

# The Iran War

Impact on Energy, Inflation, and Markets

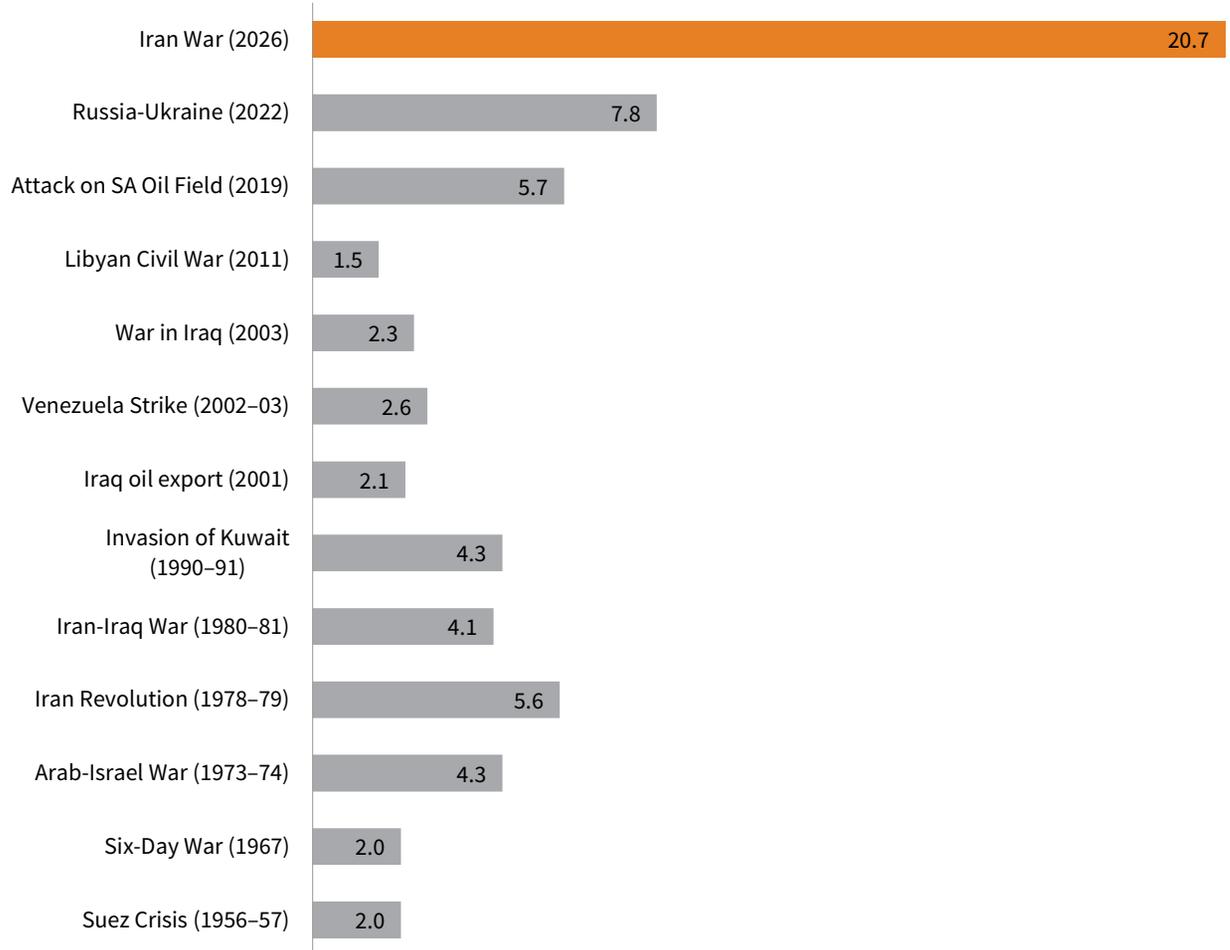
March 2026

# The Iran War has caused a historic supply loss through the Strait of Hormuz

- The Strait of Hormuz is the world's most vital oil chokepoint, with about 21 million barrels per day—20% of global consumption—passing through. Amid escalating conflict, major oil producers have scaled back output, further raising supply concerns. As of March 12, Iran has blocked the vast majority of energy shipments. Commercial traffic has plummeted as a result, tankers are stranded, and the disruption is impacting global energy markets.
- These actions, along with impacts to other regional energy assets, have driven Brent crude up 50% this year to near \$100/barrel.
- The current supply loss exceeds past disruptions both in absolute terms and as a share of global consumption, highlighting heightened oil market risk.
- In response, the International Energy Agency (IEA) announced its largest-ever strategic oil reserve release—400 million barrels—which could fully offset lost supply if the conflict resolves within a few weeks.

