

### Caruso-Colonna Group Commentary on the War in Israel

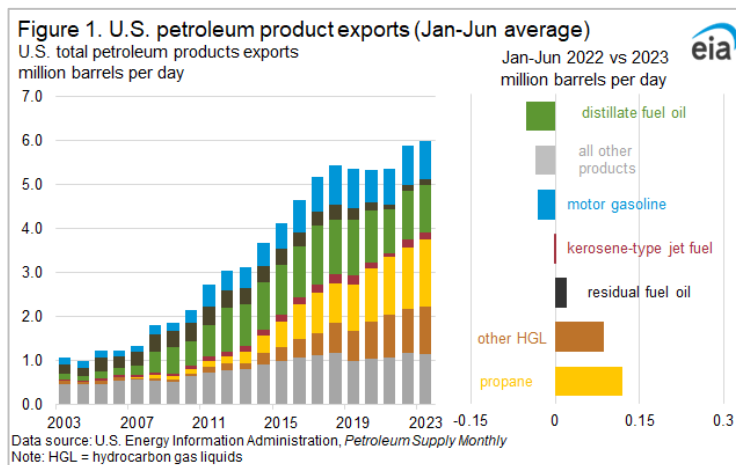
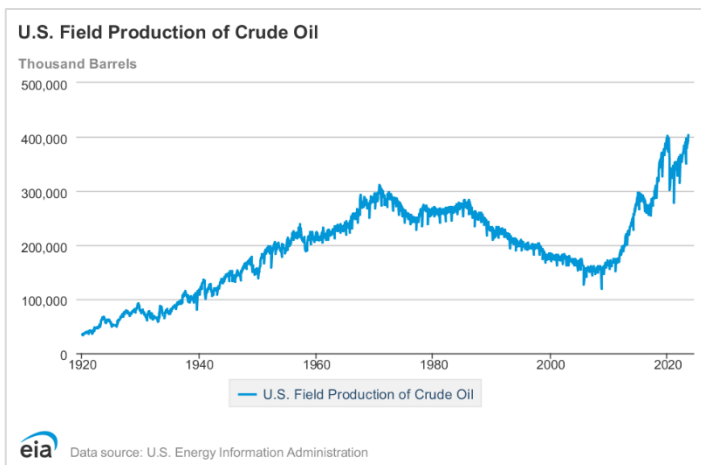
War erupted in the Middle East on Friday October 6<sup>th</sup>. Israel was attacked and the news just devolved from there. This date also marks the 50<sup>th</sup> anniversary of the beginning of the 1973 Yom Kippur War. (1)

The purpose of this update is to inform readers as to how the US was impacted from the 1973 conflict, how the US economy & markets progressed since, and offer insights as to what might lie ahead.

Younger readers were not alive to experience the domestic fallout of the 1973 war, but it was felt here at home. Many western nations supported Israel. The result was the 1973 Arab Oil Embargo that ran from October 1973 to March 1974. This period helped launch the US energy crisis as OPEC cut energy supplies to the west. (2).

Could an energy shortage happen again today in the wake of renewed Middle East conflict?

From an energy perspective, we are confident that the US is in a better energy position today than we were fifty years ago. We have fewer concerns about US energy supply. US crude oil production has never been higher, and our petroleum exports achieved a new record in the first half of 2023. Fracking technology has helped America substantially expand its energy base and we take comfort knowing that US energy production appears to be on much sounder footing. (3)



