

Market Update | March 30, 2026

Conflict in the Middle East: Looking for better news

Financial markets appear to have viewed the war in Iran as a severe – but temporary and finite – shock with a recoverable end point. Oil prices have popped higher, but to nowhere near levels that fully reflect a disruption to 20% of the world’s oil supply. Equity markets have retreated, but the relatively moderate drawdown likely still reflects temporary price surges and modest cuts to household spending. In short, a contained optimism has prevailed in global financial markets.

This sentiment has proved to be remarkably resilient over the last four weeks as the daily news flow has pointed to this conflict becoming more intense and prolonged. However, as more time goes by without a resolution, this confidence could wane. The probability of the downside scenario has increased even further, in our view. However, markets still appear priced for a significant probability of a near-term end to the conflict that allows global energy prices to move lower.

US equity prices are now down 7.1% since the conflict began. Treasury yields have risen to reflect higher inflation and greater uncertainty, with the 10-year yield at 4.33%, the highest since August 2025. Oil prices continue to climb higher, with the global Brent futures price now at \$110 with prices even higher in the Middle East, where supply shortages are taking hold.

Key observations

- During periods of heightened uncertainty, it is as important as ever for clients to remember that a well-balanced portfolio can weather significant geopolitical shocks. Longer-term investors are better rewarded by sticking to their financial plan rather than trying to make changes to their portfolio during periods of very high global uncertainty.
- Energy markets remain the key factor in how the war in Iran will affect global financial markets. Global oil prices are rising for the third consecutive day as markets move closer to pricing in supply shortages.
- News flow has continued to skew negative, but we think global financial markets are still priced for two-sided risk, including the significant possibility that the conflict subsides soon and global energy market prices decline.
- Inflation expectations have risen sharply, and central bankers across the globe have expressed concern about inflation remaining above target. In the US, expectations for interest-rate cuts this year have mostly disappeared.

CONTACT

Phillip Neuhart | SVP, Head of Market and Economic Research
phillip.neuhart@firstcitizens.com
919-716-2403

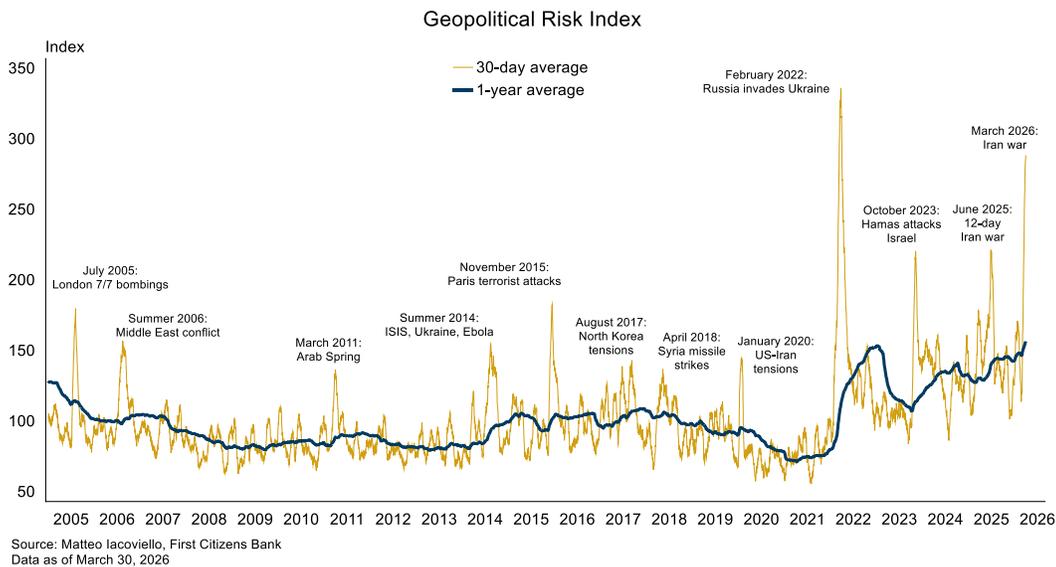
Blake Taylor | VP, Market and Economic Research Analyst
blake.taylor@firstcitizens.com
919-716-7964

Brent Ciliano, CFA | SVP, Chief Investment Officer
brent.ciliano@firstcitizens.com
919-716-2650

