

# Policy Journal of Social Science Review

ISSN Online:3006-4635

ISSN Print: 3006-4627

## GEOPOLITICAL CONFLICT AND FINANCIAL MARKET REACTIONS: EVIDENCE FROM THE 2026 US-ISRAEL-IRAN CRISIS

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### Article Details

Received on 24 April, 2026

Accepted on 14 May, 2026

Published on 15 May, 2026

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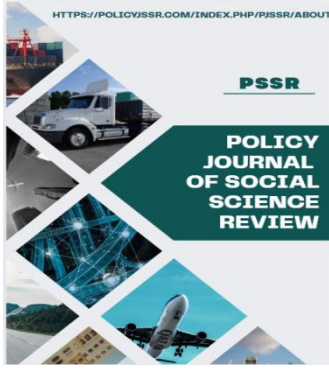
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### ABSTRACT

The worldwide financial markets experience abrupt disruptions because geopolitical conflicts create disturbances in commodity supply, investor expectations, and macroeconomic stability. This study analyses the financial market impact of the conflict involving the United States, Israel, and Iran by examining movements in oil prices, gold prices, and US 2-year Treasury bond yields. The dataset covers the period from February to April 2026 and is divided into a pre-war period (before 28th February 2026) and a war period (after 28th February 2026) to identify structural market changes following the outbreak of the conflict. The results show that oil prices experienced the strongest reaction, increasing from USD 71.23 per barrel on 2nd March 2026 (being the first working day after the war) to USD 111.54 per barrel by 2nd April 2026, representing an increase of approximately 57 %. This sharp rise reflects investor concerns about potential supply disruptions in the Middle East and the strategic importance of global shipping routes such as the Strait of Hormuz. In contrast, gold prices declined during the same period, falling from USD 5,294.40 per ounce on 2nd March 2026 to USD 4,651.50 per ounce by 2nd April 2026, indicating a partial shift of investor capital from safe-haven assets toward commodities offering higher short-term returns, including crude oil. The decline may also have been influenced by increased gold sales from central banks, including the Turkish central bank. The analysis of US 2-year Treasury yields shows an increase from 3.49 % to 3.80 % during the war period, indicating reduced demand for government bonds because investors became increasingly concerned about inflationary pressures and expanding wartime fiscal expenditures. The findings indicate that oil prices exhibited the strongest market performance during the conflict period because of heightened geopolitical risk and anticipated supply disruptions. The findings prove that geopolitical conflicts create major effects on financial markets because investors behave and drive capital investments away from the conflict-related assets, which include energy commodities.

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**Keywords:** Geopolitical Risk, Energy Markets, Safe-Haven, Treasury Bond Yields, Commodity Price, Investor Sentiment



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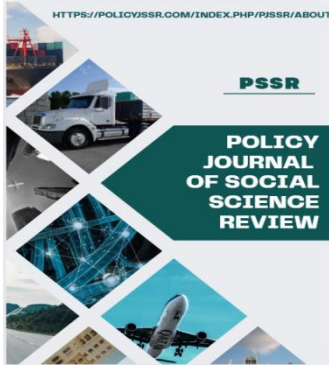
ISSN Print: 3006-4627

## 1. Introduction

The financial markets throughout the world have been affected by geopolitical conflicts, which have existed since their historical origins. The wars and political disagreements between major economies create major international uncertainty, which affects investors, governmental bodies, and business organizations worldwide (Hossain et al., 2024). Financial markets typically experience rapid changes when investors update their assessments of economic stability, inflation rates, and future risks. Geopolitical crises lead to price changes in commodities and shifts in capital movement and fluctuations in government bond markets (Curatola-Melo & Guimaraes, 2026). The study adopts a forward-looking geopolitical conflict framework involving the United States, Israel, and Iran during 2026 to examine potential financial market reactions under heightened geopolitical uncertainty. The Middle East holds vital importance because it controls fundamental routes for energy distribution, which powers the entire planet. The Strait of Hormuz serves as a critical chokepoint since it controls access to maritime routes through which a major portion of global oil shipments must move. The global oil markets react immediately to any disturbance or danger that threatens this transportation route. Regional tensions disrupt energy supply chains, which create energy price fluctuations and lead to economic

uncertainty throughout the world (Jazeera, 2026).

The financial markets show their initial response to geopolitical tensions through oil price movements, which serve as primary financial indicators. The markets begin to monitor two key elements when conflicts arise in important oil-producing nations: the potential production disruptions and the routes that carry energy supplies. The expectation itself leads to a major increase in oil prices (The Economist, 2026). The global economy experiences effects from rising oil prices, which impact inflation rates, transportation expenses, and economic development. The movement of oil prices serves as a primary indicator that shows how geopolitical incidents impact global financial markets (Enescu & Răileanu Szeles, 2026). The oil market experiences strong price movements during periods of geopolitical uncertainty, which affects gold market prices. Investors turn to gold as their safe-haven asset during times of financial instability or global crises (Pastén-Henríquez et al. 2025). Investors move their funds to assets that maintain value when political tensions rise, and financial markets become unstable because they view these assets as safer options than higher-risk investments like equities. The demand for gold increases along with its market price during times of geopolitical conflict because of the change in investor behavior (Klein, 2024). Geopolitical events have the capability to affect government bond markets. The United States Treasury bonds are viewed



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ISSN Online:3006-4635

ISSN Print: 3006-4627

as the safest financial investment option in the world, according to their general perception. Treasury securities become more attractive to investors during times of global uncertainty because these securities provide stable and low-risk investment opportunities. Geopolitical conflicts that involve the United States can lead to economic stability and fiscal instability, and future inflation concerns in some instances. U.S. Treasury bonds will experience reduced demand because investor confidence will decrease due to these events. Treasury bond yields depend on changes in security demand because the yields show whether investors particularly expect inflation or assess the overall state of the U.S. economy (Zhengyang et al., 2026). Investors, policymakers, and economists need to understand which financial indicators will be affected by geopolitical conflicts. Global investment choices, economic growth predictions, and financial market stability will be impacted by oil price movements, gold price movements, and Treasury bond yield movements (Saed et al., 2026). These indicators during times of geopolitical conflict provide important information about market behavior during unexpected external disruptions, which will help with upcoming assessments of future market patterns. This study analyzes the impact of geopolitical conflict on oil prices, gold prices, and U.S. Treasury bond yields through comparative market analysis and forecasting techniques. The study further evaluates how geopolitical uncertainty

influences commodity markets, safe-haven assets, and short-term government securities during periods of international conflict.