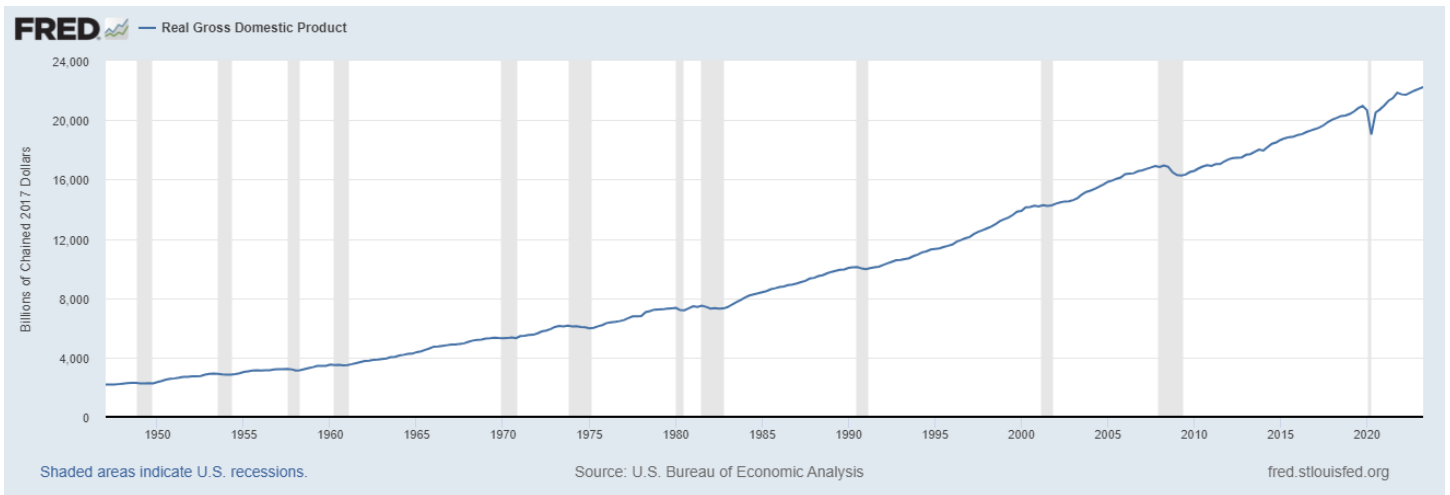
Readers may remember that 1973 -1974 was a period in which the US equity markets experienced a bear market. Global tensions undoubtedly contributed to that along with other issues that were plaguing the US economy. Among these were President Nixon's decision in the 1971 – 1973 period to end the Bretton Woods fixed exchange rate system and remove the US from the gold standard. (4)

Anyone old enough to remember knows that the mid-to-late 1970's was a difficult period. Energy supplies were tight, inflation soared, global geopolitical tensions increased, and US equity markets made little progress.

