and bear in mind that, in the past, armed conflicts have generated good buying opportunities. As the table shows: however much short-term volatility may arise, the median stock market gain 12 months after the major armed conflicts of the past 50 years is 7.8%, with a period of 27 days to reach the lowest point and a median of 67 days to recover 100% of the decline.

3. S&P 500 PERFORMANCE AFTER ARMED CONFLICTS

Sources: Bloomberg and Banca March

Event	Start	Level at start	+1 month	+3 months	+6 months	+12 months	
Attack on Pearl Harbor	07/12/1941	9	-3.4%	-12.4%	-10.2%	-0.2%	
Korean war	25/06/1950	19	-10.0%	1.5%	4.9%	11.2%	
Cuban Missile Crisis	16/10/1962	57	5.4%	13.3%	21.1%	27.8%	
Gulf of Tonkin Incident	02/08/1964	83	-1.0%	2.4%	5.3%	2.7%	
Yom Kippur War	06/10/1973	110	-4.5%	-10.0%	-15.3%	-43.2%	
Iranian Revolution	07/01/1978	92	-1.4%	-1.6%	3.6%	8.2%	
Iran-Iraq War	22/09/1980	130	1.2%	4.1%	2.8%	-10.5%	
Iraqi invasion of Kuwait	02/08/1990	351	-8.2%	-11.3%	-2.4%	10.2%	
9/11	11/09/2001	1.093	0.4%	4.0%	6.9%	-16.8%	
11 March	11/03/2004	1.107	2.9%	2.7%	1.5%	8.4%	
Intervention in Libya	19/03/2011	1.279	2.6%	-0.6%	-5.9%	10.2%	
Invasion of Crimea	20/02/2014	1.840	1.8%	1.8%	8.0%	14.7%	
Invasion of Ukraine	24/02/2022	4.289	5.4%	-8.1%	-3.4%	-7.4%	
First Israeli attack on Iran	01/04/2024	5.244	-4.3%	4.4%	8.9%	7.4%	
12-day war	13/06/2025	5.977	4.7%	10.2%	14.2%		
Iran war	28/02/2026	6.879					
			Average	0.4%	1.8%	3.6%	7.8%

On days like these, it is well worth turning to the Sang-e Sabur, or Stone of Patience, the magical rock to which the Persians entrusted their suffering, secrets and sorrows. As the belief goes, the stone absorbs all these feelings until it eventually frees the individual from their emotional burden. Setting aside the immense sadness caused by all wars, the outlook for the stock markets should not be as negative as the heart might suggest, particularly for the US stock market.

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