



CORBETT ROAD
CAPITAL MANAGEMENT

MARKET MUSINGS

March 18, 2026

OIL SPIKES: HOW BIG IS THE RISK?

Rush Zarrabian, CFA®
Corbett Road
Managing Partner, Portfolio Manager



SUMMARY

- Oil prices have surged due to conflict-related risks around the Strait of Hormuz, temporarily interrupting a macro environment that had been trending in a favorable direction. While oil prices have pulled back from their highs, Brent crude is still trading over \$100 per barrel, driving ripple effects across the dollar, bond yields, and the stock market.
- Higher oil prices are not as economically damaging as they once were. Energy costs today represent a smaller share of overall consumer spending, and the United States uses less total petroleum than it produces. While \$100 oil could modestly lift inflation, the more serious risk would come from prices moving substantially higher and remaining elevated for an extended period.
- History suggests markets tend to recover from geopolitical shocks. While conflicts can create short-term volatility, long-term stock market returns have historically been driven far more by economic growth and corporate earnings than by geopolitical events.
- Our **microcast**[™] signal remains at an aggressive allocation, unchanged from the prior month. Overall, our tactical risk models continue to point to a constructive backdrop for equities. As always, we are monitoring them closely, especially considering the recent geopolitical tensions.

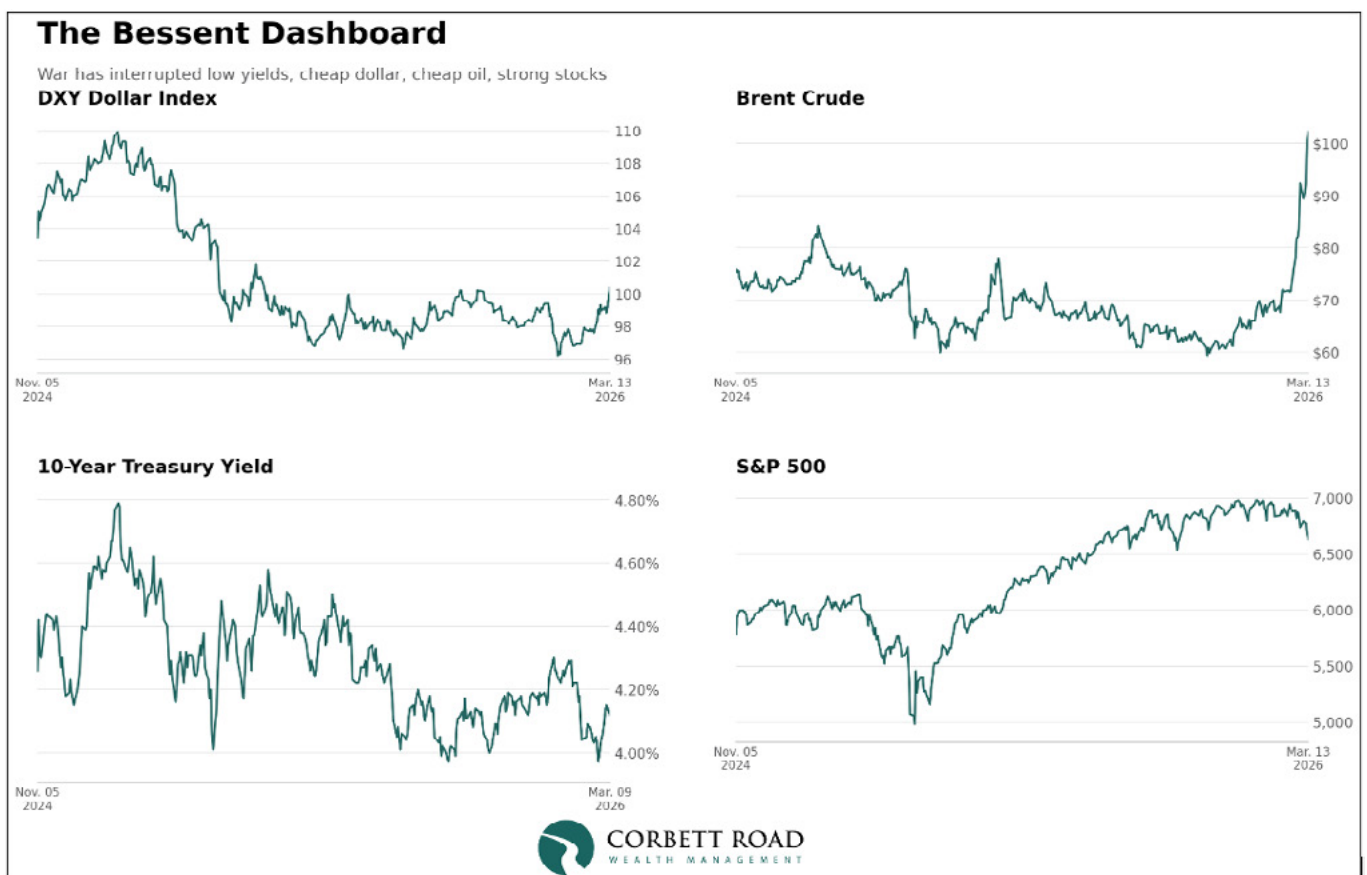
Charts and graph depicted in this presentation are for educational purposes only. Investors cannot invest in a market index directly, and the performance of an index does not represent any actual transactions. The performance of an index does not include the deduction of various fees and expenses which would lower returns. See content within for additional information on the summary items discussed above

