Middle East Tensions:
Don’t Change Your Investment Strategy

Market dynamics and the prevailing narrative can move extremely quickly. Just last week the rand was trading around R15.85/USD, while the JSE All Share was up 11% year to date. Then, over last weekend, events caused the world to rapidly refocus. By Wednesday, the rand had slipped to R16.60/USD while YTD gains on the JSE are down to 4.5%.

Listed market prices are efficient mechanisms that naturally take into account all new information as soon as it becomes available, and they are now rapidly digesting anew developments:

1) US and Israeli air strikes into Iran and the reported deaths of that country’s top leadership, including Ayatollah Ali Khamenei.
2) Retaliatory airstrikes from Iran into US Middle East allies, and certain US military bases in the region.
3) Threats of closing the Strait of Hormuz, through which approximately 20% of the world’s oil supply flows, leading to a spike in oil prices - a key commodity for all economies.
4) A classic “risk off” approach across global equities, especially in emerging markets, with a flight to safety boosting the US dollar and the gold price.

For long-term investors, though, the bottom line is simple: **nothing fundamental has changed**. Geopolitical shocks like this create short-term volatility and plenty of news coverage, but they rarely alter the underlying drivers of asset values, such as corporate earnings, innovation, productivity, and the long arc of economic growth.

Oil flows and price will normalise. Ahead of this price spike, prices had been trending down from mid 2022, and were on the inexpensive side. The global economy will keep moving forward. Even while we do not know how long this current major conflict will last, markets will eventually find a new equilibrium.

In times like these, the winners are those who avoid panic, accept volatility as part of investing, and remain alert to the opportunities that disruption creates. As Morgan Housel has shown in The Psychology of Money, investment success depends far more on behaviour than on intelligence or timing.

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If you have any questions, Ian and our team would love to hear from you on investmentteam@seedinvestments.co.za.

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