## 2. Background of the Conflict

The geopolitical conflict scenario involving the United States, Israel, and Iran represents a significant geopolitical development that has caused international financial markets to experience disruption during the recent period. The United States and Israel began their military operations against Iranian military targets and strategic facilities in February 2026 through coordinated attacks that targeted Iranian military installations. The military operations targeted Iranian assets to diminish its defense strength while stopping any future security risks in the region. Iran used missile and drone strikes against US and Israeli military bases, together with multiple sites throughout the Middle East region, as a response to its aggression, which caused increased tensions across the area (Hamdach, 2026). The conflict started with the February 28th, 2026, strikes, which led to both military action and wider impact on international trade and energy markets (Brown, 2026). Iran activated its military forces to take command of the Strait of Hormuz, which acts as the main maritime route that links the Persian Gulf with both the Gulf of Oman and Arabian Sea. The strait's southern boundary links Oman with the United Arab Emirates, while its northern boundary connects with Iran, creating a



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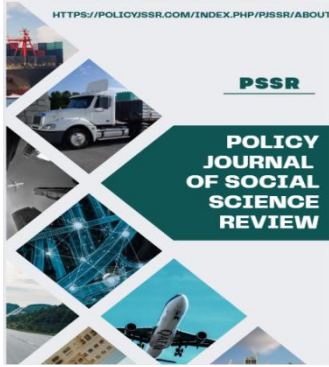
vital international shipping lane that transports energy resources.

The Strait of Hormuz stands as one of the world's most crucial energy chokepoints, according to prevailing opinion. The U.S. Energy Information Administration reports that approximately 20 million barrels of oil transit the strait daily, which accounts for about 20% to 30% of worldwide maritime oil transportation. The narrow route experiences immediate impacts on worldwide energy distribution when any slight interruption occurs because of its extensive oil tanker traffic situation (The Economist, 2026). Iranian forces announced their intention to either limit or completely halt all commercial shipping through the Strait of Hormuz shortly after military operations began. Reports indicated that shipping companies and tanker operators avoided the strait because they wanted to protect themselves from potential attacks and security threats, which resulted in a drastic decrease in maritime traffic through the strait. The tanker traffic saw a decline of almost 70 % at one point because ships spent time at anchor outside the strait in order to protect themselves from dangerous events (Cardia, 2026).

The global oil markets experienced immediate effects from these disruptions because they created dangerous conditions. The international benchmark oil prices experienced substantial growth within days after the conflict escalated because people worried about potential

supply interruptions. The price of crude oil increased from about 67 dollars per barrel before the conflict started on February 27th, 2026, to more than 74 dollars per barrel after two days of trading, which ended on March 3rd, 2026. The conflict drove up prices, which reached temporary peaks above 100 dollars per barrel during the crisis (Crude Oil Database, 2026). The Strait of Hormuz has always been regarded as the most dangerous threat to global energy supplies since its potential closure and operational disruption were first identified. The international supply chain and energy prices will encounter major disruptions from all shutdowns because the main oil-producing nations of Saudi Arabia, Iraq, Kuwait, Qatar, and the United Arab Emirates rely on this transportation route to export their oil. The conflict evolved into an economic disaster that affected global markets because it initially started as a local security problem. The geopolitical crisis disrupted energy markets while also impacting multiple global economic sectors. Countries faced inflationary difficulties because their production and transportation costs rose when oil prices increased. Global trade faced uncertainty because shipping route interruptions led to higher maritime insurance expenses. Investors changed their geopolitical risk assessment together with their economic forecasts, which resulted in greater financial market fluctuations.

The Middle Eastern conflicts have historically resulted in major economic



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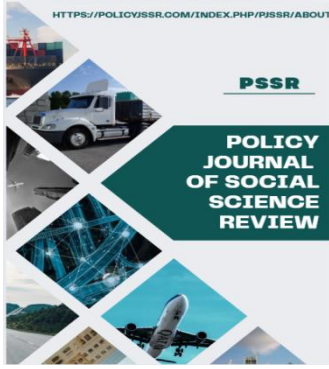
losses because the region serves as a vital worldwide energy production hub. The Gulf War and its following regional conflicts demonstrated that military tensions in the region affect global commodity prices and financial markets. The current conflict between the United States and Israel against Iran follows previous patterns as energy markets swiftly respond to evolving geopolitical risks. Analysts need to understand the conflict's historical background and current geopolitical dynamics to assess its effects on financial markets. The military escalation causes supply route disruptions, which create energy supply uncertainties that serve as essential elements for studying oil price and gold price changes together with US Treasury bond yield variations. The research analysis focuses on market reactions, which serve as the primary research content (Shankar, 2026). We established our research paper's data cutoff point to 2nd April 2026 because Easter holidays would lead to market closures, which began on 3rd April 2026 and ended on 6th April 2026. The period for ceasefire negotiations began on 7th April 2026, while countries reached an agreement for a ceasefire on 8th April 2026. Crude Oil prices decreased from \$111.54 on 2nd April 2026 to \$94.41 because of US-Iran negotiations, together with the ceasefire announcement, which created positive investor sentiment (Crude Oil Database, 2026).

