



Buy the Cannons.....

March 2, 2026

A well-known saying in the market is buy the cannons i.e. buy the start of a war since the market impact of a war is limited to a few weeks only. The average drawdown is around 6% and the market recovers in around 1 month to the pre-war levels. We think this will be similar and expect markets to stabilize over the next week or two. We are looking to deploy some cash in this correction.

Conflict in the Middle East: On 28th Feb'26, USA and Israel launched coordinated strikes on Iranian nuclear facilities, missile infrastructure and command centres, eliminating Supreme Leader Ayatollah Ali Khamenei and many senior officials. Iran has since retaliated by launching missile and drone attacks on US bases across the Middle East and hitting UAE and other countries.

What are the implications for India?

1. Higher oil prices?

- There will be a near term disruption in oil supplies as insurance costs rise and vessels curtail or stop their voyage to the Middle East. While a total closure of the Gulf of Hormuz is unlikely, we think shipping through the whole of middle East will slow near term impacting supply of oil.
- Near term pressure will be partly offset by additional 2 mn barrels supply by OPEC, though any partial closure of the Strait of Hormuz will mean a bigger slow-down in supply.
- Longer term, however, we think oil prices are unlikely to see any significant increase with supply likely to be back to normal over the next few weeks. In fact, any truce with Iran may mean lifting of sanctions on Iran which mean Iranian oil supply also rises.
- **Impact on India:** A higher oil price is negative for India's current account deficit with every \$10/brl increase leading to an increase of ~0.4% in current account deficit. It also threatens inflation with a ~0.4% though we think the oil marketing companies may not increase oil prices and would bear this burden.

2. Remittances from Middle East may slow initially

While this looks unlikely, any increase in risk premium in general for Middle East may mean a slowing economy. India gets around ~\$51.5bn (FY25) of remittances from Gulf countries which may be at risk.



3. Infrastructure contracts may be at risk

Indian EPC companies have sizeable contracts from Middle East. These may see implantation challenges and also some cancellations. While this may impact individual companies, overall impact on GDP will not be material.

Impact on Markets:

A trend of all skirmishes over past 25 years shows that the market has fallen on news of the strike but recovered over next few months. The average drawdown is around 6% and the markets recovers in around 1 month to the pre-war levels. We would expect a similar sort of move though we keep an eye on oil prices.

Table: Market Reactions to Geopolitical Events

Event	Event Date	S&P 500 Return					Nifty 50 Return				
		Size of Sell Off	1M	3M	6M	1Y	Size of Sell Off	1M	3M	6M	1Y
9/11 attack	11-09-2001	-13.5%	0.4%	4.3%	6.9%	-17.3%	-17.8%	-6.7%	8.2%	14.1%	-2.4%
Iraq War	20-03-2003	-3.7%	2.0%	13.7%	18.3%	26.7%	-9.3%	-8.1%	7.5%	31.1%	68.6%
Arab Spring (Egypt)	25-01-2011	-1.2%	2.2%	3.4%	3.6%	2.7%	-9.8%	-6.7%	3.3%	-0.1%	-9.3%
Libya Intervention	19-03-2011	-4.8%	2.0%	-0.6%	-5.9%	4.5%	-0.5%	6.8%	-0.1%	-6.4%	-2.2%
Russia - Crimea	20-02-2014	-0.2%	1.8%	1.8%	8.0%	14.7%	-1.1%	6.4%	19.4%	29.3%	45.0%
Intervention in Syria	22-09-2014	-9.4%	-3.4%	4.2%	5.5%	-2.6%	-4.9%	-1.8%	2.2%	5.2%	-4.1%
Air strike on Syrian Air Base	07-04-2017	-1.2%	1.9%	3.0%	8.2%	10.6%	-2.0%	0.9%	5.1%	8.5%	12.3%
North Korea missile crisis	28-07-2017	-1.5%	-1.1%	4.4%	15.4%	14.8%	-3.3%	-1.0%	3.1%	10.5%	12.6%
Saudi Aramco drone strike	13-09-2019	-5.1%	-1.4%	5.4%	-9.9%	11.1%	-2.8%	2.1%	9.1%	-10.1%	3.5%
Russia invasion of Ukraine	24-02-2022	-2.6%	5.4%	-8.1%	-3.4%	-7.4%	-8.2%	6.0%	-0.8%	8.4%	7.5%

Source: Ace Equity, Investing.com, Valentis Research

Jyotivardhan Jaipuria

jyoti.jaipuria@valentisadvisors.com



Disclaimer

- Valentis Advisors Pvt Ltd. (Valentis) is a registered Portfolio Manager with Securities and Exchange Board of India.
- This report/presentation is strictly for information and illustrative purposes only and should not be considered to be an offer, or solicitation of an offer, to buy or sell any securities or to enter into any Portfolio Management agreement.
- This report/presentation is not intended for distribution to public and is not to be disseminated or circulated to any other party.
- Valentis does not offer any guaranteed returns nor is there any capital guarantee in the Valentis PMS. Valentis Advisors shall not be liable for any losses that the client may suffer on account of any investment or disinvestment decision in the Valentis PMS or based on the information or recommendation received from Valentis Advisors on any product.
- Investments in the Valentis PMS, as in any other equity product, may go up or down due to various factors affecting the market. There are market risks, political risks, financial risks etc in equity investments. Investors should take into consideration all their risk factors and their risk profile before investing. Clients should also take professional legal and tax advice before making any decision of investing.

Valentis Advisors Private Limited

+91-22-67470251

pms@valentisadvisors.com