A GEOPOLITICAL SHOCK **HITS THE OIL MARKET**

Recent geopolitical developments involving Iran have disrupted shipping activity through the Strait of Hormuz, one of the most critical chokepoints in the global energy system. Roughly 20% of the world’s oil supply and about 25% of global liquefied natural gas (LNG) shipments pass through the narrow waterway, alongside critical inputs tied to global supply chains, including materials used in semiconductor manufacturing, fertilizers, and industrial production.

Any sustained disruption to traffic through this corridor has the potential to ripple quickly through energy markets and the broader global economy. Crude futures reacted swiftly to the closing of the strait, jumping from approximately \$70 per barrel before the conflict to nearly \$120 in the overnight futures market last Sunday before settling back. As of this writing, Brent crude is trading near \$102 per barrel.

This sharp rise in prices has complicated Treasury Secretary Scott Bessent’s stated policy objectives for the U.S. economy. Those goals included a weaker dollar to improve export competitiveness, lower interest rates to support the housing market, lower oil prices to benefit consumers, and a strong stock market to reinforce the wealth effect and sustain consumer spending (chart from Bloomberg):

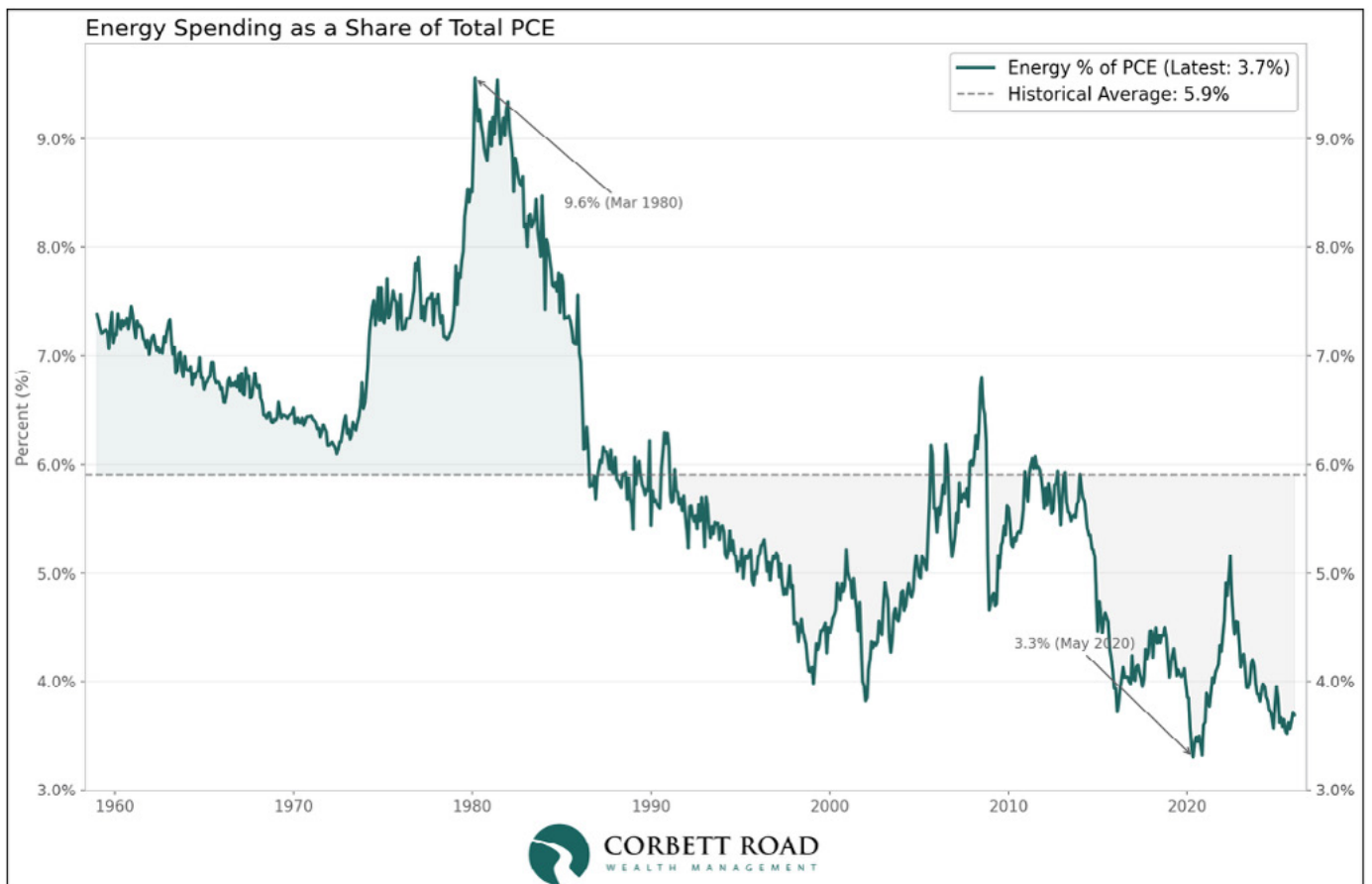


Taken together, the chart illustrates the broader thesis: the Bessent policy framework had been moving in the intended direction, but recent geopolitical developments have interrupted that trajectory and could derail it if the situation continues to escalate.

While the impact of recent developments currently appears more manageable than headlines might suggest, the central question for investors is whether this represents a temporary geopolitical shock or the beginning of a sustained rise in oil prices that could dampen economic momentum.

OIL'S IMPACT ON THE US ECONOMY IS NOT AS NEGATIVE AS IT ONCE WAS

The spike in oil prices has shown up almost immediately at the gas pump, where the national average price has risen roughly \$0.87 over the past month. While no one welcomes higher gas prices, the economic drag from higher oil is not what it once was. The chart below shows spending on energy and energy-related goods as a percentage of total consumer spending going back to the late 1950s (data from the St. Louis Fed):