Jack Pettit | AVP, Research Analyst
jack.pettit@firstcitizens.com
919-986-3667

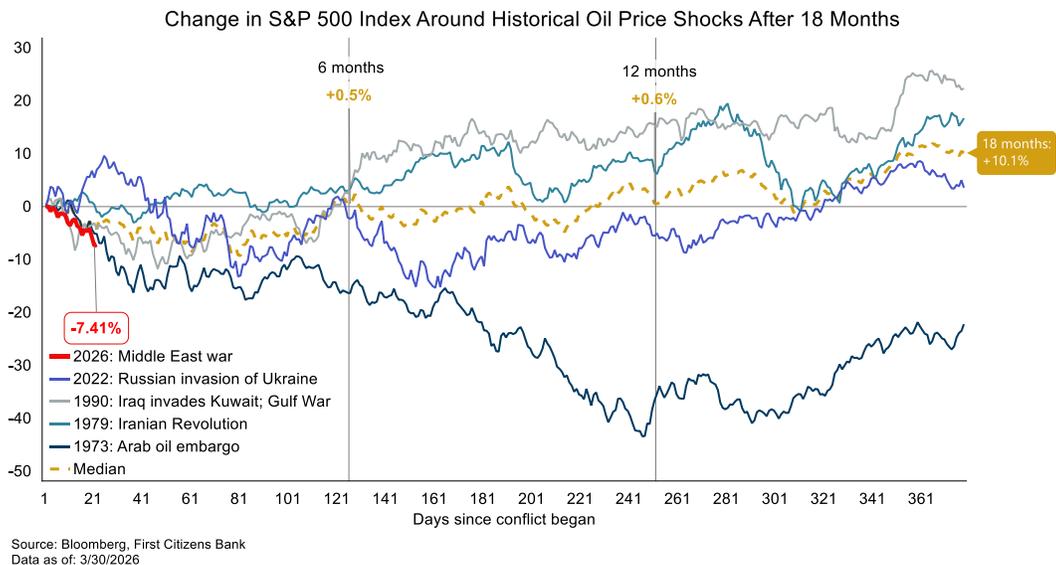
The Iran war is one of the largest geopolitical risk events in 20 years

After four weeks, conflict in the Middle East has worsened as the balance of news flow has skewed significantly negative. Optimism that the situation would be over quickly has waned, and the probability of a more intense and prolonged conflict appears to have risen significantly. The war now ranks as the second most significant geopolitical risk event in twenty years, and the fourth major event in four years, a reminder that the decade of the 2020s has faced much greater policy and geopolitical uncertainty compared to the 2010s.



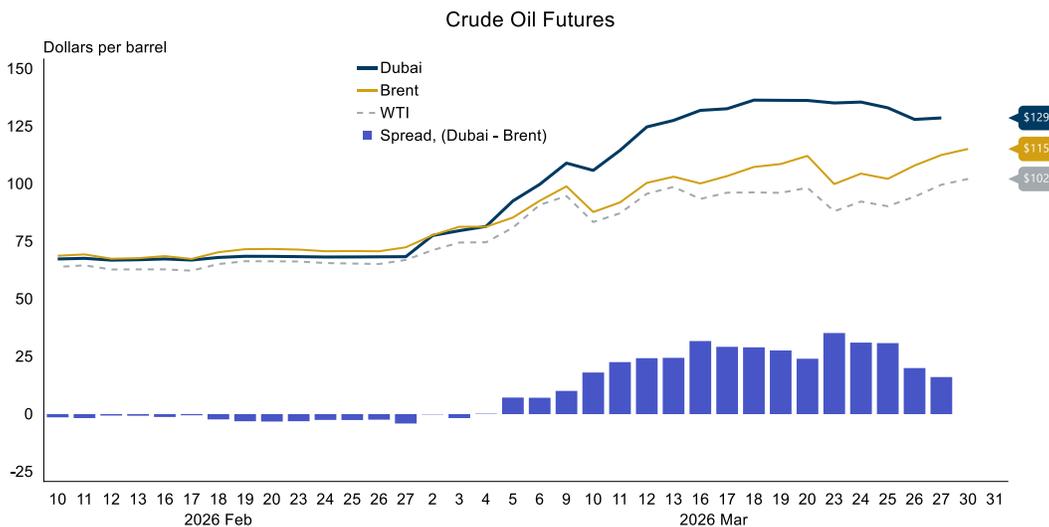
Oil shocks push US equities lower, but stocks tend to recover fairly quickly

The S&P 500 is down 7% compared to before the war broke out, roughly in line with index declines following the 1990 Iraqi invasion of Kuwait and the 1973 Arab oil embargo. Although these shocks – along with the 1979 Iranian Revolution and the 2022 Russian invasion of Ukraine caused significant global disruption, US stocks have typically recovered within several months.



Oil prices have risen sharply, and physical shortages are becoming real

Energy commodities like crude oil and liquefied natural gas (LNG) trade on the global market, but because they are actual physical commodities, prices for different benchmarks vary based on local supply and demand. West Texas Intermediate (WTI) is the US benchmark price, while Brent is considered the global benchmark. Unlike equity shares or fixed income securities, someone takes physical delivery of crude oil and LNG. In the Middle East, where barrels of oil are becoming scarcer, oil prices are significantly higher, approaching \$130 per barrel. The next-month futures prices for American WTI and the Brent global benchmark are still considerably lower, reflecting investors' continued expectation that the Middle East conflict will resolve soon and in a way that allows energy infrastructure to return to normal. In recent days, however, this gap has narrowed as the price for Brent and WTI crude oil is rising to more closely match prices in the Middle East, where actual supply shortages are driving prices up to the highest bidder.



