Santander
Asset Management

State of Play

Middle East tensions: What's happening in markets?

2 March 2026

It's been a tense weekend in global politics. The U.S. and Israel carried out military strikes on targets in Iran, aimed at limiting Iran's military capabilities.

Whenever events like this happen, it's natural to wonder what it could mean for markets and your investments. Here's what we know so far, and what it means for you.

How have markets reacted?

Markets have moved, but there has been no sign of panic.

Oil prices rose sharply at the start of trading, briefly moving above $80 a barrel before easing slightly. Stock markets in Asia and Europe have fallen modestly, and U.S. markets are expected to open lower.

At the same time, gold prices have risen and government bond prices have edged higher as some investors shift toward traditionally "safer" assets.

This kind of reaction is typical when geopolitical tensions increase. Investors reassess risk, which can lead to short-term swings.

Why is oil so important?

The main concern is whether the conflict could disrupt global energy supplies. A key shipping route, the Strait of Hormuz, handles around one-fifth of the world's oil trade. Some shipping has reportedly paused as a precaution, although there have been no confirmed incidents affecting energy infrastructure.

It's important to keep this in perspective. Iran has been under international sanctions for years and is not a major supplier to Western economies.

Oil revenues are also a vital source of income for Iran itself, which makes a prolonged and severe disruption less likely. We have seen similar episodes before, where oil prices jumped quickly but later settled as tensions eased.

What does this mean for investors?

Periods like this often bring short-term volatility. Markets can move away from their recent trends as investors react to headlines.

However, geopolitical shocks do not always change the broader economic picture. The global economy continues to expand, company earnings remain broadly resilient, and central banks are no longer aggressively raising interest rates. These longer-term factors still matter most for markets over time.

How we are positioned

Times of uncertainty reinforce the importance of diversification, spreading investments across different asset types and regions rather than relying on one single area.

Where we have the flexibility, our portfolios remain balanced across shares and bonds, with a focus on quality.

We also maintain exposure to assets such as gold, which can help provide stability during periods of market stress.

Active management allows us to respond carefully as events develop.

A calm reminder

When headlines are dramatic, it's easy to feel unsettled. But history shows that markets have faced, and recovered from, many geopolitical shocks. Sharp moves in the short term don't always reflect long-term reality.

Here are a few things worth remembering:

Markets are resilient.

Temporary shocks often fade.

Diversification helps.

Different investments respond differently to events.

Long-term plans matter most.

Making sudden decisions during periods of stress can often do more harm than good.

Staying calm and focused on your long-term goals remains the most sensible approach. We will continue to monitor the situation closely and keep you updated if conditions change in a way that meaningfully affects the outlook.

Learn more!

Investing can feel complex and overwhelming, but our educational insights can help you cut through the noise. Learn more about the Principles of Investing here.

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