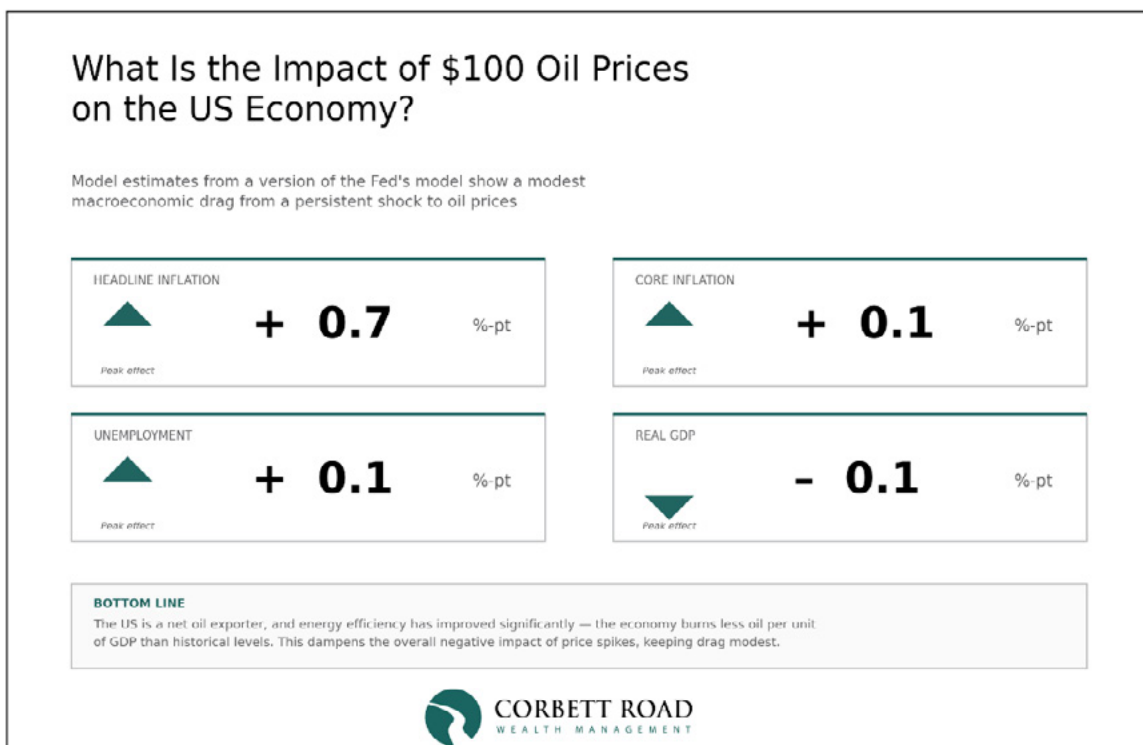
On average, energy spending has historically accounted for about 6% of total consumer spending. After peaking near 10% in the early 1980s, energy’s share of spending declined throughout that decade and has remained below the long-term average for most of the past 35 years. Even the sharp run-up in gasoline prices in early 2022, driven in part by the Russia–Ukraine war, did not push the figure back to the historical average.

The bottom line: while higher energy prices are certainly felt by consumers, they would need to rise considerably further from current levels before meaningfully squeezing household budgets or materially weighing on overall consumer spending, which accounts for roughly 70% of U.S. GDP.

HOW MIGHT OIL PRICES IMPACT OVERALL INFLATION?

As a key input across nearly every segment of the industrial economy, oil prices have historically been closely correlated with broader inflation trends. The impact extends well beyond the gas pump, flowing into the cost of groceries, transportation, clothing, and a wide range of other goods and services.

Torsten Slok of Apollo Global Management recently analyzed what a sustained move to \$100 oil could mean for the economy. His findings suggest the impact would be noticeable at the headline inflation level, but far from catastrophic, and not meaningful for other areas of the economy:



A peak effect of roughly 0.7% on headline inflation would certainly be unwelcome, but it is still within a range the economy could likely absorb without rolling over.

The riskier scenario would be if oil prices moved significantly higher and remain elevated for an extended period. Prices in the \$130 to \$150 range would likely inflict meaningful economic damage, raising the risk of both recession and persistently higher inflation. Should that scenario materialize, policymakers would face increasing pressure to intervene.