## Estimated global crude oil supply impacted by conflict

Millions barrels per day



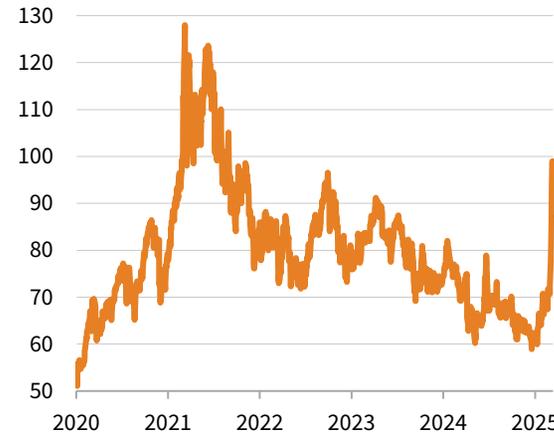
Sources: International Energy Agency, US Energy Information Administration, and Thomson Reuters Datastream.  
Note: Crude oil data includes crude oil, condensate, and other petroleum products.

# Oil and gas prices have risen sharply in response to the disruption in supply

- Supply disruptions have triggered a sharp rise in oil prices. The oil futures curve has moved into steep backwardation, with near-term contracts priced much higher than those for later delivery. This unusually large backwardation signals acute supply tightness now but expectations that prices will ease as conditions normalize. It also encourages inventory drawdowns and discourages storage, since holding oil becomes less profitable.
- Natural gas prices have also spiked, notably in European markets, with Dutch TTF futures up more than 56%—far outpacing the US Henry Hub’s 13% rise. The sharper Dutch increase reflects Europe’s reliance on Middle Eastern LNG and vulnerability to disruptions through the Strait of Hormuz. While substantial, this surge is smaller than the increase experienced at the start of the Ukraine war. Like oil, gas futures suggest risks will ease as supply recovers and reserves are released.

