

The Wyandotte Echo

Volume XLIV

24 Pages

THURSDAY, MARCH 26, 2026

Price 25 Cents

Number 13

Stock Market Insights

5 Reasons U.S. Stocks Remain Resilient Amid the Iran War and Oil Shock

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When I was a boy, my Poppy and I were cutting wood and saw red squirrels in a hollowed-out oak tree that we planned to cut down. We yelled and threw rocks at it, but they wouldn't come out. So we cut the tree down with them in it, and to my surprise, they stayed in even after the tree hit the ground. They were going to tough it out no

matter what. U.S. stocks seem to have that same tenacity during the current Iran war.

Surprisingly, U.S. stocks are only down a few percentage points since before the Iran war began, even as the war drags on and the closure of the Strait of Hormuz continues to send oil and gas prices higher. This is not the typical market reaction to a worldwide oil supply shock.

Typically, during an oil crisis, for every 30% increase in oil prices, there is a 10-15% drop

in the U.S. stock market. So far, while oil prices have fluctuated by 40-50% since before the war began on February 28th, the S&P 500 is only down 2.5%, according to LPL Financial. Investors' attention remains squarely focused on Iran, as it should be, but they are not overreacting, yet.

Here are five reasons why the U.S. economy has been insulated from this current crisis and why U.S. stock markets aren't overreacting.

First, investors believe that President Trump won't risk the political damage to the midterm elections from a long-lasting war that would significantly hurt the U.S. economy.

Second, many investors remember their mistake of rushing to sell stocks too quickly during Trump's tariff Liberation Day, which proved to be a major mistake. Most investors believe the war will end soon because Trump will ultimately do what is good for the U.S. economy and the upcoming election.

Third, U.S. stocks and the U.S. dollar have again become the world's safe havens. For the last six months, we've seen investors around the world who oppose Trump start the "sell America" trade, selling U.S. stocks and leaning into international markets. This works when the world is somewhat calm, but when things get volatile, the world still runs back to the U.S. for safety and financial security. The U.S. dollar has rallied and remains dominant in global finance, and it is likely to remain so.

Fourth, the U.S. is energy independent. America uses less than half as much oil as it did in the 1980s, and for six years it has been a net petroleum exporter. Because the U.S. produces more oil than it uses, a worldwide oil disruption has less impact on U.S. consumers.

Finally, earnings expectations have held up remarkably well and continue to support stock prices. There continues to be massive corporate spending on AI, which not only powers strong technology sector earnings but is now bleeding over

to add solid earnings to other sectors.

The bottom line is that the U.S. economy and its stocks are still insulated from the Iran war because the drivers of U.S. economic growth are still in place, the U.S. uses its own oil, and is still the place the world runs to for safety. For these reasons and more, it is likely that U.S. stocks will still see double-digit earnings growth at the end of 2026.

I cut the tree with a chainsaw above and below the hole where the squirrels were hiding and propped it up on a stump not far away. Later in the day, we watched those tough squirrels go in and out of it as if nothing had ever happened. I hope the U.S. stocks are just as tenacious.

Have a blessed week.
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Fervent Wealth Management is a financial management and services entity in Springfield, Missouri.

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For Guaranteed Publication: 10:00 a.m. Friday for publication in the next Thursday's issue.

For Late Notices, Corrections and/or Changes to currently running legals: 10:00 a.m. Monday for publication in that Thursday's issue.

The Echo will make every effort possible to accommodate late notices. To verify the date of first publication for a late notice, please call our scheduling line at (913) 724-3444. For all other matters call (913) 362-1988.

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