

Special Edition: Economic Insight

Oil in Focus Amid Continued Conflict in the Middle East

March 2026

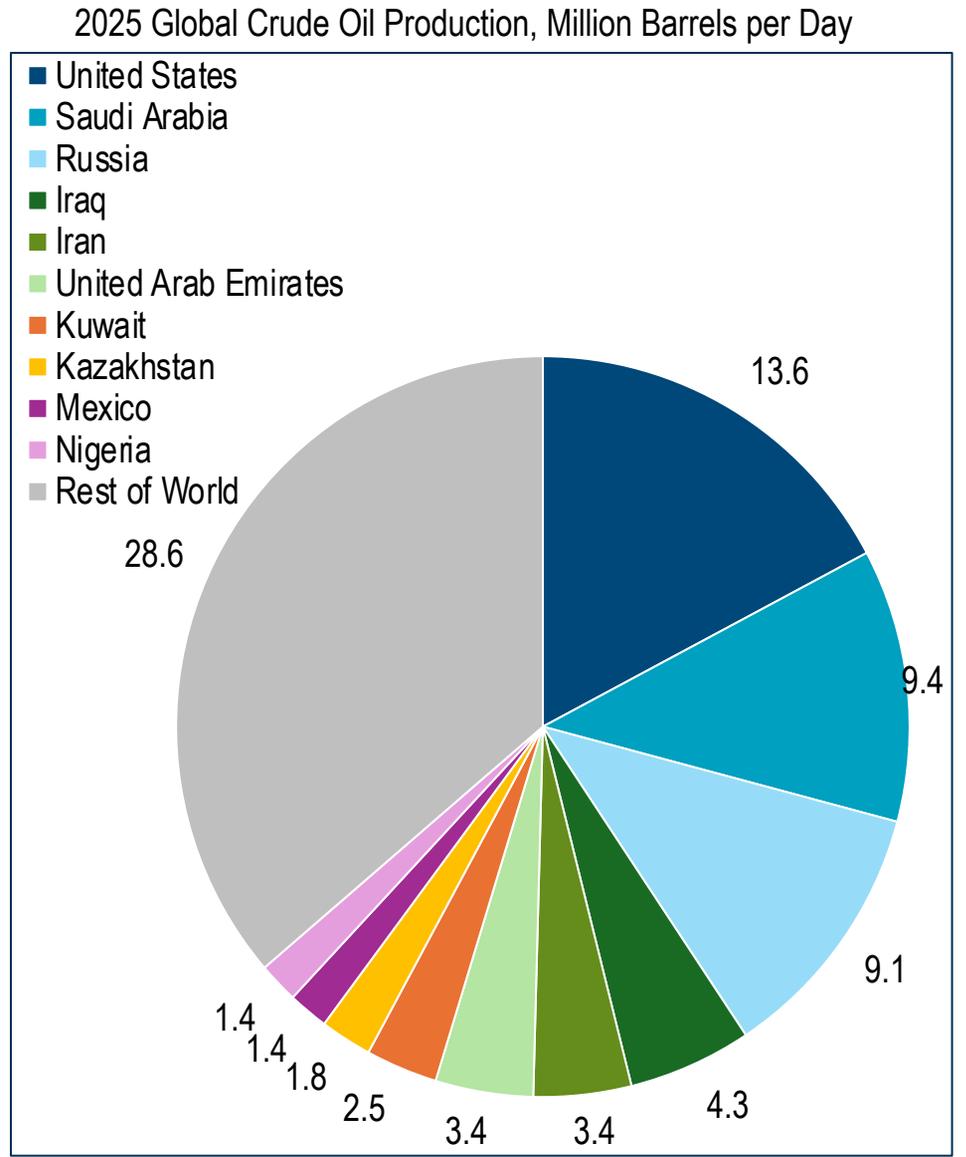
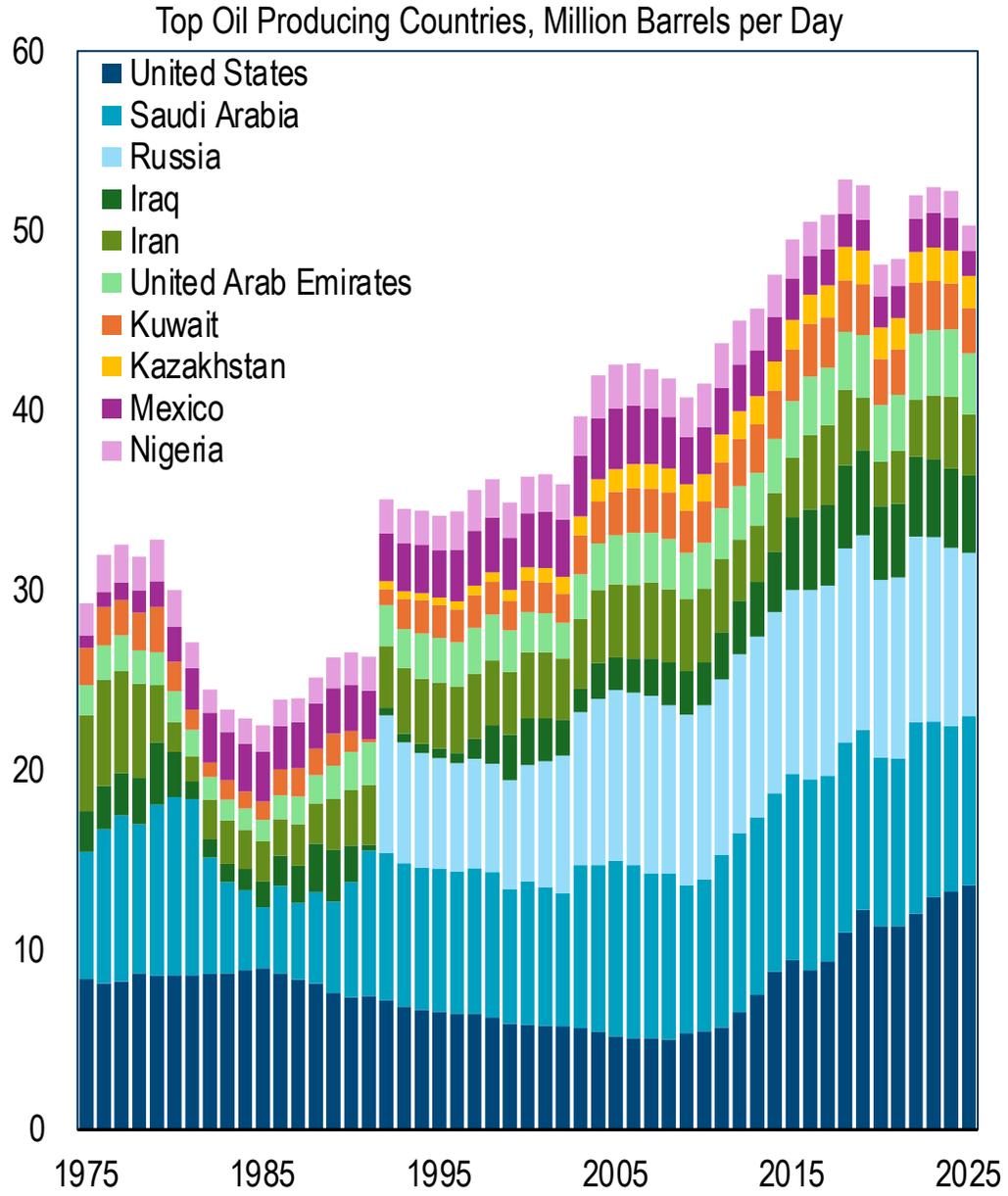