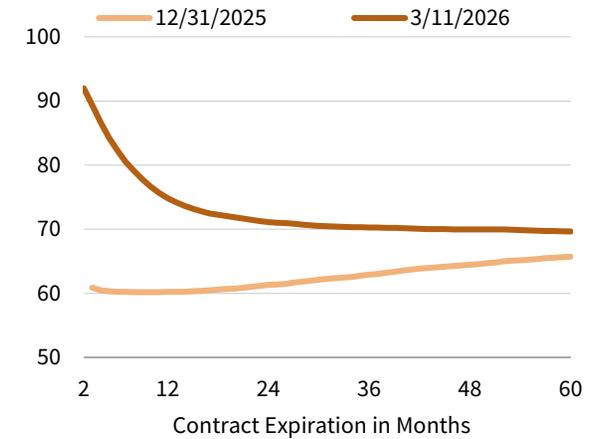
**ICE Brent crude front-month price**

As of March 11, 2026 • US dollar per barrel



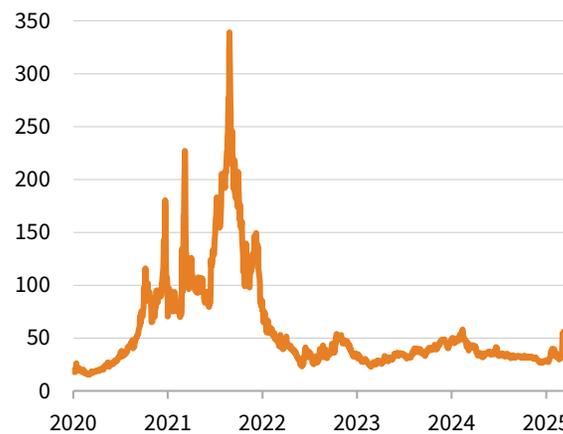
**ICE Brent crude futures curves**

As of March 11, 2026 • US dollar per barrel



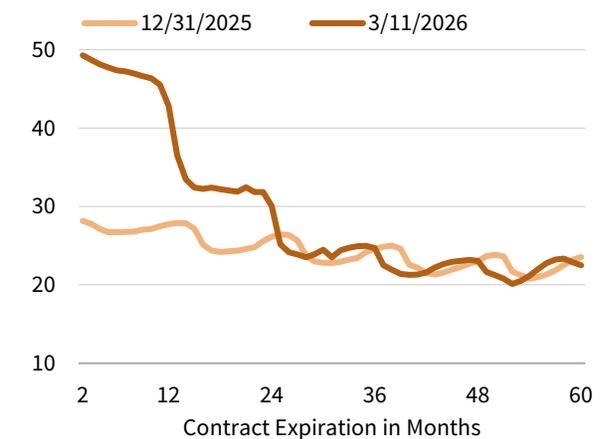
**Dutch TTF natural gas front-month price**

As of March 11, 2026 • Euros per megawatt-hour



**Dutch TTF natural gas futures curves**

As of March 11, 2026 • Euros per megawatt-hour



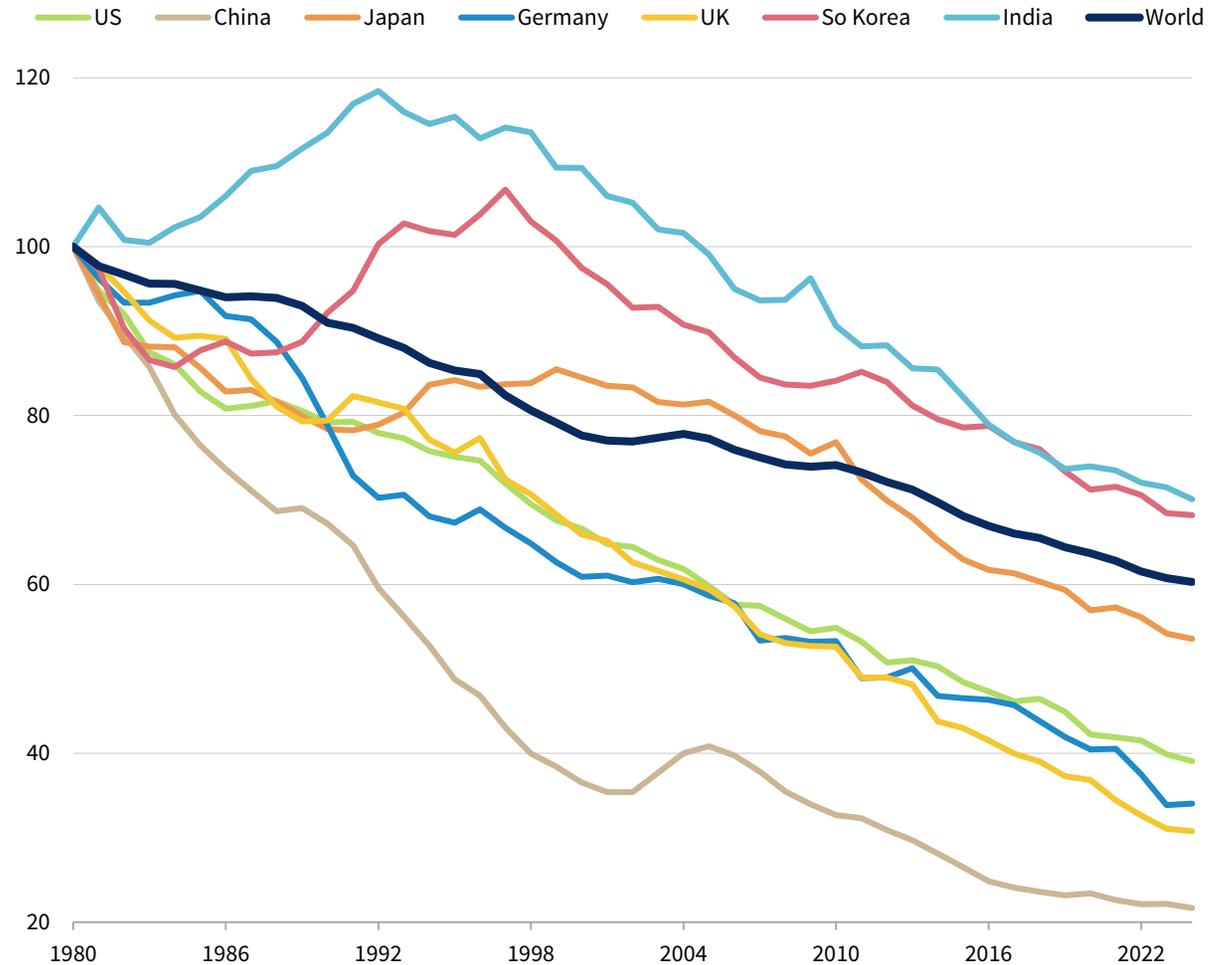
Sources: Bloomberg L.P., Intercontinental Exchange Inc., Thomson Reuters Datastream, and US Treasury.

