

The Case for Staying Invested During Geopolitical Uncertainty

The current Middle East conflict has rattled global markets. But as we've seen over time, successful investment outcomes have typically relied more on staying focused on long-term goals than reacting to geopolitical headlines.

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Key Takeaways

The Middle East conflict has lifted volatility and energy prices, but markets are repricing risk — not signaling a lasting shift in growth outlooks.

Credit markets are still functioning, and equity leadership is shifting, not collapsing.

Diversification across equities, fixed income and real assets helps manage uncertainty while keeping investors focused on long-term returns.

The conflict in the Middle East has raised uncertainty and caused short-term volatility across markets. Even so, we believe the current repricing reflects a higher risk premium rather than a fundamental break in long-term growth prospects. Historically, sustained downturns are driven more by declining corporate earnings and tighter financial conditions than just headlines alone.

It's true that oil prices have risen as markets price in a higher risk premium for shipping routes and insurance costs. The Middle East remains a critical energy source for many countries, with about 20% of global oil and liquefied natural gas flowing through the Strait of Hormuz.[1] Even a temporary disruption there can significantly raise oil prices.

Iran's future — both in terms of its retaliatory actions and its leadership going forward — also remains unclear. There are multiple paths forward, and it's too early to draw major conclusions.

At the same time, broader financial conditions are stable. Credit markets are functioning, equity leadership has shifted rather than collapsed, and interest rates show a balance between perceived "safe-haven" demand and [inflation](#) risk.

A key question is whether [higher energy prices](#) last long enough to affect earnings or meaningfully change how markets value future growth. Currently, we see limited evidence of this happening. Markets are adjusting risk prices, not rewriting the long-term investment narrative.

Look at Business Performance, Not the Headlines

Geopolitical shocks can quickly impact stock valuations, but it usually takes more to damage a company's underlying business results. Prolonged market declines usually follow weaker earnings, not uncertainty alone. Financially strong, higher-quality businesses have historically weathered these periods more effectively.

Growth-oriented equities are more sensitive to interest rates than to geopolitical events themselves. Unless rising energy prices translate into sustained increases in inflation-adjusted interest rates, growth [fundamentals](#) remain intact.

Value-oriented stocks, particularly those linked to energy, defense and industrial activity, may benefit from higher [commodity](#) prices and increased fiscal spending, providing balance within equity allocations.

Managing Uncertainty with Diversification Across Asset Types

Fixed-income assets have also shown resilience. The initial demand for perceived safety pushed prices higher and [yields](#) lower, but these moves quickly stabilized in the first few days after the strikes as investors considered the inflationary implications of higher energy prices.

In this environment, we believe inflation-protected securities and selective credit exposure are becoming more important, along with focusing on areas where the potential compensation for taking risk appears more attractive. Making broad bets on the direction of interest rates is less compelling when rates are pulled in opposite directions by demand for safety and inflation concerns.

Credit markets remain orderly, but performance is starting to vary by industry. Energy producers and certain [defense-related issuers](#) may see improving fundamentals, while businesses that rely heavily on fuel or transportation may see their profits squeezed if costs stay high.

[Active security selection](#) and balance sheet strength are critical as markets differentiate more judiciously among issuers.

Periods of uncertainty also underline the importance of [real estate investment trusts \(REITS\)](#). Historically, listed real estate has performed favorably relative to broader equity markets during geopolitical shocks, though outcomes vary by property type.

Mixed-asset and multi-asset investment strategies are designed for times like these.

By combining equities, fixed income and real assets, these strategies aim to dampen volatility while maintaining exposure to long-term return drivers. This approach is designed to help manage uncertainty without sacrificing long-term growth potential.

Do Geopolitical Events Shift Long-Term Market Trends?

Geopolitical events can introduce short-term uncertainty, but they seldom change long-term investment outcomes unless they fundamentally change inflation, economic growth and earnings trajectories.

In our view, the most important response is not to retreat from markets, but to stay focused on diversification and long-term objectives. While we continue to monitor developments closely, we believe that disciplined, long-term investing remains the best path forward.

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¹ Candace Dunn and Justine Barden, "Amid Regional Conflict, the Strait of Hormuz Remains a Critical Oil Chokepoint," U.S. Energy Information Administration, June 16, 2025.

Diversification does not assure a profit nor does it protect against loss of principal.

Investment return and principal value of security investments will fluctuate. The value at the time of redemption may be more or less than the original cost. **Past performance is no guarantee of future results.**

Generally, as interest rates rise, the value of the bonds held in the fund will decline. The opposite is true when interest rates decline.

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