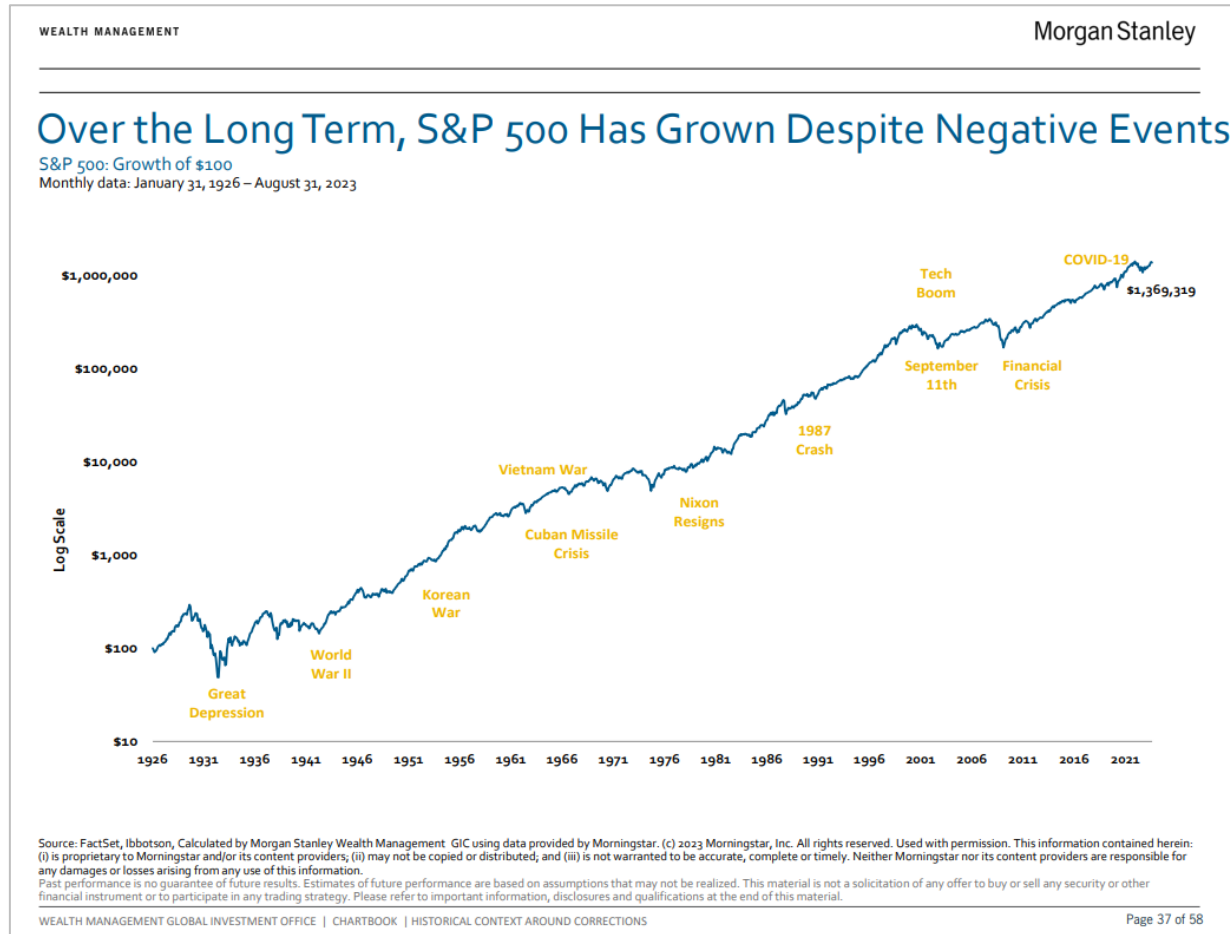
How have things turned out since then?

The outcome over the past half decade has been much better than the bumpy results of the decade following 1973.

US GDP has grown nearly fourfold since 1975 (5). The graph below shows GDP dating back to 1950 and America's many recessions are shown. Yet the US economy has steadily grown over the long term.



US equity markets also more than recovered from that bumpy 1973-1983 decade. The turbulent period that began around 1973 is only modestly perceptible on the graph below. US equity markets have grown nicely over the past fifty years despite all kinds of negative events along the way, a few of which are highlighted beneath. (6)



## Conclusion:

We hope this history, especially for our younger investors, is helpful in providing context. Today's current events are not the first time that the world, including America, has experienced such turmoil.

Our expectation is that near-term future headlines may continue to be challenging. People should be prepared for them.

We continue to have a great deal of faith and confidence in the resilience of America's markets and its economy. We think our system of capitalism and freedom is one of our enduring strengths. It continues to give us a deep and positive conviction about America's potential and future.

1. Source: Wikipedia, 10/9/2023 [https://en.wikipedia.org/wiki/Yom\\_Kippur\\_War](https://en.wikipedia.org/wiki/Yom_Kippur_War)
2. Source: Wikipedia, 10/9/2023 [https://en.wikipedia.org/wiki/1973\\_oil\\_crisis](https://en.wikipedia.org/wiki/1973_oil_crisis)
3. Source: US Energy Information Agency, 10/9/23
4. US State Department, <https://history.state.gov/milestones/1969-1976/nixon-shock>
5. U.S. Bureau of Economic Analysis, Real Gross Domestic Product [GDPC1], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/GDPC1>, October 8, 2023.
6. Source: Morgan Stanley Wealth Management Global Investment Office

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