### 3. Literature Review

Financial markets react to geopolitical conflicts through three different financial markets, which include commodity markets, government bond markets, and investor behavior (Guerra, 2026). Traders need to understand these patterns because they form the foundation for predicting market behavior during crises. The research analyzes war impacts on oil prices while studying gold as a safe-haven asset and government bond market patterns during wartime and changes in investor risk appetite.

#### 3.1. Impact of War on Oil Prices

Oil prices function as highly reactive economic indicators that respond to geopolitical disturbances stemming from Middle Eastern conflicts. The region contains multiple major oil producers, from which any supply disruption or transportation route risk, such as the Strait of Hormuz, results in immediate market impact (I'Anson, 2026). The historical record demonstrates that oil prices react to actual supply disruptions while markets also respond to their assessment of impending risk. The Gulf War between 1990 and 1991 brought about a surge in crude oil prices, which rose more than 50 % over three months because worldwide markets anticipated supply disruptions (Zavadaska et al., 2020). The Iraq War in 2003 produced immediate increases in oil prices because military outcome uncertainty created doubt about future oil export capabilities (Looney, 2003). The Middle East tensions from 2014 to 2015 and the



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Russia-Ukraine war in 2022 showed that geopolitical tensions still drive oil market fluctuations, which began before any supply chain disruptions happened (Muhiedddine, 2018; Adejumobi, 2019; Mustapha, 2022; Modibbo & Saidu, 2023; Sun et al., 2024; Rehman & Ahmad, 2024; Audi, 2024; Chen & Yu, 2025; Audi et al., 2025). Kilian (2009) found that oil markets respond to both physical supply disruptions and changes in market demand. Traders and investors modify futures prices during conflicts according to their risk perceptions, which leads to higher short-term price fluctuations despite no changes in production.

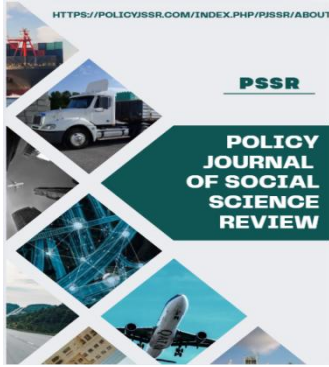
### 3.2. Gold as a Safe-Haven Asset

Gold has maintained its status as a safe-haven asset because it continuously preserves its worth during economic recessions and political unrest. Investors shift their assets from high-risk investments, which include stocks, real estate, and corporate bonds, to gold during times of crisis. Historical evidence shows this behavior pattern (Ryan et al., 2024). Gold prices increased dramatically during the 2008 global financial crisis because investors sought protection against stock market crashes and imminent fiat currency devaluation (Faraj et al., 2025). Gold has served as a secure investment choice for investors who need protection against market volatility and inflation during times of Middle East conflicts and regional tensions (Ren, 2023). Investors turn to gold during financial crises because they believe it is a

secure investment that retains its worth when market trust diminishes (Baur & McDermott, 2010). Gold acts as a safe-haven asset, which brings about price increases that help maintain its value during market uncertainty. The safe-haven role of gold requires that it produces price rises, which demonstrate market patterns and show how investors manage their risks. Studies indicate that investors first choose gold as their main investment during wartime, while they later consider government bonds before studying other conventional hedging options. People use gold for two purposes because it operates as a financial asset and a psychological anchor during uncertain times (Bhunia & Das, 2025).

### 3.3. Government Bonds During Geopolitical Crises

U.S. Treasury bonds are considered secure investments because they have a minimal chance of defaulting (Aslam and Newaz, 2025). Investors tend to buy more Treasuries during crises, which results in lower bond yields. The studies found evidence that the relationship between two variables does not occur in a straightforward manner. U.S. geopolitical conflicts create uncertainty about the country's ability to maintain economic stability and balanced government spending and control future inflation rates. Investors entered the Treasury market during the 2003 Iraq War, which resulted in a yield decline, but the Treasury yield later increased because of rising U.S. government expenditures and inflation worries (Amihud and Wohl



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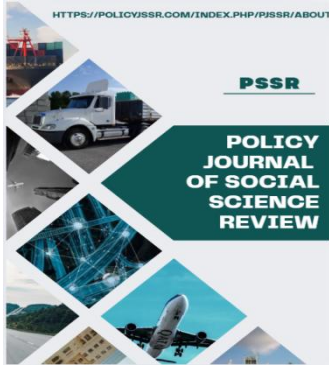
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2004). Investors in the Middle East detected changes in bond yields because of their assessment of economic risk and their belief about the U.S. government's ability to maintain fiscal order (Aslam and Newaz, 2025). The US Treasury bond market demonstrates safe characteristics, yet investor behavior during wartime depends on their assessment of economic conditions (Verdickt, 2020). Some investors might have decided to sell Treasury bonds during the 2026 Iran conflict because they were worried about how long military operations and increasing energy costs would affect the U.S. economy.