# Lower energy intensity reduces economic impact of energy price spikes compared to past decades

- The global economy has become far less energy intensive over time, using less energy per unit of GDP. This reflects technological advances, greater efficiency, and a shift toward service-based industries in many developed markets, which consume less energy than manufacturing.
- The adoption of energy-saving technologies and the expansion of less energy-dependent sectors have reduced reliance on oil. More efficient vehicles, buildings, industrial processes, and increased use of renewables have all played a role.
- As a result, oil price shocks now tend to have a smaller impact than in the 1970s, when economies were much more oil dependent and price spikes triggered severe inflation and disruption.
- Lower energy intensity allows economies to adapt more easily to energy disruptions, reducing the risk of recessions from oil supply shocks and helping to stabilize growth even when prices rise sharply.

## Energy intensity

1980–2024 • Exajoules/GDP • 1980 = 100



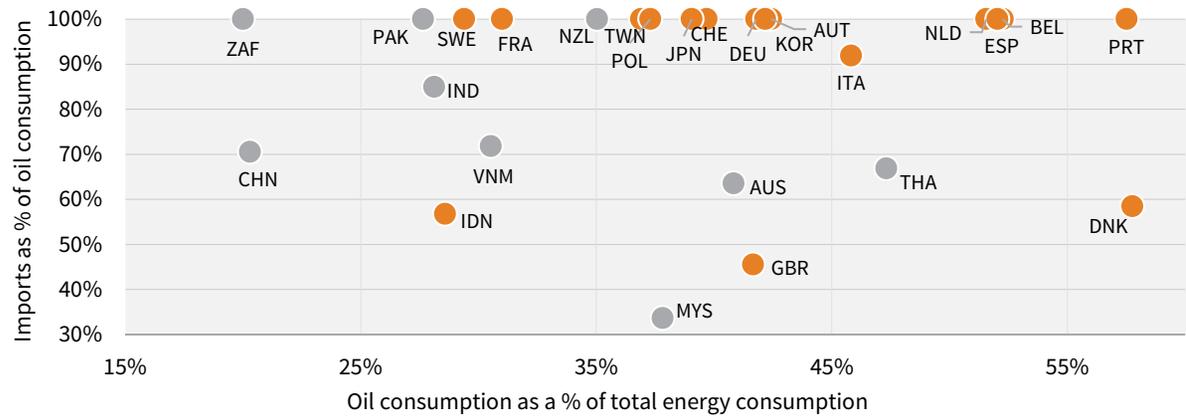
Sources: Energy Institute and Oxford Economics.

# Import-dependent Europe and Asia are most exposed to the energy price spikes

- The impact of the recent rise in energy prices varies greatly by country and region.
- Countries with a high import share of oil or gas consumption and a large proportion of their energy mix reliant on these fuels are most exposed to price spikes. The economies most at risk tend to be those in continental Europe and east Asia ex China, as highlighted by the orange dots in the scatter plots on this slide.
- By contrast, North America's abundant oil & gas production and status as a net energy exporter has helped the region be less affected by recent price spikes.
- While mitigation efforts since the start of the war in Ukraine have reduced European consumption of gas since its 2021 peak, several countries retain a meaningful exposure to the gas market. It also highlights how energy demand is relatively insensitive to price changes in the short run.