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Executive Summary

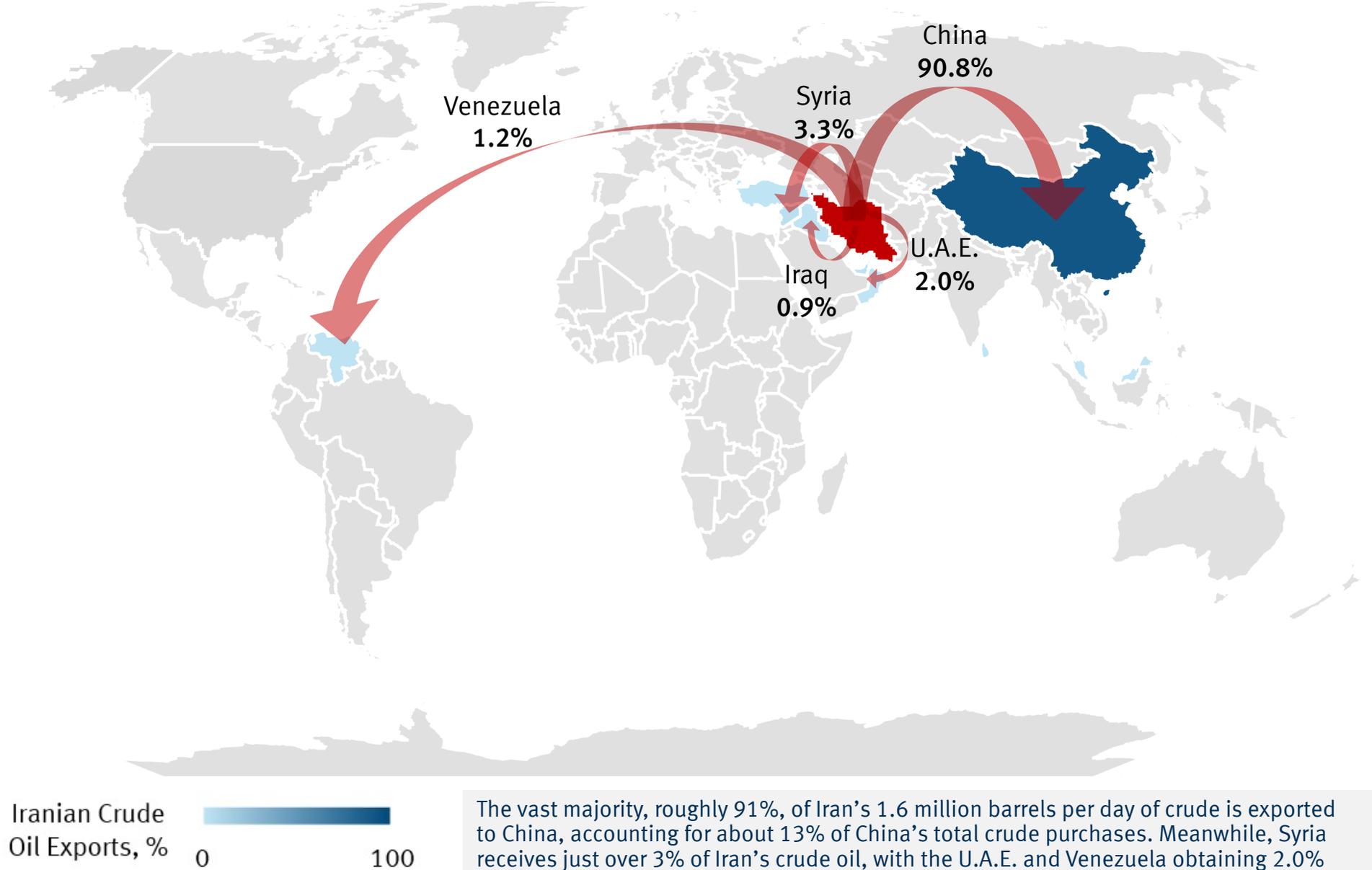
Now in its third week, the Iranian conflict continues to weigh on markets as investors and everyday consumers brace for the uncertainty of war. The conflict will surely exacerbate higher prices and supply disruptions that were already well rooted due to significant recent revisions to international policy, including tariffs. While the U.S. may have some cover as the world's leading oil *producer*, with higher energy prices benefiting domestic producers and a relatively solid growth profile, the domestic economy is not strong enough to *perpetually* withstand elevated energy prices. Depending on its depth and duration, the conflict will increasingly weigh on consumption, investment, and confidence, eventually dampening growth prospects.

Global Oil Production: U.S. Continues to be World's Largest Oil Producer



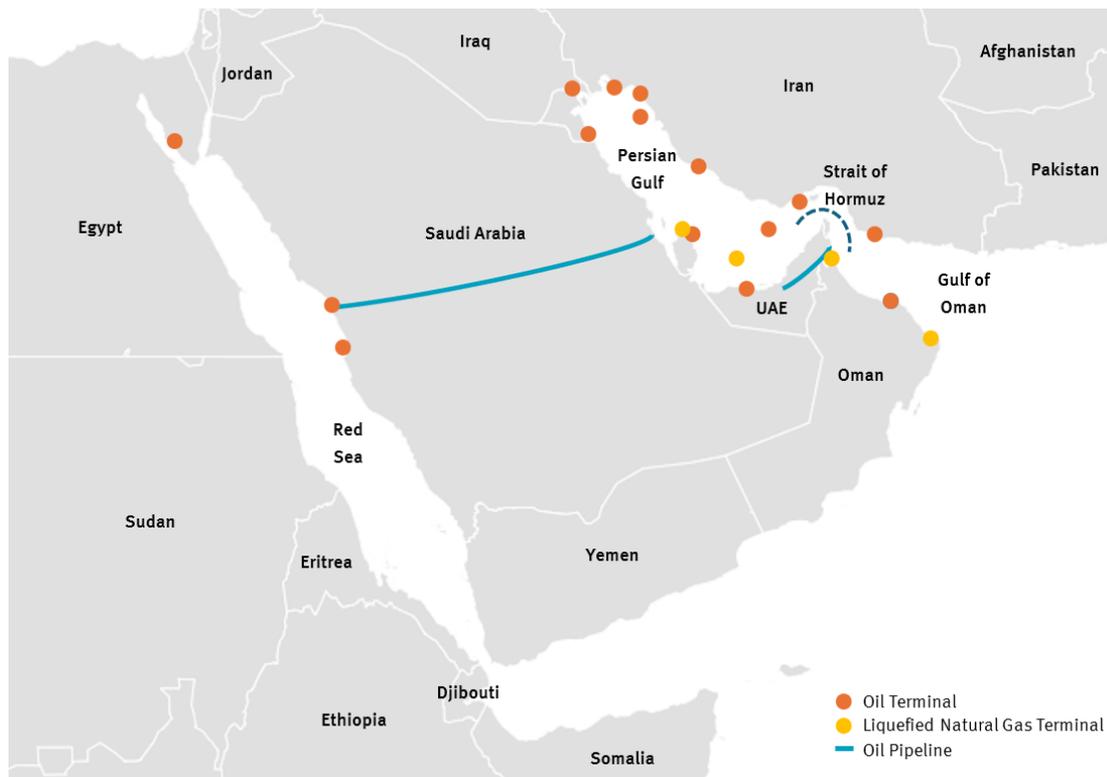
Countries Most Reliant on Iranian Oil Exports