### 3.4. Investor Behaviour and Risk Preferences

Market prices and investor behavior both experience changes because of geopolitical crises (Kling et al., 2023). The Gulf War and the Russia-Ukraine war research studies show that both institutional and individual investors during these periods choose to move their portfolios into safer assets while they decrease their stock holdings and delay their major investment activities. During uncertain times, people tend to become more risk-averse, which results in them investing less in business projects while they prefer to hold liquid assets and safe investments such as gold and government bonds (González-Sánchez et al., 2020). Behavioral changes lead to increased market reactions, which require market participants to understand these shifts. The stock market would experience greater declines when many

investors choose to decrease their equity holdings (Marc & Al-Masri, 2020; Osabuohien, 2021; Wang et al., 2022). The price of gold and Treasuries shows upward price movement with subsequent changes in yields, which create effects on overall financial market conditions (Liu et al., 2025). The research literature describes how geopolitical conflicts create market impacts for individual markets, which include oil, gold, and government bonds (Alfughi & Azimli, 2025; Nili & Asadi, 2024; Alshammari et al., 2024; Dumitru & William, 2023; Lee et al., 2021; Newaz & Aslam, 2025; Ngo et al., 2024; Imran et al., 2024; Osabuohien, 2021; Sina, 2019). The majority of studies evaluate historical price changes and macroeconomic indicators, but these studies fail to investigate how investors change their portfolio holdings and risk preferences as a response to war. Current research studies evaluate individual commodities (Lübbers and Posch, 2016), but event-based research studies, which evaluate multiple commodities, provide research findings that explain how commodity prices move and how investors choose between different commodities (Archetti et al., 2014; Ahmad & Shah, 2024). The study creates a solution for the identified research gap through its three core components, which include the examination of oil and gold and U.S. Treasury yield movements before and after the 2026 Iran battle.



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## 4. Market Behaviour Before and During the War

Table 1 presents a comparative analysis of oil market behavior before and during the current conflict involving the United States, Israel, and Iran (Crude Oil Database, 2026; Gold Database, 2026; United States 2-Year Bond Yield Dataset, 2026). The research shows that oil prices stayed mostly steady until the war started, with prices rising from \$62.14 on 2nd February 2026 to \$67.02 on 27th February 2026. The pre-war period experienced an average oil price of \$64.52 per barrel, which resulted in market conditions that showed a balance between supply and demand, and market conditions reflected relative supply-demand stability and moderate economic growth expectations. The forecasted weekly price increase of \$1.36 shows controlled price movements (Huang, Table 1

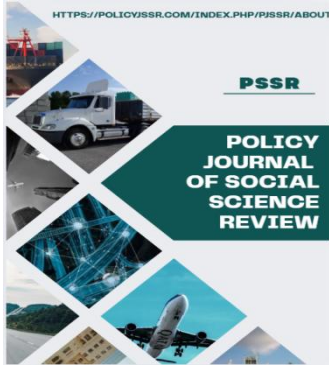
*Oil Market Analysis Before and During the War*

Indicator	Pre-War Period	War Period
Starting Price	\$62.14	\$71.23
Ending Price	\$67.02	\$111.54
Average Price	\$64.52	\$92.23
Percentage Change	7.85%	56.59%
Weekly Trend Increase	\$1.36 per week	\$9.16 per week

Table 2 shows both oil price forecasting results and pre-war gold price trend analysis, which were examined during the 2026 geopolitical conflict. The result indicates that if wartime market conditions continued without adjustment, oil prices could increase to approximately \$148.18 in the following

2025; Maung & Swanson, 2025). The oil market experienced major transformations throughout the war period because of changes in its operational framework. The price of oil rose from \$71.23 to \$111.54, while the average price reached around \$92.23 per barrel. Market disruptions resulted in a 56.59% increase, which happened because of geopolitical unrest and supply chain issues. The weekly trend increase reached approximately \$9.16 per week, as it demonstrated that investors became more reactive to market changes, while speculative trading activities increased during the conflict. The result shows that geopolitical conflicts create greater market fluctuations, which lead to changes in investor behavior towards worldwide commodity markets (Gürtler and Witowski, 2025).

four weeks (Huang, 2025; Zohuri et al., 2022). The projection shows how geopolitical uncertainty, together with anticipated energy supply disruptions, has created strong upward market momentum. The discussion also highlights the strategic importance of domestic shale production, noting that



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ISSN Print: 3006-4627

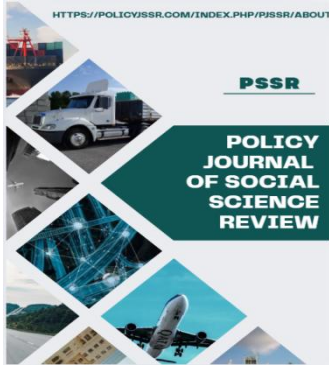
the United States previously extracted approximately 11.5 million barrels of crude oil per day from shale reserves across multiple states, which may partially offset external supply shocks (Kotu & Deshpande, 2019). The results show a persistence coefficient of 0.94 to capture short-run price continuation effects commonly observed in commodity markets. Using a constant term of 6, the forecasted oil price reaches approximately \$110.8. The outcome indicates that oil prices will stabilize between \$110 and \$115 as market correction processes decrease excessive speculative activity. The advanced model, therefore, offers a

more realistic forecast because it incorporates price persistence and adjustment behavior. The table further shows that gold prices had already been increasing before the outbreak of the war. Gold prices rose from \$4622.50 on 2nd February 2026 to \$5230.50 on 27th February 2026, representing an increase of approximately 13.16 % (Gold Database, 2026). The average pre-war gold price remained around \$5011.04 per ounce, while the estimated weekly trend coefficient of approximately \$168.9 indicates strong investor demand for safe-haven assets during periods of global economic uncertainty.

