

# AI-03525 FTEC Strategy Post Conflict

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**What's our game plan? FTEC is doing well, but there's a war going on in the Middle East. Shall I put my 401k under my mattress now?**

Short answer: No — don't move your 401(k) under the mattress.

Geopolitical shocks feel dramatic, but history shows that long-term investors who stay disciplined usually come out ahead.

Let's step back and frame a game plan.

## 1. What's happening right now

Tensions and conflict in the Middle East can affect markets through:

Primary channels:

- Oil supply risk → energy price spikes → inflation pressure
- Risk sentiment → short-term market volatility
- Defense spending → aerospace & defense sector gains
- Safe-haven flows → USD, gold, Treasuries strengthen

What it usually does NOT do:

- Permanently derail global economic growth
- Destroy diversified portfolios over long horizons

Markets price fear quickly — and often recover before news improves.



## 2. FTEC doing well — why that matters

Fidelity MSCI Information Technology Index ETF tracks U.S. tech leaders.

Tech tends to outperform because of:

- structural growth (AI, cloud, semiconductors)
- high margins & scalability
- global demand

But it is also:

- volatile
- interest-rate sensitive
- concentrated risk

So strong performance is good — but not a reason to concentrate further.



## 3. What history tells us about wars & markets

Major conflicts often cause short-term drawdowns, but markets recover:

- Gulf War → markets dipped briefly, then rallied
- Iraq War → volatility followed by recovery
- Russia-Ukraine War → sharp drop, recovery within months

Markets fear uncertainty — once outcomes become clearer, risk premiums fall.



## 4. The real risk: reacting emotionally

The biggest wealth destroyers:

- ✓ panic selling
- ✓ market timing attempts
- ✓ abandoning diversification
- ✓ overexposure after strong gains

Missing the best recovery days hurts more than the downturn.

## 5. Smart 401(k) strategy during geopolitical stress

### Keep doing:

- ✓ Continue contributions (buying at lower prices helps)
- ✓ Maintain diversification
- ✓ Rebalance if allocations drift
- ✓ Stay aligned with retirement timeline

### Consider reviewing allocation:

If you are heavily tech-weighted:

Balanced example:

- 50–65% equities
- 10–20% international
- 20–30% bonds
- small exposure to energy/commodities (inflation hedge)

## 6. When to adjust (legitimate reasons)

Change allocation if:

- ✓ retirement is within 5–10 years
- ✓ you cannot tolerate volatility
- ✓ your equity exposure exceeds your plan
- ✓ you lack an emergency fund

Not because of headlines.



## 7. What to watch instead of panic headlines

Monitor:

- Oil prices & supply routes
- Inflation trend
- Federal Reserve policy
- Earnings growth
- Market breadth & credit conditions

These drive long-term returns more than geopolitics.



### Bottom line

Wars create fear spikes, not necessarily wealth destruction for long-term investors.

Best move:

Stay invested. Stay diversified. Stay disciplined.

Your future self thanks you.

If you want, I can also:

- ✓ stress-test your allocation against geopolitical shocks
- ✓ assess if you're too tech-heavy
- ✓ outline a "sleep-well-at-night" portfolio
- ✓ discuss sectors that historically benefit during conflicts

Just tell me.

### **Will market crash tomorrow post Iran attack?**

Here's the latest picture right now from financial news as markets prepare to open after the attack involving Iran:

What this means (based on current coverage):

## 1) Markets are

**expected to be volatile**

**at the open**

- Stock futures and equity markets tend to move lower on the first session after a surprise geopolitical escalation as investors price risk and uncertainty.
- Some markets in Asia and emerging markets have already shown selling pressure in response to geopolitical fear.

But volatility  $\neq$  guaranteed crash.

Volatility often shows up early, then markets settle once traders dig into fundamentals.

## 2) Oil & commodities often jump

- Conflicts in the Middle East tend to push oil and energy prices up on supply-risk fears. That can drag on stocks early via cost pressures and risk aversion.

## 3) Safe havens dry up some stocks but support others

- Gold and U.S. Treasuries usually rise as risk aversion increases.
- Some sectors (energy, defense) may hold up or rally.

## Will the market

# crash

# tomorrow?

Short answer: A sharp one-day crash is possible, but not certain and not inevitable.

**Here's why:**

- Historical patterns show knee-jerk drops are common after surprises, but they tend to be short-lived.

Example: prior escalations between Israel and Iran triggered initial equity dips of ~1–2%, not a systemic crash.

- The severity depends on whether the conflict expands, disrupts oil supply, or drags on globally.

If it stays contained to an isolated escalation, markets often recover once headlines settle.

- At this point markets are closed or pre-trading.

That means pricing happens before the cash session — some selling might be “baked in” already by traders predicting risk.

## So what can happen

### tomorrow

?

Here are realistic scenarios:



#### **Possible downside**

- Volatility spike and gap down — investors reduce risk before clarity.
- Stocks may open weaker as risk assets adjust.



#### **Offsetting forces**

- Buyers step in on dips (historically common after headline shocks)
- Safe-haven inflows and sector rotations can blunt broad market declines

#### **What usually doesn't happen**

- Long-lasting, deep crashes solely from geopolitical headlines — unless there's a major economic shock (e.g., oil embargo, severe supply disruption).

## **Bottom line**

Will markets “crash tomorrow”?

Not guaranteed — but higher volatility and downward pressure at the open is likely, especially in the first hours of trading as risk is repriced.

It’s normal in early sessions after big geopolitical news. A full crash generally requires deeper economic damage, not just headlines.

If you want, I can break down what specific market indicators to watch tomorrow morning and what levels might signal a deeper sell-off vs. a knee-jerk dip that quickly reverses.