Top Iranian Oil Export Destinations



Source: Iran Customs/TradelmeX/Stifel

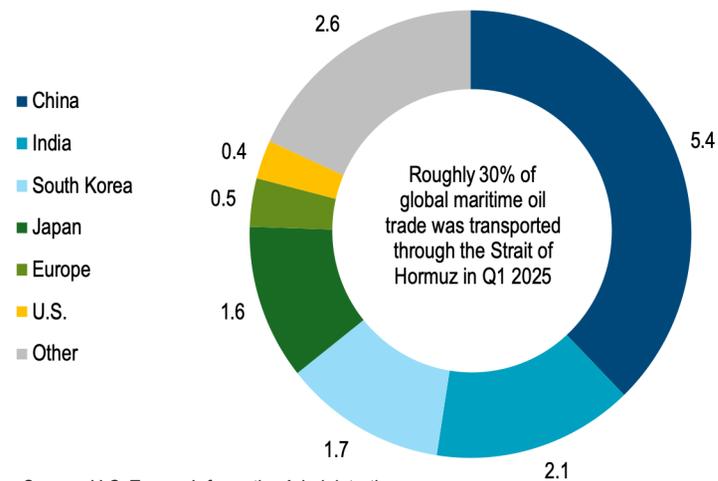
Strait of Hormuz: The World's Most Essential Oil Transit Chokepoint



Source: U.S. EIA/U.S. CIA/Stifel

- The Strait of Hormuz connects the Persian Gulf to the Indian Ocean and accounts for roughly 30% of seaborne oil trade with about a fifth of the world's supply of liquefied natural gas passing through the channel in 2025.

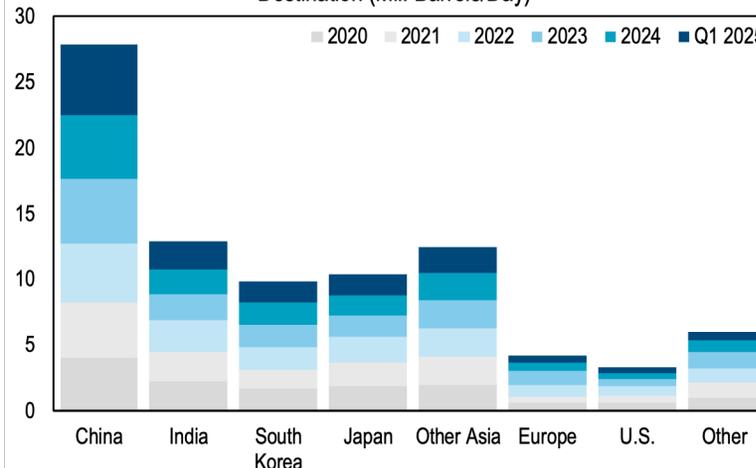
Flows Through Strait of Hormuz, Q1 2025, Mil. Barrels/Day



Source: U.S. Energy Information Administration

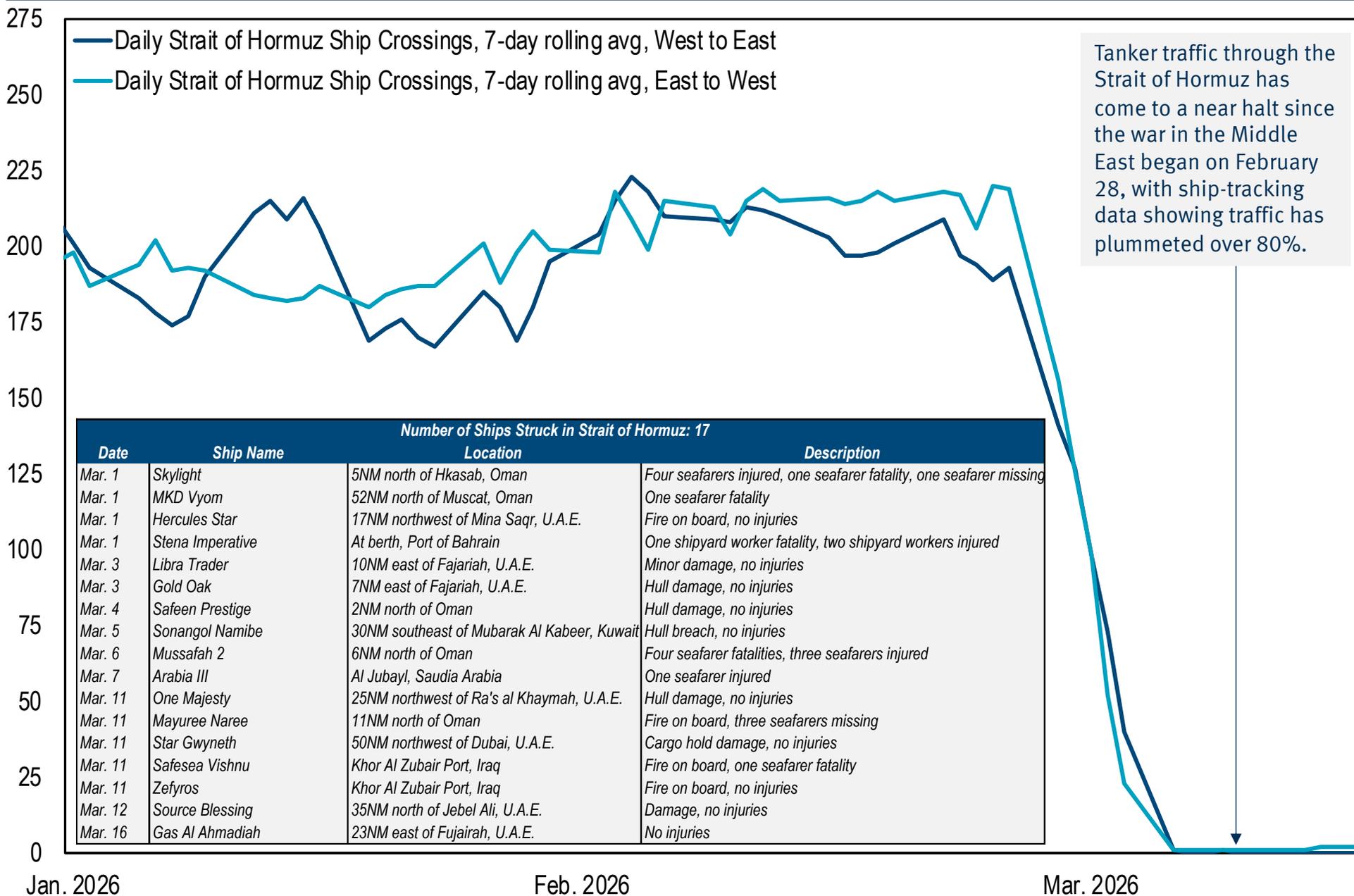
- China, the world's largest crude importer, receives about half of its seaborne imports of oil (roughly 5.4 million barrels per day) from the Middle East through the Strait of Hormuz.
- India receives about 60% of its oil imports from the Middle East with roughly 2.1 million barrels per day moving through the Strait of Hormuz.
- Despite being one of the world's top importers of crude oil, Europe only relies on the Middle East for about 5% of its crude with about 500,000 barrels per day being transported through the Strait of Hormuz.
- The U.S., meanwhile, imports less than 11% of its oil from the Middle East, making it less reliant on the Strait of Hormuz for its energy needs with about 400,000 barrels per day of oil destined to the U.S. moving through the essential chokepoint.