## Table 2

*Oil Forecasting and Gold Pre-War Trend Analysis*

Indicator / Model	Formula / Calculation	Result
Simple Projection	Linear P_future = 111.54 + (4 × 9.16)	P_future ≈ 148.18
Economic Implication	-	11.5 million barrels per day of shale production
Advanced Forecast Model	$P_t = \alpha + \beta P_{(t-1)}$	-
Latest Observed Oil Price	$P_{(t-1)} = 111.54$	111.54
Persistence Factor	$\beta = 0.94$	0.94
Constant Term	$\alpha = 6$	6
AR Forecast Calculation	$P_{(t+1)} = 0.94(111.54) + 6$	$P_{(t+1)} \approx 110.8$
Pre-War Starting Price	-	USD 4622.50
Pre-War Ending Price	-	USD 5230.50
Percentage Increase	$((5230.50 - 4622.50) / 4622.50) \times 100$	13.16%
Average Gold Price	-	USD 5011.04



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Linear Trend	$b = (5230.50 - 4622.50) /$	
Coefficient	3.6	$b \approx 168.9$
Market		
Interpretation	-	-

Table 3 shows a comparison between gold market patterns before the current conflict and during the actual period of the conflict. The results show that gold prices increased at a different rate than oil prices, which showed how gold acted as a safe-haven asset during times of geopolitical uncertainty. The price of gold climbed from \$4622.50 to \$5230.50 before the war started, which resulted in almost 13.15 % growth. The average gold price during the pre-war period remained approximately \$5011.04 per ounce, which showed that investors maintained a strong belief in gold as a protective investment during times of growing global uncertainty. The estimated weekly trend of approximately \$169 per week demonstrates that investors had already begun to invest in safer financial assets

before the conflict started to escalate. The war period brought about different market conditions, which led to a drop in gold prices from \$5294.40 to \$4651.50, resulting in a negative percentage change of about 12.15 %. The weekly pattern changed from showing positive growth to experiencing a drop of around \$146 per week. The evidence indicates that investors moved their gold assets into other investments when safe-haven demand decreased because of financial market and market volatility during the extended conflict. The results show that geopolitical uncertainty brought initial price increases for gold, which subsequently experienced a decline as financial markets responded to the economic situation created by the war.

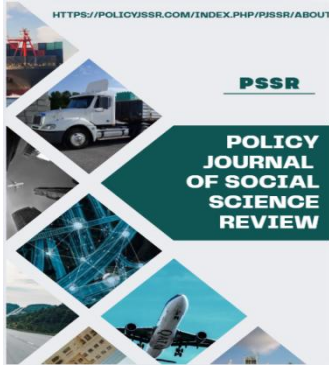
**Table 3**

*Gold Market Analysis Before and During the War*

Indicator	Pre-War Period	War Period
Starting Price	\$4622.50	\$5294.40
Ending Price	\$5230.50	\$4651.50
Average Price	\$5011.04	-
Percentage Change	13.15%	-12.15%
Weekly Trend	+\$169 per week	-\$146 per week

The research results show that gold prices rose after the conflict began, reaching their highest point of \$5294.40 on 2nd March 2026 before dropping to \$4651.50 on 2nd April 2026 (Gold Database, 2026). The market experienced a 12.15 %

decrease, which indicates that investor patterns underwent a substantial transformation during wartime. Market participants reallocated capital from gold toward oil markets because of rising energy costs combined with supply



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ISSN Print: 3006-4627

difficulties, despite gold serving as a safe-haven asset during times of geopolitical instability. The simultaneous increase in oil prices and decline in gold prices, therefore, reflects a strategic reallocation of capital toward commodities expected to benefit directly from wartime conditions (Crude Oil Database, 2026). The results predicted that the weekly trend coefficient would reach approximately negative \$146.1 per week (Huang, 2025; Zohuri et al., 2022). The gold price projection after four weeks

shows a decline to \$4067.1, which indicates that the market continues to experience downward pressure. The advanced exponential smoothing model shows a more moderate prediction for future gold prices (Nugus, 2009). The forecasted gold price reaches a stable point at \$4685 when the smoothing factor equals 0.3, which means that prices will probably remain between \$4650 and \$4700 instead of continuing their steep decline.

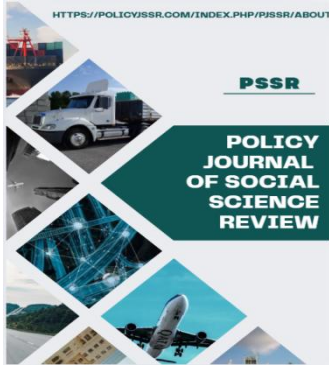
**Table 4**

*Gold Forecasting Models During the War Period*

Indicator / Model	Formula / Calculation	Result
Simple Model Trend Coefficient	$b = (4651.50 - 5294.40) / 4.4$	$b = -146.1$
Projected Price After Four Weeks	$P_{future} = 4651.50 - (4 \times 146.1)$	4067.1
Exponential Smoothing Formula	$F_{(t+1)} = \alpha Y_t + (1-\alpha)F_t$	-
Latest Actual Price	$Y_t = 4651.50$	4651.50
Previous Forecast / Equilibrium Price	$F_t = 4700$	4700
Smoothing Factor	$\alpha = 0.3$	0.3
Exponential Smoothing Forecast	$F_{(t+1)} = 0.3(4651.50) + 0.7(4700)$	$F_{(t+1)} \approx 4685$
Model Comparison	-	-

The result displays a comparison between the United States 2-year Treasury yields which happened before and during the current conflict. The United States Treasury securities rank as one of the most secure financial instruments throughout the international financial system. The United States 2-Year Bond Yield Dataset shows that Treasury yields experienced minor variations between 3.38 % and 3.57 % during the time

before the conflict began. The period saw yields drop from 3.57 % to 3.38 % between 2nd February 2026 and 27th February 2026, which resulted in a decrease of approximately 5.32 %. The decline happened because investors showed more interest in government bonds, which resulted from increased bond purchases that raised bond prices and lowered yields. Before the conflict began investors took a cautious approach



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which led them to prioritize protecting capital and maintaining financial stability during the time of increasing global economic uncertainty according to the findings (Islam, 2021). Economic slowdowns and geopolitical instability typically lead markets to display this type of behavior (Bouri and Jalkh, 2024). The war period brought about major changes that transformed the entire Treasury market sector. The 2-year Treasury yield climbed from 3.49 % on 2nd March 2026 to 3.80 % by 2nd April 2026, while the yield reached a temporary peak of 3.98 % on 26th March 2026. The total increase amounts to approximately 8.88 %. McKay and Peters (2019) state

