
Market Returns During Past Geopolitical Conflicts

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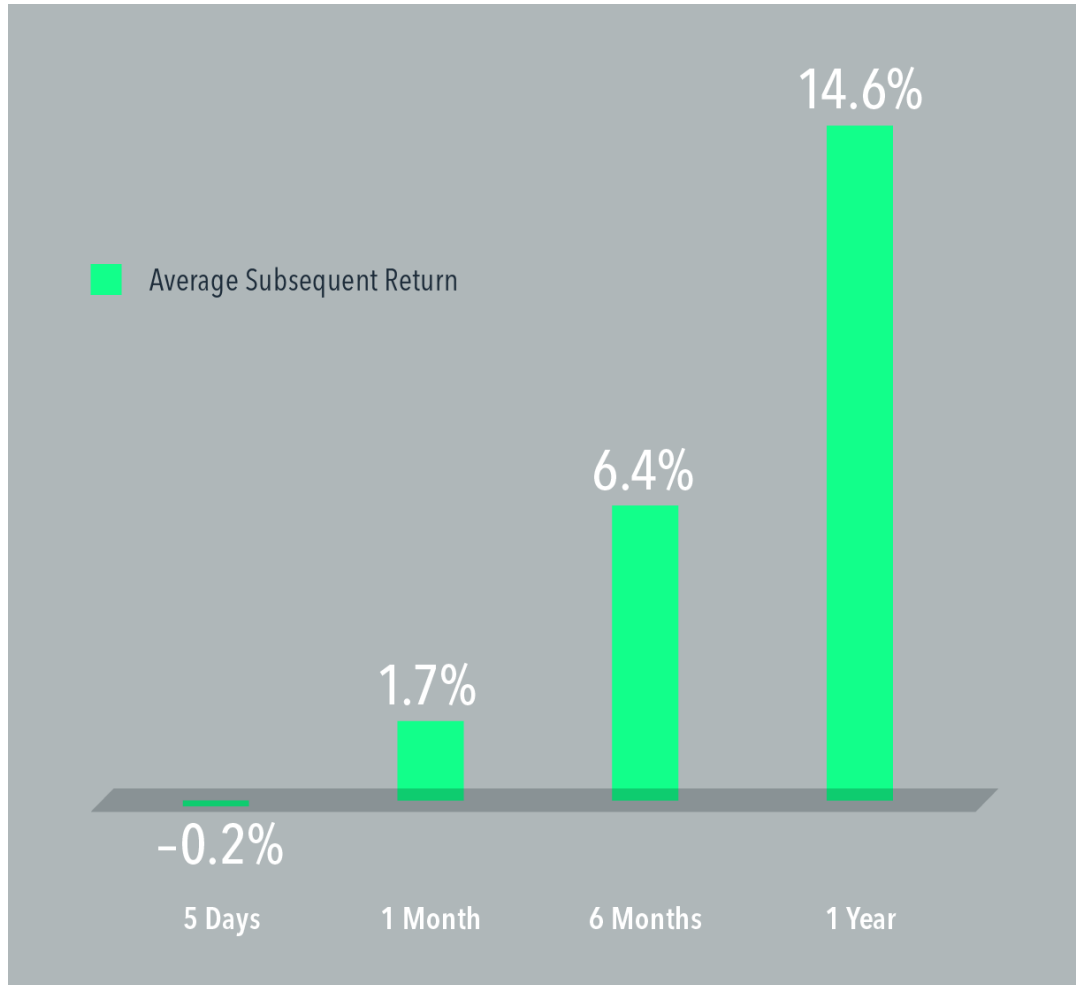
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We noted in a [recent piece](#) that geopolitical conflicts don't have to result in disappointing subsequent stock returns because markets are forward-looking and set prices for positive expected returns. But how have markets actually fared during previous geopolitical incidents? Based on 36 years of history, the answer has largely been good news.

While the classification of an event as a geopolitical conflict is subjective, we identified 21 global events since 1990. Charting returns starting from the onset of these events, we see slightly negative returns on average for the first five days, but then positive average returns over subsequent horizons. This would seem consistent with a market resetting prices in light of negative news at the start, which then sets up a positive expected return in the absence of further disappointing developments. After one year, the average return was 14.6%. By comparison, the average return across all rolling 12-month periods was 12.4%.

This is not to imply we're "out of the woods" when it comes to a market downturn. The 12-month market return was negative for two of the 21 events. There's always the possibility for worse-than-expected developments, which might provoke further negative reaction from markets. But the takeaway from these data is that investors shouldn't shy away from stocks during a period of global conflict.

Exhibit 1
Average US Stock
Market Returns
Following Major
Geopolitical Events
 1990–2025



Past performance is not a guarantee of future results. Actual investment returns may be lower.

In USD. US Market is represented by the Fama/French Total US Market Research Index. The Fama/French indices represent academic concepts that may be used in portfolio construction and are not available for direct investment or for use as a benchmark. See "Index Descriptions" for descriptions of the Fama/French index data. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. The chart is for illustrative purposes only and is not indicative of any investment. The sample includes 21 geopolitical events. Geopolitical events and their start dates include: Gulf War, August 2, 1990; Asian currency crisis, July 2, 1997; 1998 Iraq disarmament crisis, February 18, 1998; Russian Financial Crisis, August 17, 1998; Kosovo bombings, March 24, 1999; 9/11—terrorist attacks on the United States, September 11, 2001; Iraq War, March 20, 2003; Madrid bombings, March 11, 2004; London bombings, July 7, 2005; Iran nuclear tensions, July 31, 2006; Eurozone debt crisis, December 8, 2009; Arab Spring (Egypt), January 25, 2011; Libya intervention, March 19, 2011; 2014 Ukraine conflict, February 20, 2014; intervention in Syria, September 22, 2014; Paris attacks, November 13, 2015; Brexit vote, June 23, 2016; air strike on Syrian air base, April 7, 2017; North Korea nuclear test, September 3, 2017; Russia invades Ukraine, February 21, 2022; Israel-Hamas conflict, October 7, 2023. Events are selected to include major armed conflicts and notable upheavals and are not inclusive of all possible market events.

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Expected return: An estimate of average anticipated returns informed by historical data.

Fama/French Total US Market Research Index: July 1926–present: Fama/French Total US Market Research Factor + One-Month US Treasury Bills.

Results shown during periods prior to each index's inception date do not represent actual returns of the respective index. Other periods selected may have different results, including losses. Backtested index performance is hypothetical and is provided for informational purposes only to indicate historical performance had the index been calculated over the relevant time periods. Backtested performance results assume the reinvestment of dividends and capital gains. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP.

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