Volume of Crude Oil Transported through Strait of Hormuz by Destination (Mil. Barrels/Day)



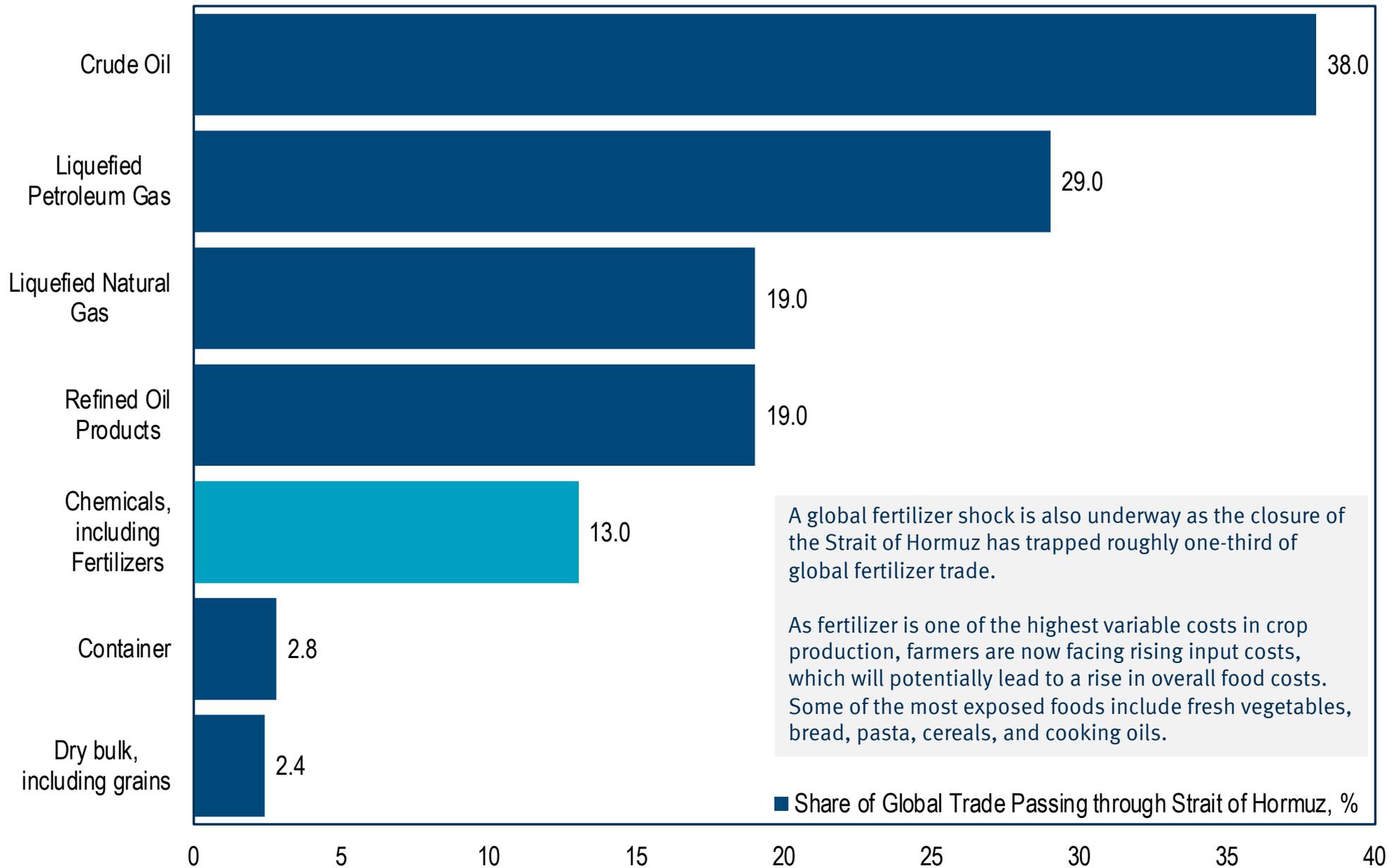
Source: U.S. Energy Information Administration

Strait of Hormuz: Market Disruption Isn't about Supply, but Access to Supply



Source: Bloomberg/International Maritime Organization

Aside from Oil and Gas, Fertilizer Shipments Also Impacted by Strait Closure



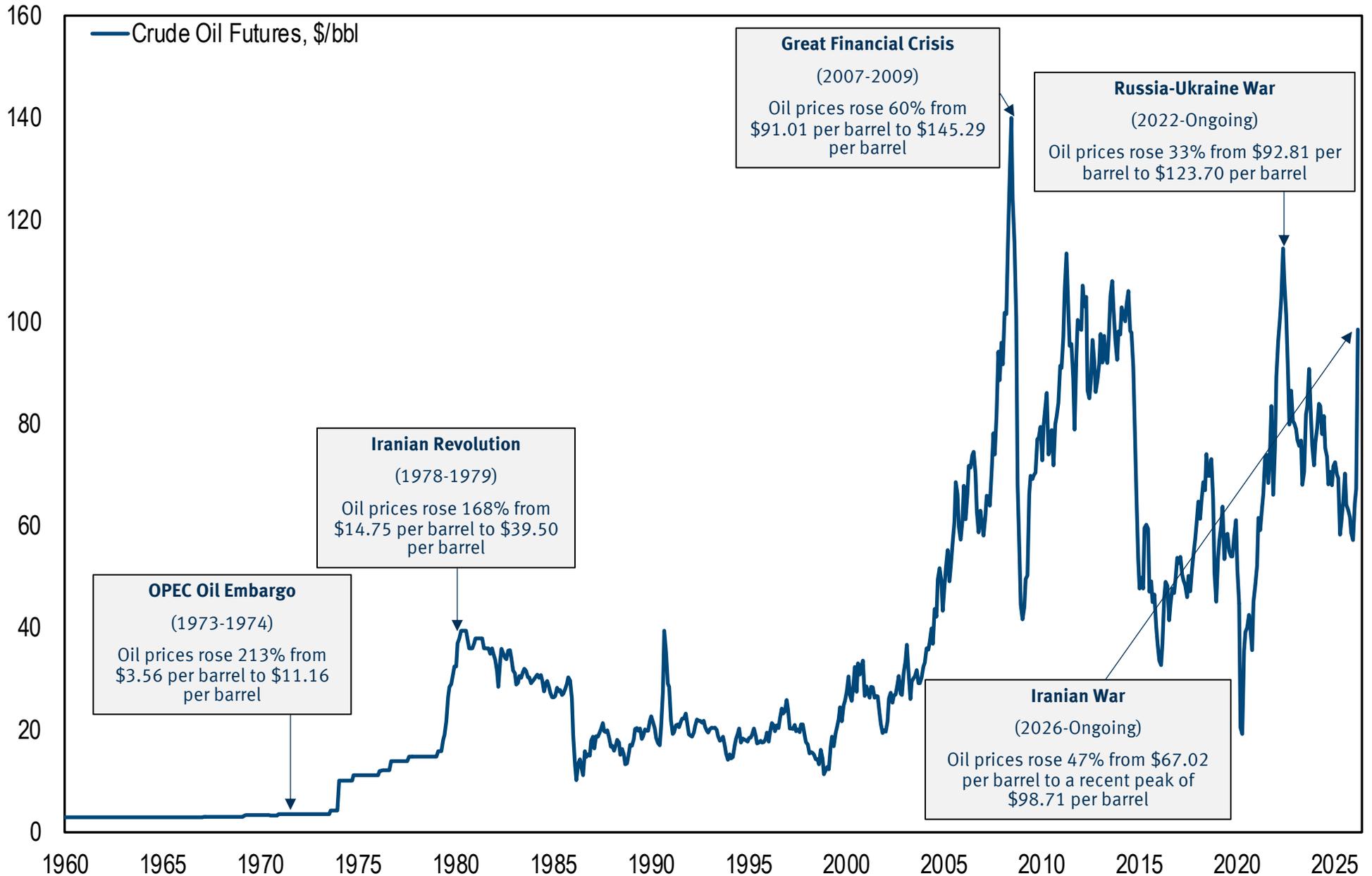
A global fertilizer shock is also underway as the closure of the Strait of Hormuz has trapped roughly one-third of global fertilizer trade.