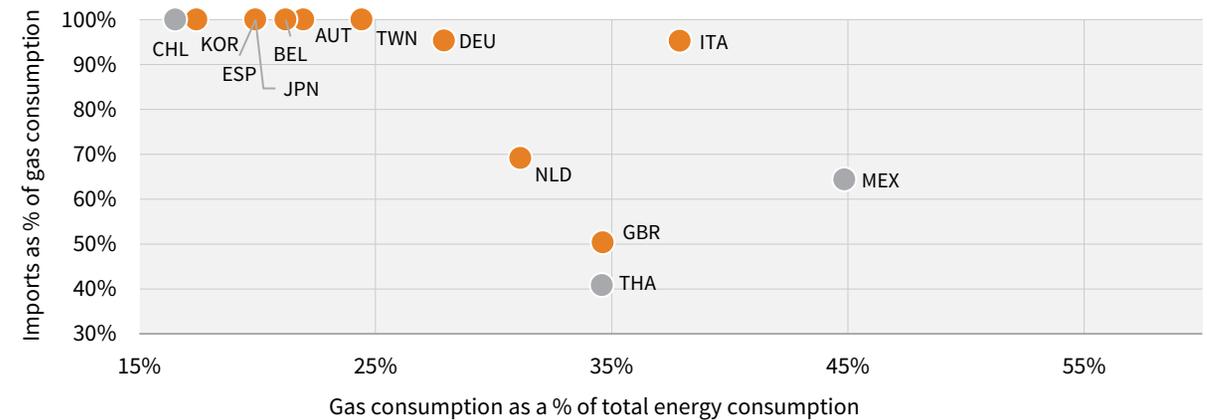
## Exposure to oil supply disruption

2024



## Exposure to gas supply disruption

2024



Sources: Energy Institute and J.P. Morgan Asset Management.

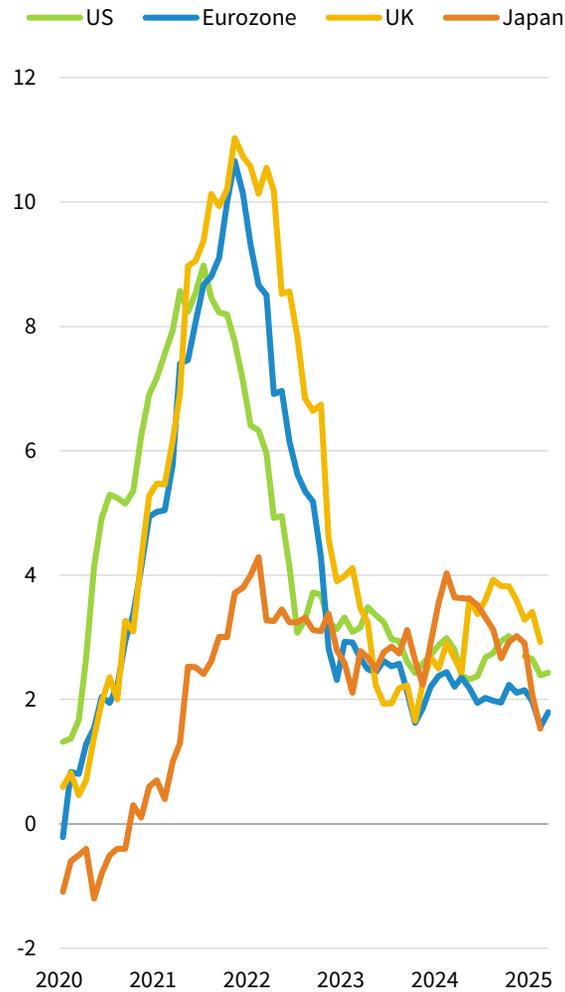
Notes: Net energy exporters are excluded from this chart. Total energy consumption is proxied by total energy supply, as defined by the Energy Institute for each respective country. That definition includes all energy required to meet a country's final end-use demand, accounting for production, imports, exports, and changes in stock.

# Higher energy prices are expected to raise inflation, but markets anticipate the impact will be temporary

- A shock to energy prices typically drives higher inflation. For example, a \$10 per barrel increase in oil is estimated to add 15–30 basis points (bps) to US headline inflation. On that basis, a sustained 50% rise could add 0.5–1.0 percentage points (ppts) over the next year. This effect is likely to be greater for net energy importers, including most of Europe and Asia.
- The inflation impact will depend on the conflict's duration and scope but is unlikely to mirror the broad-based 2022 inflation shock. Even if the disruption persists, today's risk is focused on commodities and refined products—primarily higher energy prices—rather than the combination of significant fiscal and monetary stimulus, pent-up demand, and widespread supply disruptions.
- This difference in risks is evident in market-based inflation expectations. To date, five-year forward, one-year inflation swaps have increased only modestly across regions compared to the surge seen during the 2022 inflation shock.

