OUR TWO CENTS

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NEW ROAD CAPITAL
INVESTMENT MANAGEMENT

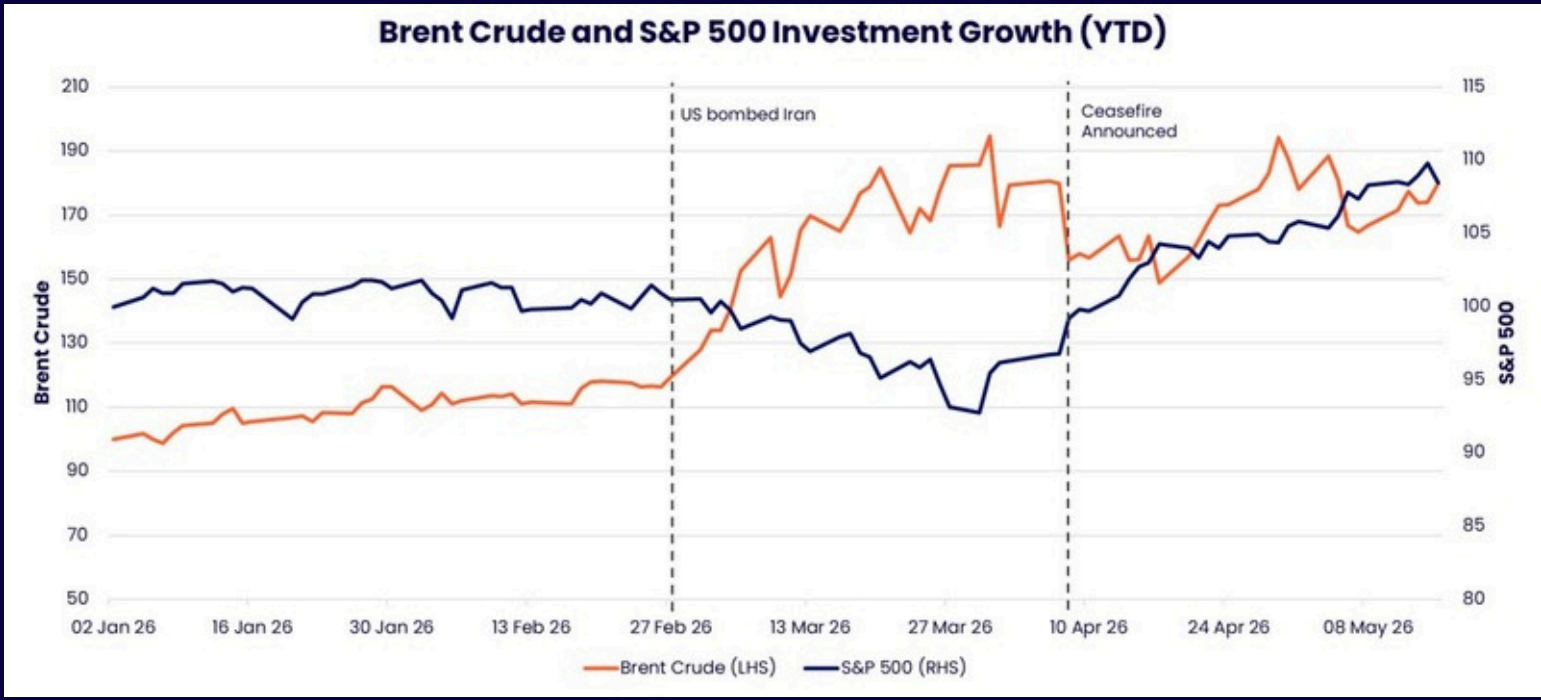
When markets stop reading the headlines

There comes a point in every crisis when the market simply stops paying attention. Not because the problem has been solved. Not because peace has broken out. And certainly not because the headlines have become less dramatic.

The market moves on because it has already processed the risk.

Since March, the Iran war has dominated global news. Each new development seemed capable of shaking markets: threats to oil supply, warnings about the Strait of Hormuz, ceasefire announcements, and then renewed signs that the conflict was far from over.

Oil responded exactly as one might expect. It surged as traders priced in the possibility of disrupted supply, almost reaching $120 per barrel at one point. Oil remains highly sensitive to every twist and turn in the conflict because the Middle East still sits at the heart of global energy markets.



The S&P 500, however, has behaved very differently. After an initial decline in March, US equities recovered quickly. By April, the index had regained its losses. That may seem surprising. After all, the war is still ongoing. The uncertainty remains real. And oil prices at these levels would once have been enough to send investors running for cover.

But markets are forward-looking machines.

They do not wait for the evening news to declare that everything is fine. They assess probabilities, discount future outcomes, and then move on when they believe the worst-case scenario is unlikely.

That appears to be what has happened here.

Investors seem to have concluded that although the conflict is serious, it is unlikely to derail the broader US economy or the earnings power of large American companies. Strong corporate profits, excitement around artificial intelligence, and confidence in economic resilience have become more important than daily updates from the Middle East.

That is one of the market's most important lessons: prices move ahead of the news.

Markets tend to recover while uncertainty is still high and before the situation feels comfortable again. By the time the headlines improve, much of the rally has often already happened.

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Ansonette's role as an investment analyst at New Road Capital captures her passion for finance and people which aligns with our mission to prioritise the end client's needs. She obtained her BCom Honours degree in Investment Management at Stellenbosch University during which she received the first New Road Capital Academic Excellence Award. She is busy pursuing her CFA charter. Before joining our team, she gained experience as a fixed income analyst. She has a deep appreciation for academic research and is curious about human behaviour and relationships. Outside of work, Ansonette enjoys spending time with her family around the braai, appreciates good food, and is a self-proclaimed wine connoisseur.