Source: Bloomberg. Prices are for the next-month futures contract. Data as of: 3/30/2026

The geopolitical and energy-market news has skewed negative, but tail risk remains very much two sided

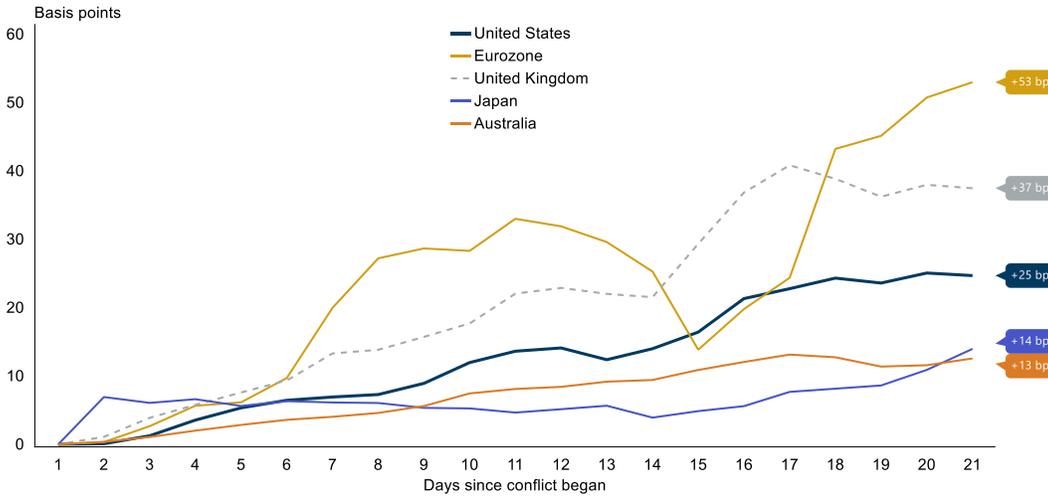
The financial market consensus has been that conflict in the Middle East is a finite shock that ultimately will cause little disruption to global economies and financial markets. Central to this consensus view playing out is swift restoration of the global energy infrastructure, which is undergoing the largest supply disruption in history. Unfortunately, recent news flow has skewed negative, raising the probability of downside risk scenarios. However, we think financial markets are still priced for a significant chance the conflict subsides before a true energy crisis sets in. But the longer the conflict endures, the harder it will be for markets to hold onto that view and the more likely energy and financial market prices begin to reflect more downside risk.

Inflation fears are back, and central banks are holding firm for now

Market expectations for US inflation have risen sharply, from about 2.5% before the war to 3.2% for the next 12 months and 2.8% for the next two years. Inflation has stayed above the Fed's 2% target for five years now, and the anticipated rise in prices will be unwelcome to Federal Reserve

policymakers – and to central banks across the globe. Before the war, markets were priced for 2-3 interest-rate cuts this year from the Federal Reserve, reflecting the softening labor market and anticipation that inflation would return to target. In the last few weeks, those expectations have mostly disappeared, with markets now priced for the Fed to keep rates steady well into 2027. The same has been the case for the European Central Bank, the Bank of England, the Bank of Japan, and the Reserve Bank of Australia, where investors see interest-rate hikes now as real possibilities.

Market Expectation for Change in Central Bank Policy in Next 12 Months



Source: Bloomberg. Days are market trading days.
Data as of: 3/30/2026



[Sign up](#) to receive regular market & economic updates straight to your inbox.

FIRSTCITIZENS.COM/WEALTH

The views expressed are those of the author(s) at the time of writing and are subject to change without notice. First Citizens does not assume any liability for losses that may result from the information in this piece.

This material is for informational purposes only and is not intended to be an offer, specific investment strategy, recommendation, or solicitation to purchase or sell any security or insurance product, and should not be construed as legal, tax or accounting advice. Please consult with your legal or tax advisor regarding the particular facts and circumstances of your situation prior to making any financial decision. While we believe that the information presented is from reliable sources, we do not represent, warrant, or guarantee that it is accurate or complete.

Your investments in securities and insurance products and services are not insured by the FDIC or any other federal government agency and may lose value. They are not deposits or other obligations of, or guaranteed by any bank or bank affiliate and are subject to investment risks, including possible loss of the principal amounts invested.

About the Entities, Brands, Products and Services Offered

First Citizens Wealth® (FCW) is a registered trademark of First Citizens BancShares, Inc., a bank holding company. The following affiliates of First Citizens BancShares Inc. are the entities through which FCW products and services are offered. Brokerage products and services are offered through First Citizens Investor Services, Inc. (FCIS), a registered broker-dealer, Member FINRA and SIPC. Advisory services are offered through FCIS, First Citizens Asset Management, Inc. (FCAM), and SVB Wealth LLC (SVBW), all SEC registered investment advisers. Certain brokerage and advisory products and services may not be available from all investment professionals, in all jurisdictions, or to all investors. Insurance products are offered through FCIS, a licensed insurance agency. Banking, lending, trust products and services, and certain insurance products are offered by First-Citizens Bank & Trust Company, Member FDIC, and an Equal Housing Lender, and First Citizens Delaware Trust Company.

For more information about FCIS, FCAM or SVBW and its Investment Professionals click here: <https://www.firstcitizens.com/wealth/disclosures>