## Table 5

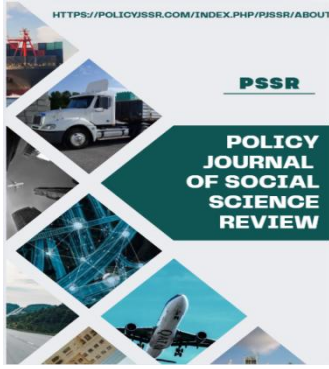
### *U. S. Treasury Yield Analysis Before and During the War*

Indicator	Pre-War Period	War Period
Starting Yield	3.57%	3.49%
Ending Yield	3.38%	3.80%
Percentage Change	-5.32%	8.88%
Market Interpretation	Higher demand for bonds	Lower demand for bonds

The result indicates that Treasury yields continued to increase during the war period, with the estimated weekly trend coefficient reaching approximately 0.070. The trend analysis shows that Treasury yields will reach 4.08 % after four weeks from now, according to the current trend analysis (Huang, 2025; Zohuri et al., 2022). The projection shows how increasing inflation expectations and growing government borrowing needs, together with declining investor interest in government bonds during times of geopolitical unrest, impact government

that rising yields tend to show how investors prefer other investment options instead of government bonds. The rapid rise in oil prices created inflation worries because production costs and transportation expenses rose for many industries (Ahmed et al., 2023; Ali et al., 2023). Rising military costs, together with increased government borrowing needs, contributed to expectations of expanding fiscal deficits (Grisales, 2026). The investors needed higher yields to protect themselves against inflation risks while they shifted their investments into oil and other commodities that provided better returns during the conflict (Blasco et al., 2024).

security market results. The bond yields increased because investors required higher risk returns to protect themselves against both inflation and economic threats, which resulted from rising military spending and fiscal deficit worries (Kotu & Deshpande, 2019). The forecasted yield remains approximately 3.78 % because analysts used the latest observed yield of 3.80 % and a persistence factor of 0.85 together with a structural pressure constant of 0.55 (United States 2-Year Bond Yield Dataset, 2026). The selected persistence factor is



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consistent with findings that bond yields generally demonstrate strong but comparatively lower persistence than

commodity prices (Gaglianone et al., 2018; Nielsen, 2026).

## Table 6

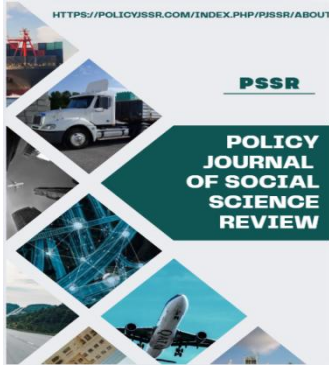
### Treasury Yield Forecasting Models

Indicator / Model	Formula / Calculation	Result
Simple Trend Model Coefficient	$b = (3.80 - 3.49) / 4.4$	$b = 0.070$
Projected Yield After Four Weeks	$Y_{future} = 3.80 + (4 \times 0.070)$	$Y_{future} \approx 4.08$
Advanced Forecast Model AR(1)	$Y_t = \alpha + \beta Y_{(t-1)}$	-
Latest Observed Yield	$Y_{(t-1)} = 3.80$	3.80%
Persistence Factor	$\beta = 0.85$	0.85
Constant Structural Pressure	$\alpha = 0.55$	0.55
AR Forecast Calculation	$Y_t = 0.85(3.8) + 0.55$	$P_{(t+1)} \approx 3.78$
Model Interpretation	-	-

The movement of Treasury yields before and during the conflict reflects changing investor expectations regarding global economic conditions. (Saleh, 2023). The investment environment before the war showed a tendency toward safe assets when investors chose to invest in stable and secure investments because yields started to decline. Investors started to show this behavior because they believed that global economic conditions would worsen before the conflict started. The market started to expect different outcomes after the war began because yields experienced a major rise. The rising yields showed that investors had started to worry about three economic dangers, which included inflation threats and government debt in addition to possible economic downturns from the war (Partington, 2026). Investors chose to invest their funds into war-related assets, which would give them better returns through energy commodities. The global

economy will experience various effects from increasing Treasury yields. Governmental organizations and business enterprises, together with consumers, experience higher borrowing expenses due to rising yields, which gradually obstructs economic development (Petlele & Buthelezi, 2025). The rising U.S. yields will attract international capital resources to U.S. financial markets, which will create changes in global exchange rates and investment patterns. The Treasury market behavior during this time period shows how geopolitical conflicts change investor expectations, which then create different effects on worldwide financial markets (United States 2-Year Bond Yield Dataset, 2026).

The market analysis shows that the market behavior pattern has undergone a complete transformation. Economic uncertainty had a dual effect on international markets and domestic



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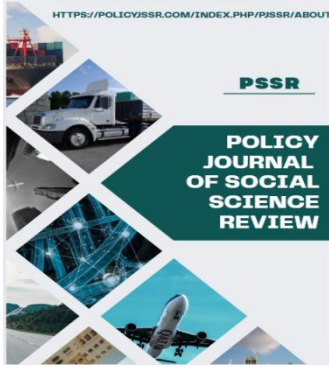
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ISSN Print: 3006-4627

economic conditions, which caused gold prices to rise before the war. Investors who initially backed the war effort now direct their funds towards oil markets, which provide better returns as geopolitical tensions elevate energy prices (Ariyo et al., 2014; Fan, 2022). The results provide strong evidence that supports the financial market trends that were studied earlier in this research. Section 6 reports that oil prices during the war period showed a substantial increase, which reached approximately 57 % from March 2026 to April 2026. Investors showed strong interest in oil because they believed that prices would increase in the future. Investors initially viewed gold as a safe-haven asset, but they shifted their investments to oil markets during the war because oil offered better profit potential. The observed market dynamics suggest continued uncertainty regarding optimal asset allocation during the early phase of the conflict. Cash-holding individuals demonstrate a common tendency to behave cautiously when political tensions create global security threats. Investors usually wait to see how markets perform before they decide to invest money in particular assets (Medhioub, 2025). The results demonstrate that geopolitical conflicts lead to significant changes in investor expectations and market sentiment and investment patterns, especially in markets that depend on global commodity supply chains (Yahya et al., 2026; Yilmazkuday, 2025).