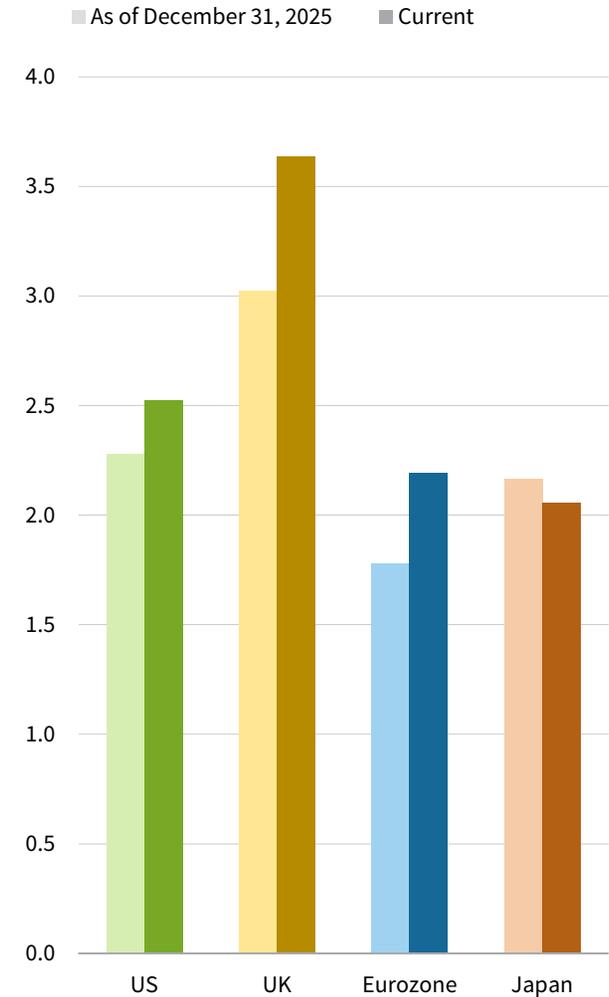
## Annual headline CPI

December 31, 2020 – February 28, 2026



## Inflation expectations

As of March 11, 2026 • Percent (%)



Sources: Bloomberg L.P., National Sources, and Thomson Reuters Datastream.

Notes: Inflation data are as of January for the UK and Japan. Inflation expectations are based on inflation swaps that show five-year forward, one-year inflation expectations.

# Higher expected inflation has put upward pressure on interest rate expectations and bond yields

- Inflation concerns have led markets to reprice monetary policy expectations, with tighter policy now anticipated across major economies. The US remains the only major economy where rate cuts are still expected this year, with the Fed projected to cut by roughly 50 bps, down from 75 bps previously. The shift has been more pronounced in Europe, where the BOE is likely to hold rates steady and the ECB may hike in response to the conflict.
- Higher inflation and policy expectations have pushed both short- and long-term government bond yields higher. Two- and ten-year US Treasury yields have risen roughly 25 bps since the start of the crisis, with even larger moves outside the US.
- As a result, government bonds have sold off alongside equities, echoing the dynamic seen during the 2022 sell-off. So far, US Treasury bonds have returned -1.4% in March.

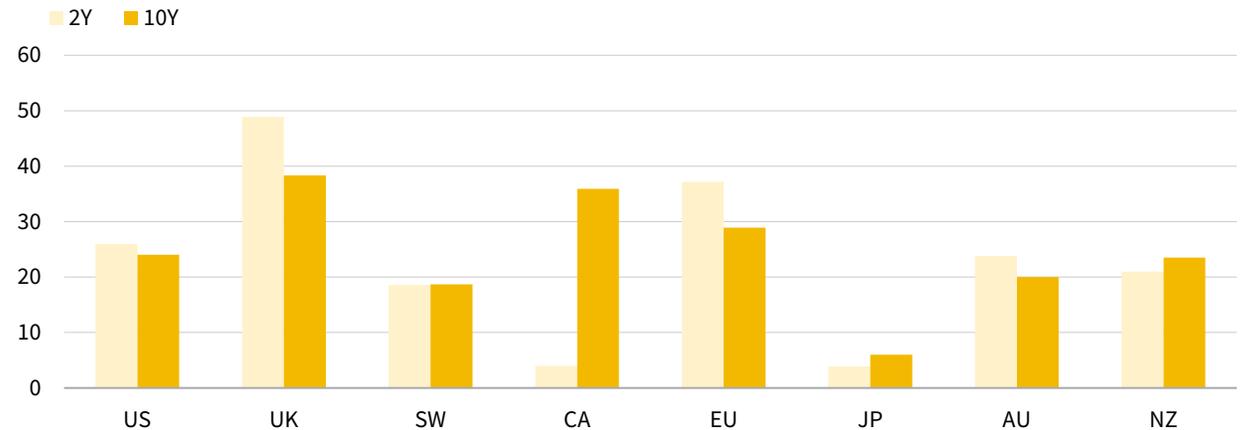
## Market-implied projected change in policy rates through December 2026