As fertilizer is one of the highest variable costs in crop production, farmers are now facing rising input costs, which will potentially lead to a rise in overall food costs. Some of the most exposed foods include fresh vegetables, bread, pasta, cereals, and cooking oils.

Source: UN Trade and Development (UNCTAD)

Note: Data is based on average flows during the week before the military escalation began on February 28.

A Historical Perspective: Major Oil Price Shocks



Source: NYM/Macrotrends

Note: WTI crude oil daily data is only available after 1984 with monthly data referenced for events before 1984.

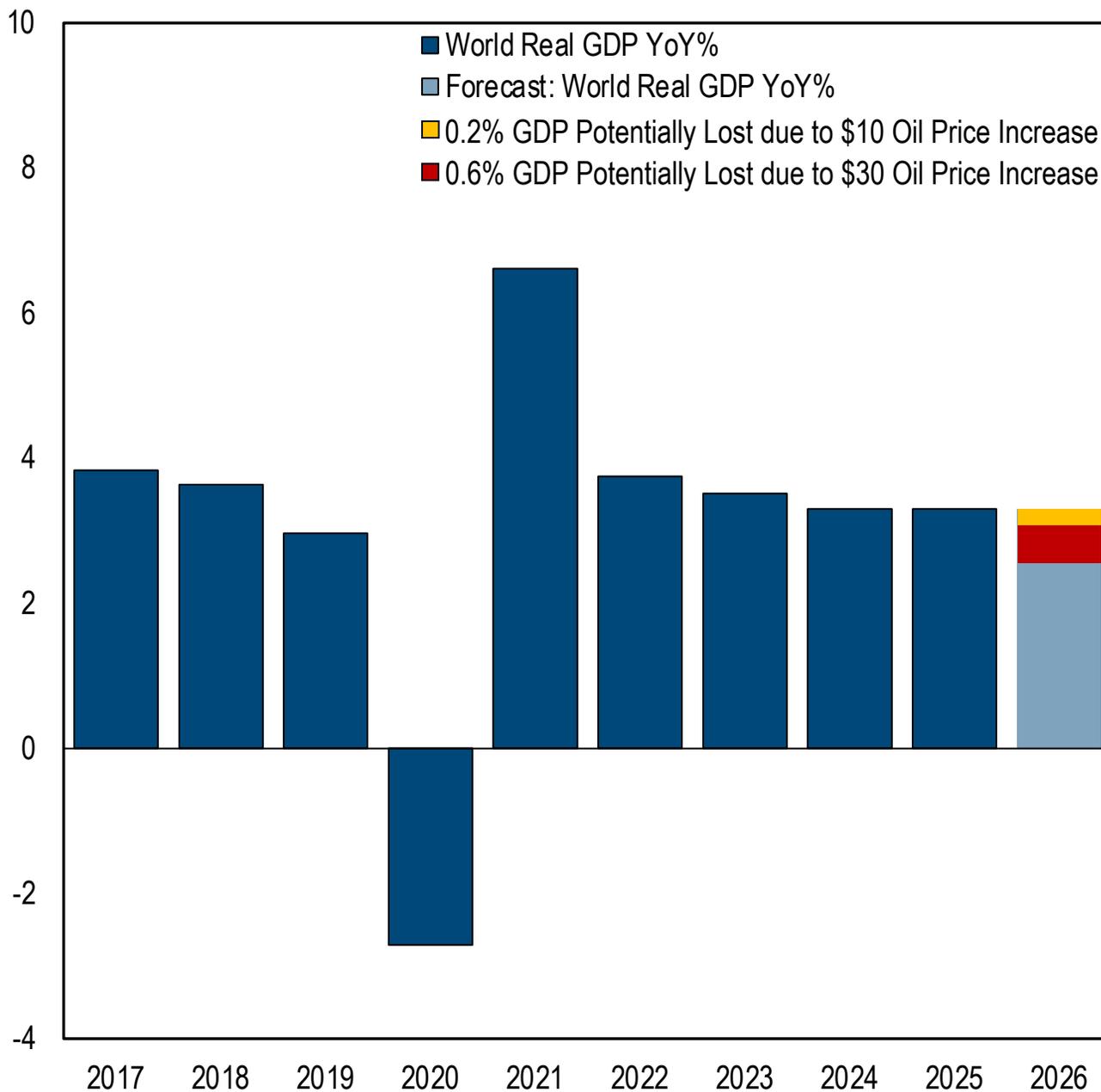
Potential Impact on Growth due Higher Oil Prices and Iranian Conflict

According to the International Energy Agency (IEA), global oil supply is expected to plunge by 8 million barrels per day in March, representing about 8% of global demand and putting upward pressure on oil prices.

While there remain ample unknowns, broadly speaking, every \$10 price hike in oil roughly translates into a loss of global GDP by one to two tenths of a percentage point.

Of course, the pressure on global output intensifies the longer the conflict and market disruption continues. Looking out two to six weeks, for example, the conflict could lead to a 0.2%-0.6% loss of global GDP.

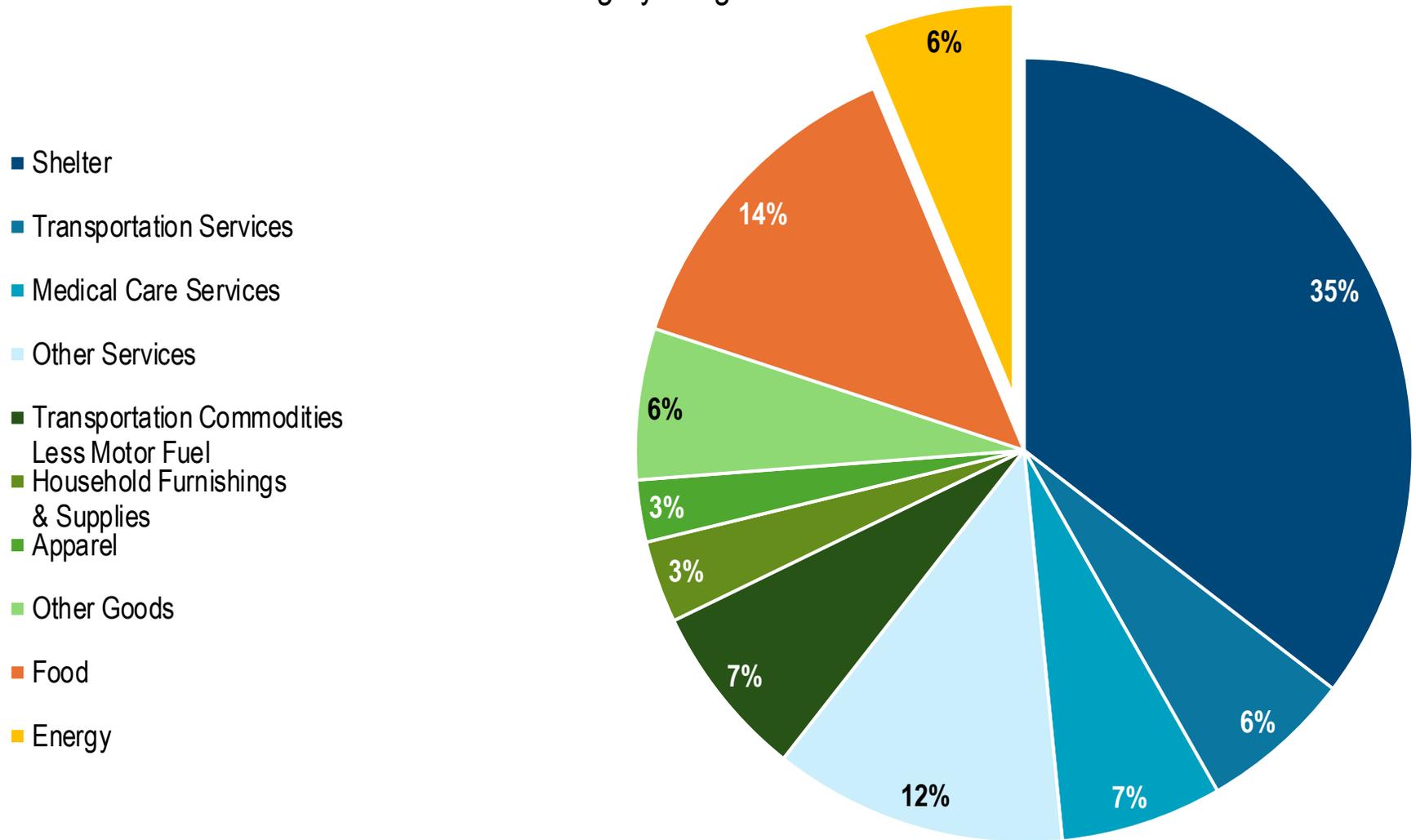
Thus, all else being equal, global growth would slow from 3.3% to 2.7%-3.1% this year.



