

MARKET SIGHT LINES



Iran Conflict: The Hidden Shortages That May Matter Most

By **Michael O'Keeffe, CFA**
Stifel's Chief Investment Officer



April 17, 2026



When investors think about supply shocks, they often focus first on the most visible price move, like gas at the pump, shipping costs, or the price of a well-known commodity. But an equally or more important economic impact is usually less visible and more delayed. Many disruptions begin upstream, in raw materials, components, and industrial inputs at the start of long production chains. Such early-stage inputs can feed many industries at once, so when supply is disrupted, the effects can spread more broadly and last longer than early headlines suggest. These are important considerations, given the supply chain shocks resulting from the U.S./Israel-Iran conflict. In this Sight|Lines, we explain why upstream shortages matter, how they move through the economy, and what investors should watch as downstream effects begin to appear.

THE TAKEAWAY: UPSTREAM SHORTAGES OFTEN CAUSE BROADER AND MORE DELAYED ECONOMIC DAMAGE THAN INVESTORS FIRST EXPECT

When supply disruptions begin at the front of production chains, the economic damage tends to travel farther, last longer, and affect more sectors than the market initially assumes. In summary:

- The Iran conflict is not just an oil story, as many upstream goods that feed parts of the economy are being impacted.
- Plastics may prove to be one of the least obvious but most important downstream effects.
- Medical supplies could also be affected in ways not yet anticipated.
- Helium may be another overlooked risk, with implications for both semiconductors and healthcare.
- Fertilizer is a clear example of how an upstream shortage today becomes a consumer problem later.
- Liquefied petroleum gas (LPG) and other gas liquids matter because they feed downstream chemicals, plastics, and agriculture.
- Aluminum shortages may put a strain on packaging, construction, machinery, and transportation.
- These examples of real economic damage may arrive with a lag, as shortages move downstream into earnings, margins, and finished goods.

IN-DEPTH: THE MOST IMPORTANT SUPPLY SHOCKS OFTEN BEGIN EARLY IN THE PRODUCTION PROCESS AND WORK THEIR WAY DOWNSTREAM OVER TIME

Many of the goods important to economic output are upstream inputs used across many industries, and when those goods become scarce, the effects can be delayed, uneven, and broader than initially thought. Going deeper:

- The Iran conflict is about more than oil, as many upstream goods feeding the economy are being impacted:
 - While the Strait of Hormuz is important to global seaborne oil and other petroleum products, the region is also an important hub for chemicals and industrial inputs, including helium, polyethylene, methanol, and fertilizers.
- While perhaps less obvious, plastics may prove to be one of the most important downstream effects:
 - Hydrocarbon gas liquids and related petrochemical feedstocks are used to make chemicals, plastics, synthetic rubber, paints, resins, and other industrial materials.
 - Shortages can impact food distribution, medical devices, safety equipment, auto parts, industrial components, electronics materials, and a wide range of everyday goods.
- Medical supplies, which are important to so many people, could also be impacted:
 - Many medical products depend on polymer-based materials that begin upstream in petrochemical supply chains.
 - A shortage in petrochemical inputs can later become a shortage in hospital bags, tubing, sterile packaging, and other routine but essential medical supplies.
- Helium, important to semiconductors and healthcare, may be another risk being overlooked:
 - Helium, a meaningful industrial input, is also used in controlled atmospheres, leak detection, welding, and magnetic resonance imaging.
- Fertilizer, often cited, is a clear example of how an upstream shortage today can cause consumer problems later:
 - Recent studies suggest that roughly a third of global seaborne fertilizer trade or supply passes through Hormuz.
 - Constrained fertilizer supplies can later impact crop output, food supply, and food prices.
- Liquefied gases play important roles downstream with chemicals, plastics, and agriculture:
 - Gas liquids are used as feedstocks for chemicals, plastics, and synthetic rubber, as well as fuels for heating, cooking, drying, and transportation.
- Aluminum shortages may also put a strain on areas like packaging, construction, machinery, and transportation:
 - Disruption here can later affect project timing, equipment costs, packaging availability, and industrial margins.
- The economic impact may be lagged, as shortages move downstream into finished goods, earnings, and margins:
 - If shortages in plastics, helium, fertilizers, LPG, or aluminum persist, they are more likely to show up later in production delays, tighter inventories, lower margins, and reduced availability of finished goods.

WHAT WE THINK

The Iran conflict has brought oil into keen focus, and appropriately so. But another economic lesson may be that upstream shortages can do their greatest damage long after the first headlines. Plastics, medical supplies, helium, fertilizers, LPG, and aluminum are not the goods most investors think of first, but each of these sits near the front of production chains important to our economy. If such bottlenecks persist, the downstream effects may broaden from energy into food, healthcare, manufacturing, and corporate earnings. Understanding these challenges, and how they may be resolved in the wake of a peace deal, remains important for investors.

Michael P. O’Keeffe, CFA 

Chief Investment Officer

michael.okeeffe@stifel.com

StifelInsights.com

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors. There is no guarantee that the figures or opinions forecasted in this report will be realized or achieved. Employees of Stifel, Nicolaus & Company, Incorporated or its affiliates may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Past performance is no guarantee of future results. Indices are unmanaged, do not reflect fees or expenses, and you cannot invest directly in an index.

Asset allocation and diversification do not ensure a profit and may not protect against loss. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Due to their narrow focus, sector-based investments typically exhibit greater volatility. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. Property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of real estate companies. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. The Standard & Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The Bloomberg software Index is a price-weighted index of software companies located or doing significant business in the Silicon Valley. The Bloomberg 500 Financials Total Return Index tracks the financial sector within Bloomberg 500 Universe. This index includes 87 constituent companies spanning various financial services sectors. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The DJIA was invented by Charles Dow back in 1896. The MSCI EAFE Index (Europe, Australasia, and the Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options. The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains. Volatility is measured by calculating the standard deviation of the annualized returns over a given period of time.

Stifel, Nicolaus & Company, Incorporated | Member SIPC & NYSE | Stifel.com

0426.8876611.1