## 5. Discussion

The oil market underwent its deepest transformation after the war started, according to the actual market data. The first trading reaction emerged on 2nd March 2026 because the conflict began on 28th February 2026, which fell on a weekend when markets remained closed (Crude Oil Database, 2026). The recorded price of oil on that day stood at USD 71.23 per barrel. The following weeks saw prices grow until they reached USD 111.54 per barrel on 2nd April 2026, which served as the ending point for the dataset utilized in this research. The one-month period displayed a market increase of about 57 % because investors reacted strongly to the international events that unfolded during that time. The oil market showed an overall increase, but it also experienced multiple brief market shifts throughout this timeframe. The conflict caused price fluctuations because there were several negotiation stages and various diplomatic events that took place. When negotiations showed progress toward peace, oil prices experienced a temporary drop. Price increases occurred when negotiations stopped, while military operations became more intense because investors feared supply chain interruptions would happen. The market reacted strongly because the Strait of Hormuz functions as a crucial shipping route that handles a significant portion of global oil transportation (Global Trade and Development, 2026). The instant investors heard news about potential



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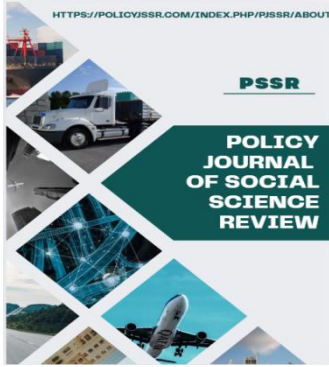
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disruptions to this transportation route, they started purchasing oil assets. The study results demonstrate strong evidence for this conclusion. Investors predicted that oil prices would increase because they expected Middle Eastern geopolitical tensions to directly influence oil prices (Barua, 2026).

The price of gold began to increase before the war started because of ongoing worldwide economic uncertainty. On 2nd March 2026, the price of gold reached USD 5,294.40 per ounce, reflecting strong investor demand for safe-haven assets (Baur & McDermott, 2010; Gold Database, 2026). The conflict caused gold prices to decrease until they reached USD 4,651.50 per ounce on 2nd April 2026, which showed a 12 % drop during the studied war period. Investors started moving their money from gold into oil markets because they believed oil could deliver better short-term returns. Central banks, especially the Turkish central bank, sold more gold, which caused gold prices to decrease between the two periods. The Central Bank of Turkey sold and used 15% of its gold reserves (roughly 52 tonnes) following the Iran conflict in early 2026 (Ash, 2026). Central banks use gold reserve sales during economic downturns to protect currency markets and create money. Turkey reported higher gold sales during this period because it needed to protect its financial system and deal with worldwide economic difficulties (Leng & Minder, 2026). The increased gold supply into international markets has caused

prices to drop, which has strengthened the ongoing price decline that occurred throughout the war. Gold prices decreased, yet gold maintained its status as a reliable asset during economic uncertainty, which led it to become the second most popular investment choice (Triki & Abderrazek, 2020).

The U.S. Treasury bond market shows how investors expected market developments to evolve during the war. The 2-year Treasury bond yield served as the bond market performance indicator for this research study. Investors use this short-term maturity to assess their short-term economic conditions, which display particular importance during ongoing geopolitical events such as wars. The 2-year Treasury yield began the war period at 3.49 % on 2nd March 2026. The yield reached approximately 3.80 % by 2nd April 2026 (United States 2-Year Bond Yield Dataset, 2026). Bond prices decrease when bond yields increase because bond prices and yields move in opposite directions. The war period saw Treasury security demands decrease, which caused the rising yields during that time (Alshammari et al., 2024). Various factors might explain why investors changed their behavior. The global economy faces higher production and transportation costs when energy prices rise, which creates future inflation concerns for investors who anticipate rising prices. When inflation expectations rise, investors typically demand higher yields on government bonds to compensate for the potential



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ISSN Online:3006-4635

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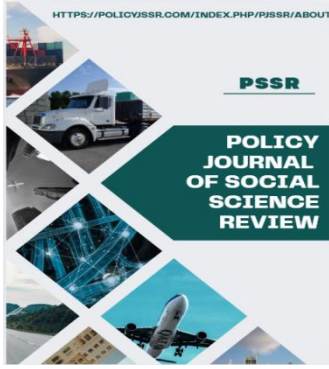
loss of purchasing power. Geopolitical conflicts increase defense and military spending, which increases government spending for such operations (Grisales, 2026). Higher government borrowing to finance such expenditures can create fiscal deficit concerns, which lead investors to demand higher yields. Some investors have redirected their funds from government bonds into commodities like oil to profit from the conflict's market opportunities.