As of March 11, 2026 • Percentage points



## Change in government bond yields

February 28, 2026 – March 11, 2026 • Basis points



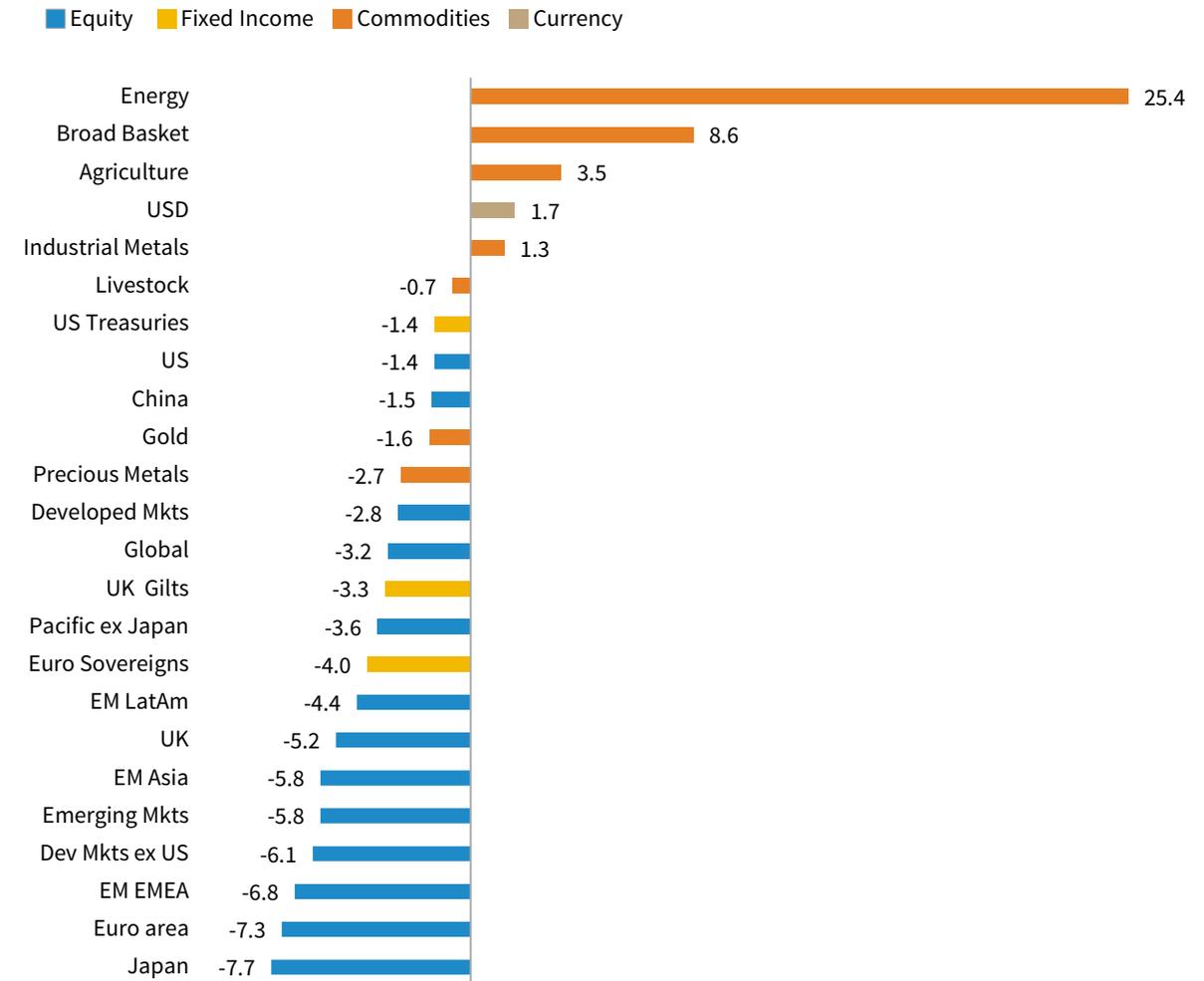
Sources: ASX Trade24, Chicago Board of Trade, EUREX Deutschland, Intercontinental Exchange Inc., Montreal Exchange, National Sources, NYSE Euronext Liffe, Osaka Exchange, and Thomson Reuters Datstream.

