

AI-03582 War vs Market Risks

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Is the Iran war and oil shortage similar to the Covid-19 world event? Create a market risk analysis of the war? Is it time to put my money under the mattress?

Short answer: there are *some* similarities to COVID-era market shocks—but the underlying mechanics are quite different, and that difference matters for how you position your money.

1) Is an Iran war + oil shock like COVID-19?

Superficially similar

- Both create **global uncertainty**
- Both trigger **supply disruptions**
- Both cause **volatility spikes** and “risk-off” behavior
- Both can lead to **policy intervention** (rate cuts, liquidity, fiscal spending)

But fundamentally different

COVID-19	Iran war / oil shock
Demand shock (economies shut down)	Supply shock (energy constraint)
Deflationary at first	Inflationary from the start
Central banks cut rates aggressively	Central banks may <i>hesitate</i> due to inflation
Broad, global, synchronized	Regionally triggered, globally transmitted via oil
Tech + digital economy surged	Energy, defense, commodities tend to lead

Bottom line:

COVID rewarded growth and liquidity.

An oil war shock tends to reward **scarcity, real assets, and pricing power**.

2) Market Risk Analysis of an Iran Conflict

Let's break it down like an investor, not a headline reader.

A. Immediate (0–3 months): Shock Phase

Key driver: Oil supply disruption

- Strait of Hormuz risk → ~20% of global oil flows
- Oil spikes → \$100–150+ scenarios not unrealistic

Market reactions

- Equities: ↓ (especially airlines, consumer, emerging markets)
- Energy stocks: ↑ sharply
- Bonds: mixed (inflation vs. flight to safety)
- Gold: ↑
- USD: ↑ (safe haven)

Big risk: sudden liquidity squeeze + panic selling

B. Intermediate (3–12 months): Adjustment Phase

Second-order effects

- Higher fuel → higher transport → higher food → **sticky inflation**
- Central banks (like Federal Reserve) may delay rate cuts or even tighten
- Growth slows → **stagflation risk**

Winners

- Energy producers
- Defense sector
- Commodity exporters

Losers

- Consumer discretionary
 - Highly leveraged companies
 - Import-heavy economies
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C. Long-Term (1–5 years): Structural Shift

If conflict persists or escalates:

- Acceleration of **energy diversification**
- More investment into:
 - Renewables
 - Nuclear
 - Domestic production
- De-globalization trends strengthen

Think less “temporary shock” and more “re-pricing of energy security.”

3) Key Scenarios (Probability Thinking)

Not all wars are equal. Here’s how to think:

Scenario 1: Contained Conflict (most common)

- Oil spikes briefly, then stabilizes
- Markets dip → recover
- Similar to prior Middle East flare-ups

Investor takeaway: volatility, not collapse

Scenario 2: Prolonged Regional War

- Sustained oil > \$100
- Inflation stays high
- Growth slows globally

Investor takeaway: rotate, don't panic

Scenario 3: Strait of Hormuz Disruption (tail risk)

- Severe oil shock
- Global recession risk
- Sharp market drawdown

Investor takeaway: this is where hedges matter

4) Should You “Put Money Under the Mattress”?

Short answer: **No—and here's why.**

Holding cash physically:

- Loses to inflation (especially in oil shocks)
- Misses rebounds (which often happen *fast and unexpectedly*)
- Doesn't hedge systemic risk meaningfully

Even during COVID, the best opportunities came **after panic**, not before.

5) Smarter Defensive Positioning (Instead of Panic)

If you're thinking prudently (which you should), consider balance—not retreat:

A. Liquidity buffer

- 6–12 months expenses in cash equivalents
- Not under a mattress—use banks, money market funds

B. Inflation-aware assets

- Energy exposure
- Commodities
- Pricing-power companies

C. Diversification

- Global equities
- Some bonds (short-duration safer in inflation)
- Real assets

D. Optional hedges

- Gold
 - Defensive sectors (healthcare, utilities)
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6) The Real Insight Most People Miss

COVID was a **“stop the world” event**.

An oil war is a **“make everything more expensive” event**.

That difference flips strategy:

- COVID → “own growth, buy the dip”
 - Oil shock → “protect purchasing power, favor real assets”
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7) My Straight Take

You don't want to react emotionally to geopolitical headlines.

If you:

- Sell everything → you risk missing recovery
- Do nothing → you may be overexposed to inflation shock

The right move is usually:

Adjust exposure, increase resilience, keep investing discipline

If you want, I can map this specifically to your situation (e.g., retirement income, ETF allocation, drawdown tolerance) and give you a concrete portfolio shift plan instead of general strategy.