The results from market analysis explain a specific pattern that demonstrates how investors acted during the time of war. The conflict contributed to stronger oil market performance relative to gold and Treasury securities during the analyzed period (Guerra, 2026). According to Baur & McDermott (2010), gold maintained its status as a safe-haven asset, which attracted substantial investor demand. The war period saw gold prices decline, which led investors to switch their investments into assets that provided higher short-term profit potential, particularly in the case of oil. Investors at the time of conflict began to sell their government bonds because they wanted to buy fewer Treasury bonds, which resulted in rising Treasury yields (Aslam & Newaz, 2025). People exhibit this behavior because they experience concerns about rising inflation rates and increasing government debt, together with the economic consequences that the war will bring. The results demonstrated that oil emerged as the most lucrative investment during the first stage of the

current conflict, while gold functioned as a protective asset, and Treasury bonds revealed changes in economic stability predictions. The market disturbances that result from geopolitical conflicts create an impact on both asset values and the investment choices made by investors (Almeida et al. 2025).

## 6. Conclusion

The study examined financial market responses to the 2026 geopolitical conflict involving the United States, Israel, and Iran, including oil prices, gold prices, and U.S. 2-year Treasury yields. The study showed that the start of the war resulted in major shifts within worldwide financial markets. The study measured market reactions to three financial assets, which showed that oil experienced the largest market response. Oil prices increased sharply from USD 71.23 per barrel on 2nd March 2026 to USD 111.54 per barrel by 2nd April 2026, representing an increase of around 57 % within a short period of time. The connection between Middle Eastern geopolitical conflicts and global energy markets emerges as the major reason for this price increase because of worries about possible oil supply route disruptions through the Strait of Hormuz. The conflict caused oil prices to experience upward price movements, which experienced temporary price drops because of both diplomatic negotiations and military developments, which shaped investor expectations. During this time period, gold followed a distinct trend. Gold prices maintained their elevated



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position as investors bought safe-haven assets at the start of the war. Gold prices fell from USD 5,294.40 per ounce to USD 4,651.50 per ounce between 2nd March 2026 and 2nd April 2026. Investors decided to move their capital toward oil markets because they saw better chances for making quick profits. Central banks, which included the Turkish central bank, started selling more gold, which resulted in additional market supply while pushing prices down. Gold maintained its position as a key defensive asset for investors during times of economic uncertainty despite its price decline.

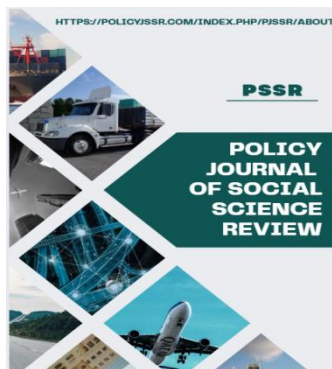
The U.S. 2-year Treasury bond yield analysis shows that investor expectations changed during the conflict. Treasury yields increased from 3.49 % on 2nd March 2026 to approximately 3.80 % by 2nd April 2026, indicating a decline in bond prices and reduced demand for government securities. Investors showed rising yields during the war period because they were worried about inflation, and they expected government borrowing to increase for wartime expenditures, while capital would shift toward commodities and assets that would benefit from the conflict. The research findings established a strong link between actual market behavior and the oil price trends, which showed peak performance during the same timeframe. The research results demonstrate that geopolitical conflicts lead to significant market transformations because they alter both asset price dynamics and investor

market predictions. The study results indicate that conflict-related commodities face extreme price changes, which impact oil, whereas investors continue to value traditional safe-haven assets like gold, although those assets deliver lower short-term returns.

This study has several limitations. The analysis is based on a forward-looking geopolitical conflict framework and relies on short-term market observations during a limited event window. The forecasting models are primarily descriptive and are intended to provide directional market insights rather than precise econometric predictions. Future research may incorporate advanced econometric methods, larger datasets, and alternative geopolitical scenarios to improve forecasting accuracy and external validity.

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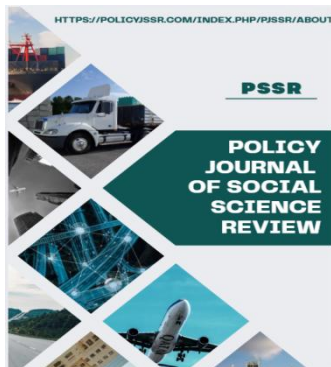


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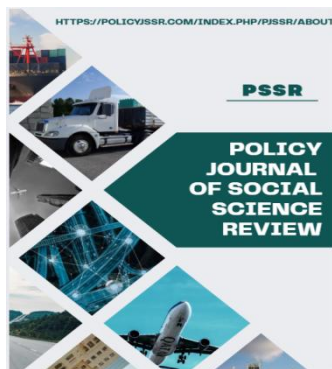


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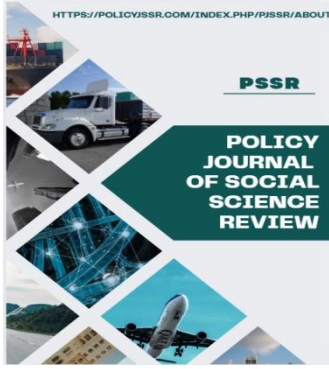


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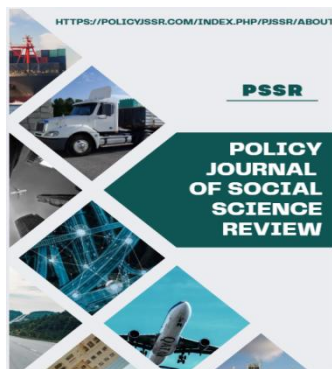


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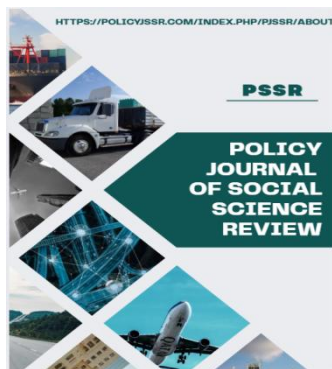


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