Source: International Monetary Fund/Bloomberg

Higher Oil Prices Will Likely Impact Other CPI Components Beyond Energy

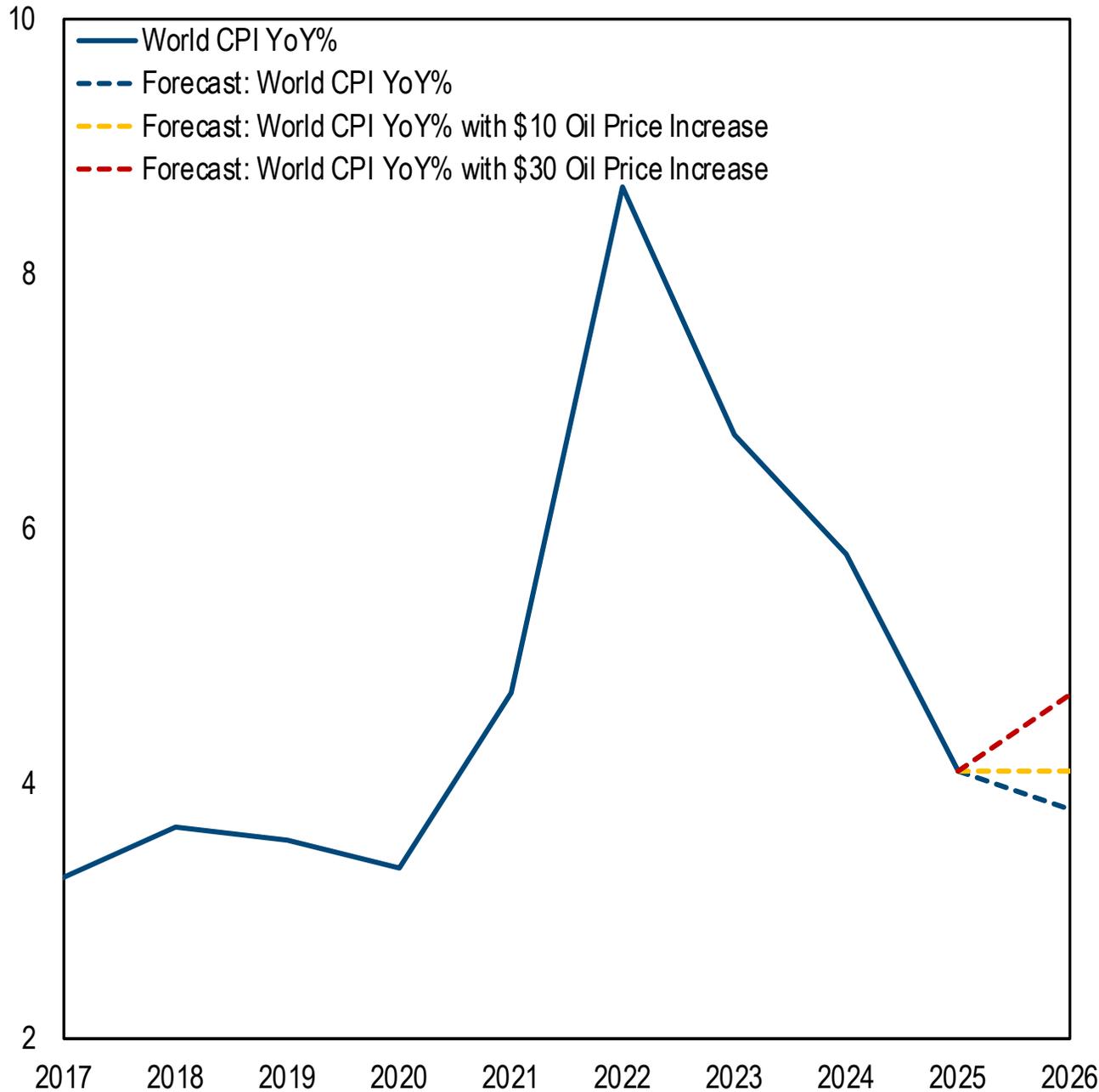
CPI Category Weights



Source: Bureau of Labor Statistics/Bloomberg

Aside from the energy component, higher oil prices are likely to directly impact other categories in the Consumer Price Index (CPI) equation, such as food, transportation services, manufacturing, and retail goods that require shipping.

Potential Impact on Inflation due Higher Oil Prices and Iranian Conflict



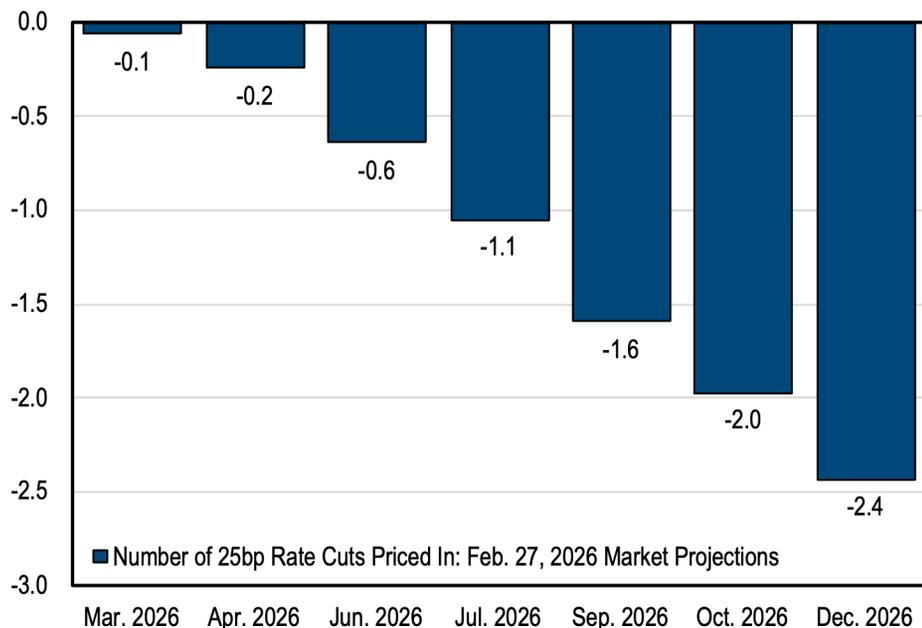
Despite energy costs having just a 6% weighting in the overall CPI equation, sustained increases in oil prices can potentially reignite price pressures. For example, a \$10 rise in oil prices can lead to a 0.3% increase in price levels with a prolonged conflict and oil price shock potentially driving global prices up 0.9 percentage points in 2026.