A sustained rise in oil prices also has implications for Federal Reserve policy. Expectations for 2026 Fed rate cuts have already been pushed further out as inflation expectations have begun to rise again. In short, the longer oil prices remain elevated, the longer it may take for the Fed to resume cutting rates—a development that could eventually place additional pressure on economic growth and the labor market.

HOW HAVE MARKETS HANDLED **PREVIOUS GEOPOLITICAL CONFLICTS?**

For investors, the natural question is how recent developments might affect stock market returns. While geopolitical shocks often create short-term volatility, history suggests their long-term impact on markets has been far more limited.

An analysis from Charlie Bilello examined market performance following periods of U.S. military involvement. Rather than focusing on the first few months—when market reactions can be extremely noisy—the study looks at longer-term investment horizons, which better reflect how most investors actually experience markets:

S&P 500 Total Returns — Following the Start of US Military Conflicts

Conflict	Start Date	6-Month	1-Year	3-Year	5-Year	10-Year	20-Year
US Enters WWII after Pearl Harbor Attack	12/8/1941	-2%	12%	74%	113%	390%	2,207%
Start of Korean War	6/25/1950	9%	21%	54%	190%	391%	775%
Bay of Pigs Invasion	4/16/1961	3%	5%	33%	62%	115%	330%
Cuban Missile Crisis	10/16/1962	23%	32%	76%	96%	158%	417%
Gulf of Tonkin Resolution/Vietnam War	8/7/1964	8%	8%	29%	35%	40%	352%
Financial & Military Aid in Yom Kippur War	10/7/1973	-14%	-41%	6%	18%	152%	873%
Lebanon Intervention	8/25/1982	28%	44%	83%	252%	411%	1,317%
Invasion of Grenada	10/25/1983	-3%	5%	62%	106%	298%	957%
Bombing of Libya	4/14/1986	1%	22%	41%	90%	267%	771%
Invasion of Panama	12/20/1989	7%	0%	42%	56%	430%	399%
Persian Gulf War (Operation Desert Shield)	8/7/1990	9%	21%	48%	94%	458%	412%
Somalia Intervention	12/4/1992	6%	11%	54%	155%	157%	382%
Bosnia and Herzegovina Intervention	2/28/1994	3%	7%	82%	194%	196%	486%
US Enters Kosovo War	3/24/1999	1%	22%	-7%	-8%	-24%	223%
Start of Afghanistan War after 9/11	10/7/2001	5%	-26%	11%	38%	30%	503%
Start of Iraq War	3/19/2003	20%	29%	58%	63%	117%	572%
Libya Intervention	3/19/2011	-5%	13%	56%	78%	276%	
ISIS War Offensive	6/15/2014	4%	10%	34%	66%	238%	
Proxy War in Ukraine	2/24/2022	-3%	-6%	46%			
Financial & Military Aid in Gaza War	10/7/2023	22%	34%				
Strikes Against Houthi Targets in Yemen	3/15/2025	18%					
Strikes on Iranian Nuclear Sites	6/22/2025	16%					
Start of Iran War	2/28/2026						
Average Total Return		7%	11%	46%	94%	228%	686%



To be sure, short-term declines do happen. Some conflicts were associated with sharp early losses, as was the case during the Yom Kippur War and in the aftermath of 9/11, when markets reacted to a surge in uncertainty.

However, more often than not, markets have recovered relatively quickly. The average one-year return following the start of these conflicts has been about 11%, suggesting that once the initial shock passes, investors tend to refocus on economic fundamentals and broader market themes.

Longer-term results have been considerably stronger. Three years after the start of these events, the S&P 500 has gained roughly 46% on average. Five years later, the average return rises to 94%, and after ten years to more than 200%. The only negative longer-term outcome in the dataset occurred after the U.S. entered the Kosovo War in 1999, and that's because the end of the following ten-year period coincided with the Global Financial Crisis—an event completely unrelated to the conflict itself.

