BMO Wealth Management

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SPECIAL Market Update

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Iranian Strike

The U.S. and Israel initiated a joint-strike on Iran Saturday AM local time, after negotiations were deemed to be going nowhere - with key mission priorities including the elimination of Iranian/IRGC leadership, the eradication of any remaining remnants of the Iranian nuclear program (after last summer's Operation Midnight Hammer operation) and the destruction of Iranian ballistic missile stockpiles. So far, market reaction has been tempered by the mission's success thus far and the anticipation of imminent attack priced in over the past couple weeks - with interest rates fairly flat and U.S. equity markets showing a small decline while international markets are showing weakness.

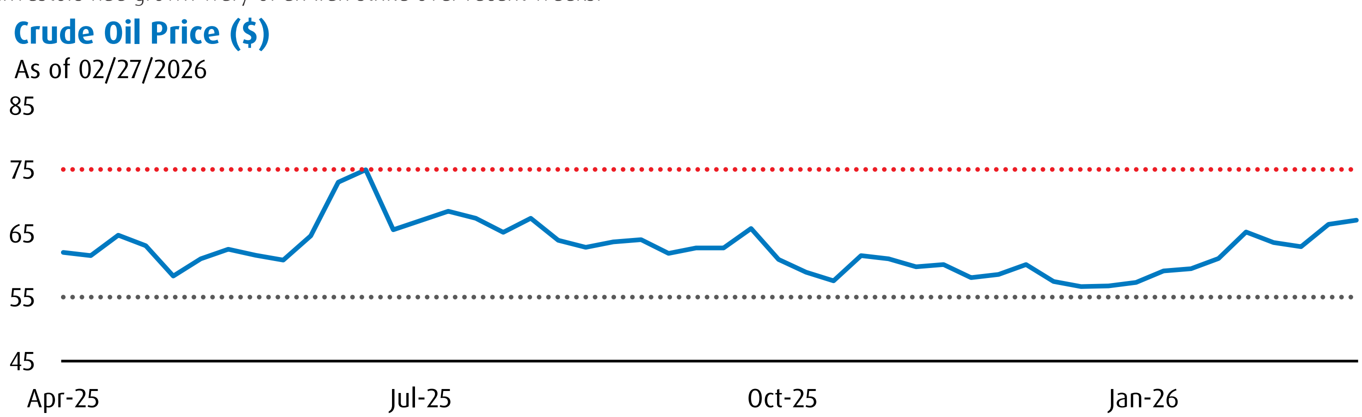
The Strike. Approximately 48 hours into the operation (that the Trump administration has stated could take four weeks in total), the mission appears to be hitting its targeted timeline. That said, many objectives still need to be achieved in the coming weeks amid ongoing Iranian counterattacks – though any efforts at renewed negotiations could potentially shorten the conflict. Importantly, the Trump administration has been adamant that the operation would not involve U.S. boots on the ground, and that it would be up to the Iranian people to determine the post-strike future of the nation state.

Market impact. Investors were largely prepared for military action. U.S. naval assets, totaling one-third of the entire naval fleet, had been building for months - with the USS Gerald Ford's placement just off Israel's Mediterranean coast being the last piece of the military puzzle. This, alongside the success of the mission thus far (40+ top Iranian leaders eliminated and U.S./Israeli air superiority - if not air supremacy), has led to a relatively muted reaction in financial markets. Oil prices, after knee-jerking higher are currently up ~5% to ~$70/barrel ($5 below last summer highs), the U.S Treasury 10-Year yield is mostly unchanged at ~4% and S&P 500 down less than 1% while international markets are showing weakness – given the stronger dollar and greater exposure to the potential effects of the regional conflict. While the strike was initiated by the U.S. and Israel, the Arabic/Sunni Middle East nations (Saudi Arabia, UAE, Qatar, Kuwait, Bahrain, etc.) have supported the U.S./Israeli efforts while the E3 (United Kingdom, France and Germany) are engaging in defensive military measures. All said, a neutralized Iran seems likely with regime change increasingly possible. The primary near-term risk is the stoppage of oil flowing through the Strait of Hormuz (approximately 20% of global supply) - either due to Iranian shutdown or other constraints (shipping-company employee safety concerns, insurance costs, etc.). The latter seems to be significantly curtailing oil tanker passage at the moment while the former should be considered a drastic (and desperate) measure by Iran, given it would likely prevent their own oil - that funds their economy - from getting to market. Of the ~20% noted above, approximately 5% of that oil could theoretically be moved via other means (pipelines, etc.) while the current global oil market is currently ~4% oversupplied and OPEC+ has capacity to increase production by ~2%. As such, the immediate global oil supply hit could be closer to 10-15% - and is more likely than not to be temporary given the mission's current pace of progress.

What to do now? Once past any near-term volatility, we believe the economic expansion and associated equity-bull market should remain intact - with the prospect of materially lessened geopolitical risk just as (if not more) likely than ongoing economic disruption. In addition to increased Middle East peace, the decapitation of yet another

Exhibit 1: Strike Anticipation

Investors had grown wary of an Iran strike over recent weeks.



Source: Bloomberg L.P. (2026). Weekly data as of 2/27/2026.

Russia/China proxy (along with Venezuela) would shift the balance of power toward the West - and could lead to a quickened resolution to the Russia/Ukraine War. (Perhaps not so) unrelated, Ukraine claims Russia has agreed to U.S.-proposed post-war Ukraine security guarantees - a major sticking point in ongoing negotiations (though Russia has yet to confirm this). Recent developments - should they continue apace - would have a notable near-term impact on China's economy. Iran and Venezuela were not only two of China's key allies/proxies - but were also providing ~20% of their oil supplies (much at discounted prices). Meanwhile, Russia is currently providing an additional ~20% of China's oil supplies (also at discounted prices) - oil that could potentially return to the open markets as part of any peace deal. China would still be able to access necessary supplies - but would lose the discounts they have enjoyed. All said, we should expect some near-term volatility that will ebb and flow alongside ongoing Iran developments - as noted, this could be a four-week market issue - but, based on current progress, has good potential to end up being market positive.

Disclosures