As a result, the global Consumer Price Index could rise from an estimated 3.8% in 2026 to 4.1%-4.7%.

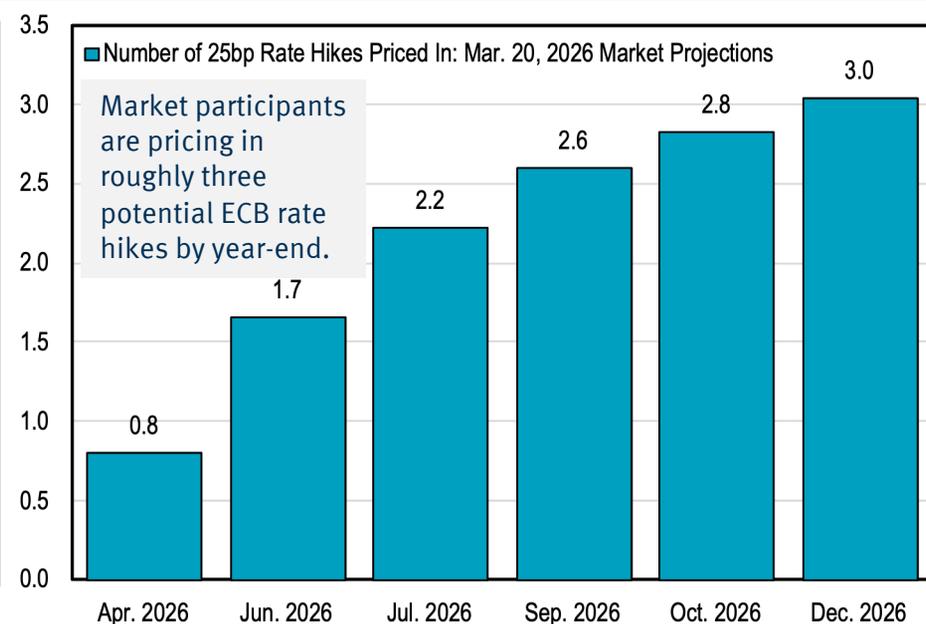
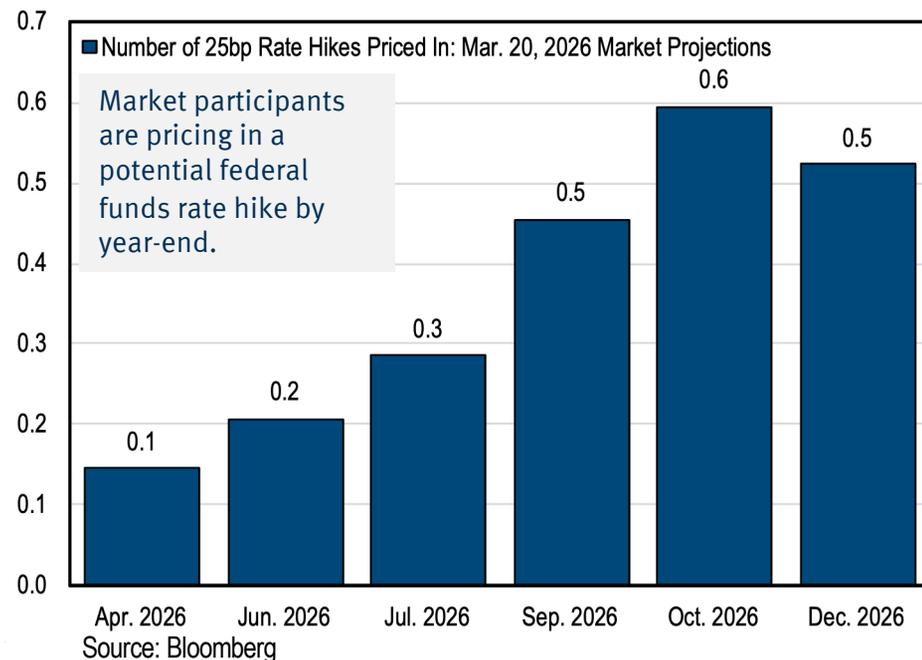
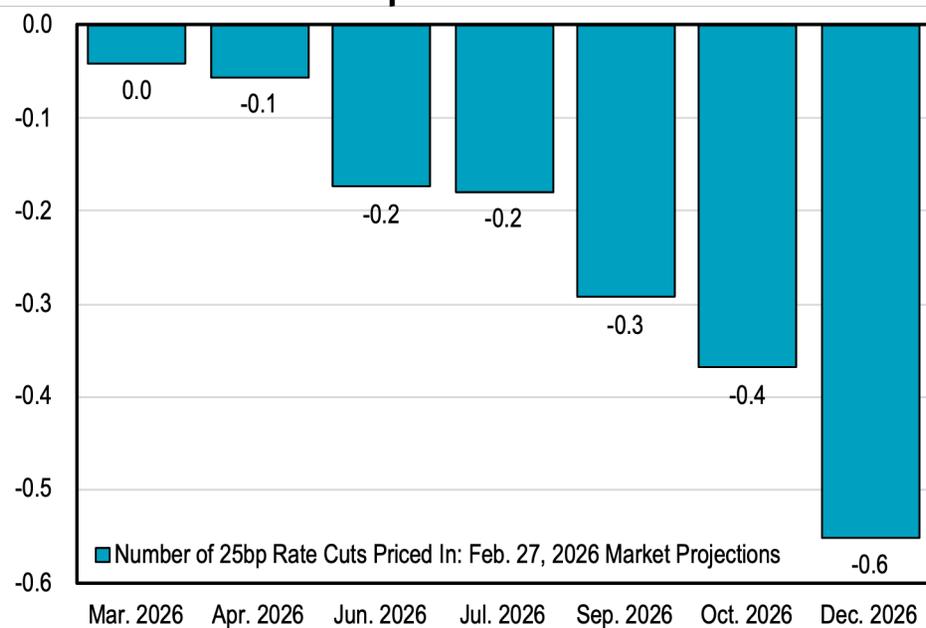
Source: International Monetary Fund/Bloomberg