How does the Big Tech be affected in the War of 2026? The earnings performance and outlook seems positive.

You're seeing something real—and a bit deceptive at the same time.

Big Tech earnings **do look strong**, but the *market is starting to question how sustainable that strength is under a war + oil shock environment*. Let's break this cleanly.

The Core Paradox

Earnings = strong (today)

Macro = deteriorating (forward risk)

That gap is exactly where opportunity *and* danger sit.

1) Why Big Tech Earnings Still Look Strong

Despite the war:

- Double-digit earnings growth is still expected for 2026 ([Reuters](#))
- AI spending is massive and ongoing
- Companies are:
 - Cash-rich
 - High-margin
 - Globally diversified

Even during the conflict:

- Markets are holding up partly due to **tech + AI earnings momentum** ([MarketWatch](#))
- Companies like hyperscalers are still investing aggressively in AI infrastructure ([The Wall Street Journal](#))

👉 Translation:

Big Tech is not fragile like 2000—it's structurally dominant.

2) But the War Hits Big Tech in 3 Hidden Ways

This is where most investors underestimate the impact.

A. Energy Cost Shock (Silent Margin Killer)

AI and cloud = energy-intensive.

- Data centers can have **energy as a major operating cost (up to ~60%)** ([TECHi®](#))
- Oil spike → electricity, cooling, logistics all rise

Even if revenue grows:

| Margins can compress quietly

And this is already being flagged:

- High oil prices could **slow the AI boom itself** ([The Guardian](#))
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B. Interest Rates Stay Higher (Valuation Pressure)

War → inflation → central banks cautious

- Federal Reserve signaling fewer cuts due to uncertainty ([Reuters](#))

Why this matters:

Big Tech = long-duration assets

→ Their valuations depend heavily on future earnings

Higher rates = lower present value

👉 Even if earnings are good, **stock prices can stall or drop**

C. Demand & Capital Allocation Shift

War economy redirects money:

- Governments → defense, energy
- Consumers → essentials (fuel, food)
- Corporations → cost control

We're already seeing:

- Software and SaaS weakness
- Rotation into **energy + defense** ([Axios](#))

👉 Translation:

Growth expectations get trimmed, even if not collapsing

3) Why Big Tech Is Still Resilient (Important)

This is why the market hasn't crashed:

Structural advantages

- Massive cash reserves
- Pricing power
- AI dominance
- Ecosystem lock-in

As one analyst noted:

| Today's Big Tech is far more resilient than past bubbles ([Business Insider](#))

Also:

- Some analysts expect **Big Tech to hold up better than most sectors** ([Barron's](#))
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4) What the Market Is Actually Saying Right Now

Look beneath the surface:

- Index looks stable
- But:
 - Tech leadership weakening
 - Energy & defense outperforming
 - Volatility rising

Even recent data:

- Tech stocks have been **leading declines during oil spikes** ([Investopedia](#))

👉 This is a *rotation*, not a collapse (yet)

5) The Real Risk: Concentration

Here's the part that matters most for you as an investor:

- Market heavily concentrated in Big Tech
- AI trade = crowded
- If sentiment shifts:

| "There may be almost no place to hide" ([Business Insider](#))

This is not about fundamentals failing—it's about **positioning risk**

6) Forward Outlook (Simple Framework)

Short-term (0–6 months)

- Earnings: strong
 - Stocks: volatile / sideways
 - Narrative: "AI still wins"
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Medium-term (6–18 months)

Depends on oil:

- If oil stabilizes → Big Tech resumes leadership
 - If oil stays high → margins + valuations pressured
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Tail risk

If:

- Oil shock persists
- Rates stay high
- AI spending slows

→ Then you could see a **meaningful tech correction**

7) My Straight Take

You're correct to question the disconnect.

Here's the clean truth:

| Big Tech is **fundamentally strong but macro-vulnerable**

Not broken.

Not safe either.

8) Practical Investor Interpretation

Instead of "all in" or "all out," think:

- Big Tech = **core holding**
- But not the *only engine* anymore

The regime may be shifting from:

- **"growth dominance" → "multi-sector balance"**
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Final Thought

COVID made Big Tech unstoppable.

A war-driven oil shock makes them **profitable—but constrained**.

If you want, I can break down:

- Which specific Big Tech names are most vulnerable (Apple vs Microsoft vs Nvidia style breakdown)
- Or how to rebalance an ETF portfolio given this shift

That's where this gets very actionable.