The broader takeaway is that wars and geopolitical crises have rarely determined the long-term direction of equity markets, even those involving key oil-producing regions. Over time, economic growth and corporate earnings have played a much more decisive role in driving returns than geopolitical events.

In summary, the recent conflict involving Iran has introduced a new source of uncertainty into global markets, primarily through its impact on oil prices. While the spike in crude has interrupted a macro environment that had been trending favorably—characterized by moderating inflation and improving financial conditions—the economic impact thus far appears manageable. Energy now represents a smaller share of consumer spending than in past decades, limiting the drag on household budgets, while the forecasted impact of \$100 oil is a manageable +0.7% increase to headline inflation. The key risk is a sustained move to \$130+ oil, which would pose more serious risks to both growth, inflation, and the Fed's rate-cut timeline. When considering the implications for equity markets, it's important to keep in mind how the market has historically performed following geopolitical shocks. While it's not uncommon to see short-term volatility, long-term market returns tend to be driven far more by economic growth and corporate earnings than by global conflicts.

IMPORTANT DISCLOSURES

Corbett Road Capital Management, LLC ("Corbett Road") is a federally registered investment advisor with the Securities Exchange Commission ("SEC") and has been in business since 2019. Registration with the SEC does not imply their approval or endorsement of any service provided by Corbett Road. This presentation contains information based on the views of Corbett Road. Other organizations or persons may analyze investments and the approach to investing from a different perspective than that reflected in this presentation. Nothing included herein is intended to infer that the approach to investing discussed in this presentation will assure any particular investment results.

Nothing in this presentation is to be considered investment advice and should not be relied upon as the basis for entering any transaction or advisory relationship or making any investment decision. All investments involve the risk of loss, including the loss of principal. Performance information included on this presentation is solely to demonstrate the potential benefits historically associated, with commercial asset classes. Past performance is not an indicator of future results.

Charts and graph depicted in this presentation are for educational purposes only. Investors cannot invest in a market index directly, and the performance of an index does not represent any actual transactions. The performance of an index does not include the deduction of various fees and expenses which would lower returns. Advisory fees charged to Corbett Road clients, whether directly or indirectly through an ETF, are described in Corbett Road's Form ADV Part 2A and Form CRS, available at <https://adviserinfo.sec.gov/firm/summary/305063>. Past performance is no guarantee of future results.

The presentation includes data, graphs, charts, or other material reflecting the performance of a security, an index, an investment vehicle, a composite or other instrument over time ("Performance Material"). Past performance, and any performance reflected in Performance Material, is not an indication of future results.

*All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. **macrocast™** and **microcast™** are proprietary indexes used by Corbett Road Capital Management to help assist in the investment decision-making process. Neither the information provided by **macrocast™** or **microcast™** nor any opinion expressed herein considers any investor's individual circumstances nor should it be treated as personalized advice. Individual investors should consult with a financial professional before engaging in any transaction or strategy. The phrase "the market" refers to the S&P 500 Total Return Index unless otherwise stated. The phrase "risk assets" refers to equities, REITs, high yield bonds, and other high volatility securities.*

Use of Indicators

Corbett Road's quantitative models utilize a variety of factors to analyze trends in economic conditions and the stock market to determine asset and sector allocations that help us gauge market movements in the short- and intermediate term. There is no guarantee that these models or any of the factors used by these models will result in favorable performance returns.

Individual stocks are shown to illustrate market trends and are not included as securities owned by CRCM. Any names held by CRCM is coincidental. To be considered for investment by CRCM, a security must pass the Firm's fundamental review process, meet certain internal guidelines, and fit within the parameters of the Firm's quantitative models.



CORBETT ROAD

CAPITAL MANAGEMENT



THANK YOU

McLean, VA
7901 Jones Branch Dr, Suite 800
McLean, VA 22102

Toll Free: 844.878.4897
info@croadcap.com
www.corbettroadcapital.com