Monetary Policy Pathway Further Complicated by Potentially Higher Inflation

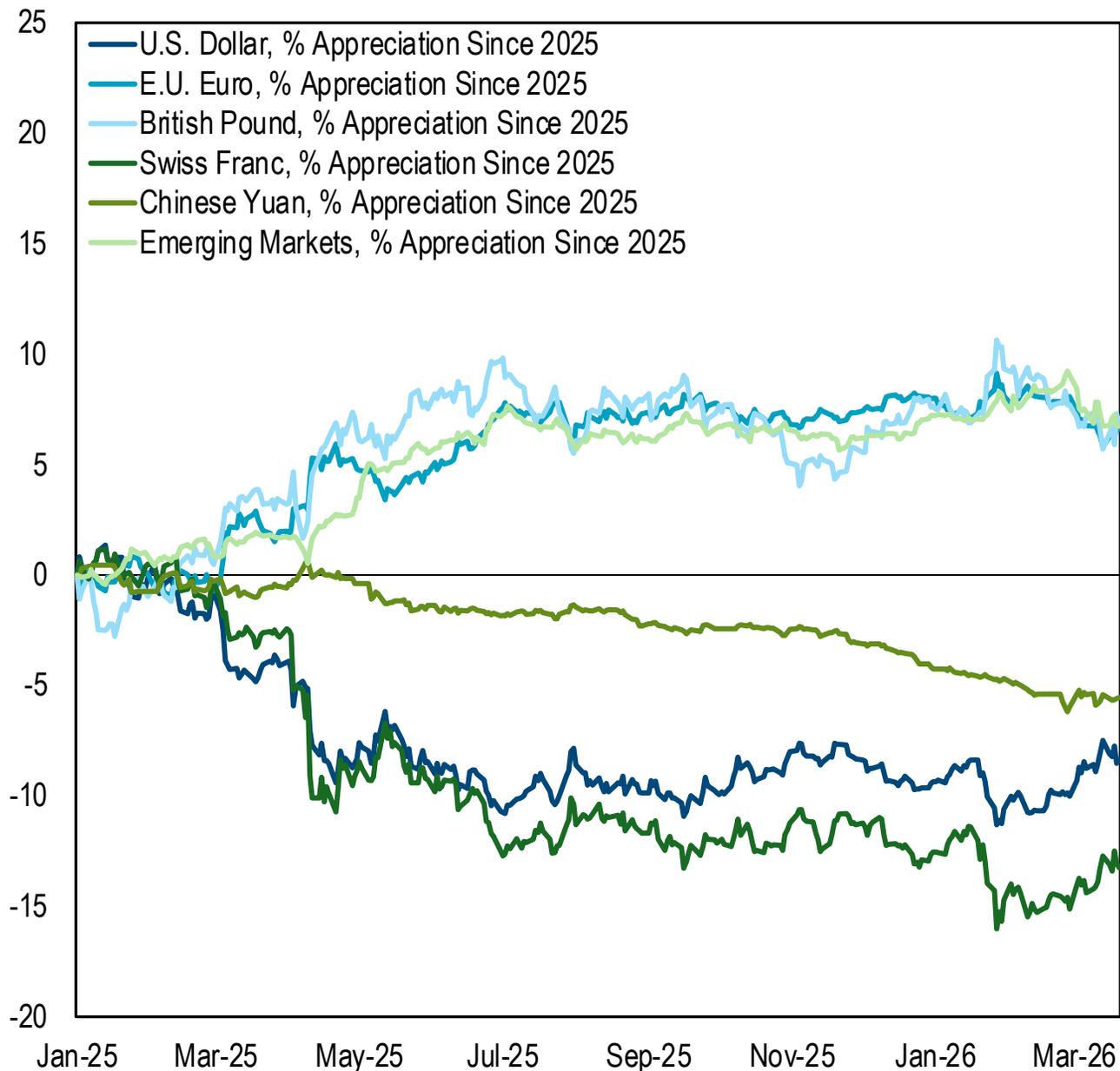
Federal Reserve



European Central Bank



Ongoing Conflict with Iran Drives Flight to Safety



Source: Bloomberg

Following the coordinated attack on Iran from the U.S. and Israel, investors headed for safety with the U.S. dollar strengthening, up 2.0% as of March 20, with the Swiss franc also up 2%.

On the other hand, the euro is down 1%, and a gauge of emerging market currencies is roughly 2% lower.

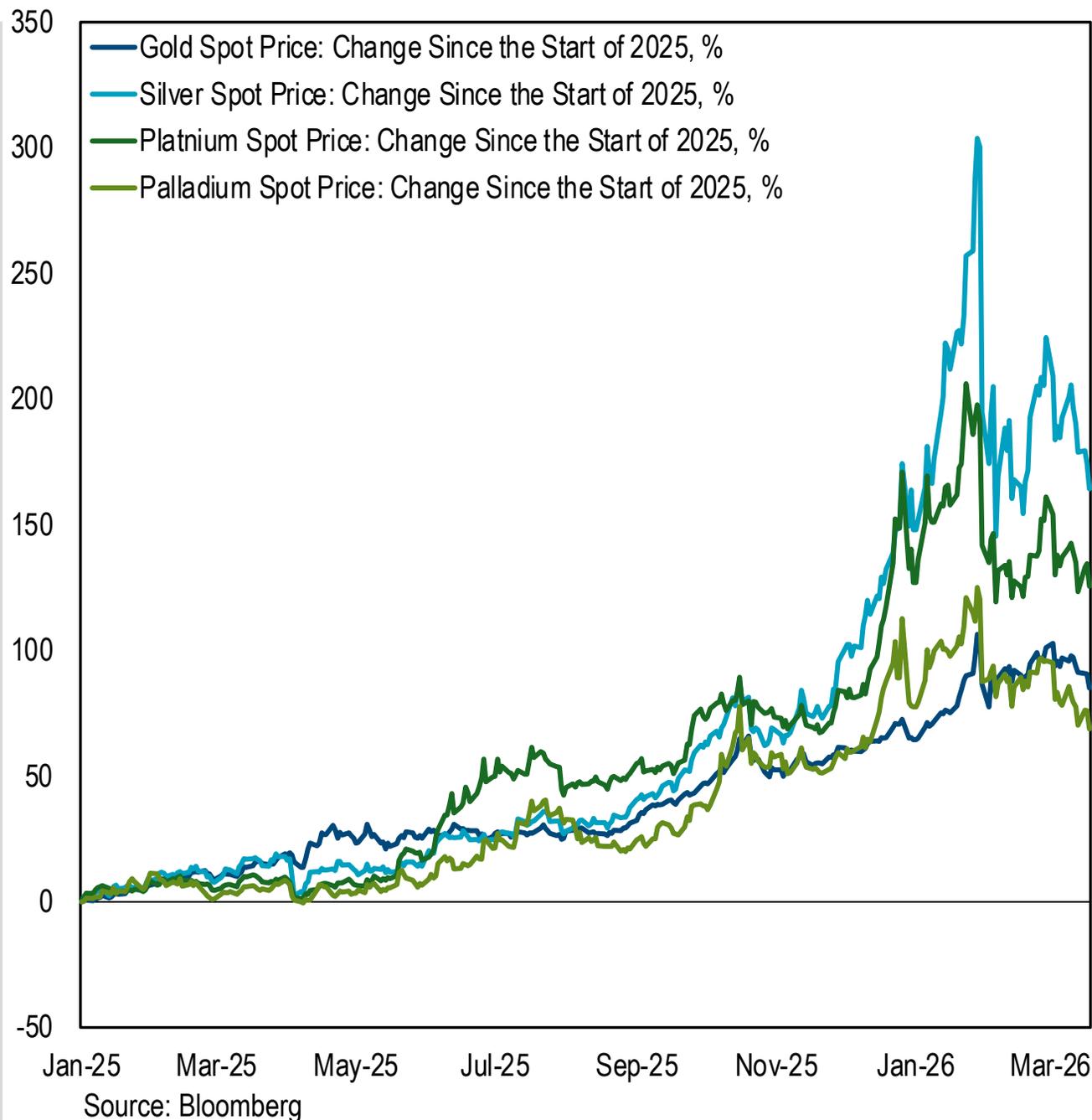
Since the start of 2025, however, the U.S. dollar is down over 8%, and the Swiss franc is about 13% lower. The euro, however, is still up 7% with the emerging market currency gauge about 7% higher.

Precious Metals Prices Volatile amid Middle East War

Initially rising 0.8% in the immediate aftermath of the U.S. and Israel's attack on Iran on February 28, gold has since dropped 12%, while silver has retreated 24%.

Platinum and palladium, meanwhile, have fallen 16% and 19%, respectively, since the end of February.

Meanwhile, since the start of 2025, gold is up 78% and silver is up 147% with platinum and palladium 119% and 59% higher, respectively.



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