## Commodities have outperformed while Asian and euro area equities have lagged

- The energy subcomponent of the Bloomberg Commodity index, which consists of oil, natural gas, and heating oil, has rallied more than 25% since the beginning of the conflict.
- Agricultural products have also recorded gains, as nearly half of global urea exports—a key crop fertilizer—originate from countries west of the Strait of Hormuz. Disruptions have driven up fertilizer prices and, in turn, agricultural commodity prices.
- Asia ex China and euro area equities have seen the worst performance amid concerns over energy supply disruptions and potential inflation upside, given their reliance on imported oil & gas. Korean equities, which had surged at the start of the year, have declined 12% since February 28.
- The US dollar has firmed on a trade-weighted basis (1.7%) and against the euro (2.1%), amid safe-haven demand and as rising inflation expectations pushed bond yields higher.

### Global asset class performance since Iran War began

February 28, 2026 – March 11, 2026 • US dollar • Percent (%)



Sources: Bloomberg L.P., Intercontinental Exchange, Inc., MSCI Inc., and Thomson Reuters Datastream. MSCI data provided “as is” without any express or implied warranties.

Notes: The US Dollar Index (DXY) is used to calculate US Dollar performance. Past performance is not a reliable indicator of future results. All financial investments involve risk. Depending on the type of investment, losses can be unlimited.

## Equities typically rebound quickly after military crises, except during sustained oil shocks

- Geopolitical conflicts can trigger short-term market sell-offs, but historically, markets have tended to recover quickly as investors refocus on broader economic and corporate fundamentals.
- Historically, equities have shown resilience following major military interventions, with many markets typically recovering within a few weeks. The duration of conflicts has not consistently affected market performance, though there are exceptions.
- Military events that disrupt oil supplies—such as the 1973 Arab oil embargo, the 1990 Iraq-Kuwait conflict, and Russia’s intervention in Ukraine—have led to more pronounced market declines.

### US equity price returns in response to select geopolitical conflicts

Percent (%)

Event	Start of sell-off (peak date)	Duration of sell-off (trading days)	Size of sell-off (%)	Duration to recover to prior level (trading days)	12m from bottom
Israel Arab war/Oil embargo	10/26/1973	27	-17.3	1547	-27.1
Shah of Iran exiled	1/26/1979	21	-5.6	20	17.8
Soviet invasion of Afghanistan	12/17/1979	11	-3.8	5	29.0
Bombing of Libya	4/21/1986	20	-4.9	6	26.4
Iraqi invasion of Kuwait	8/2/1990	49	-15.9	81	27.5
First Gulf War	12/31/1990	6	-5.7	7	34.0
Kosovo bombing	3/18/1999	3	-4.1	8	15.4
9/11 attacks	9/10/2001	5	-11.6	15	-12.5
Iraq war	3/21/2003	6	-5.3	15	32.3
Arab Spring (Egypt)	1/27/2011	1	-1.8	3	3.1
Intervention in Libya	2/18/2011	17	-6.4	28	10.9
Ukraine conflict	3/7/2014	5	-2.0	12	11.5
Intervention in Syria	9/18/2014	19	-7.4	12	7.1
Russia/Ukraine War	2/9/2022	18	-9.1	15	-4.3
Gaza War	10/11/2023	12	-5.9	7	41.4
Iran War*	2/28/2026	5	-2.0	NA	NA
<b>Median</b>		<b>12.0</b>	<b>-5.7</b>	<b>12.0</b>	<b>15.4</b>

Sources: J.P. Morgan Securities, Inc. and Standard & Poor’s. Third-party data provided “as is” without any express or implied warranties.

Notes: This chart assumes that the geopolitical event was the primary driver of market movements, though other factors may have contributed. The start of the sell-off is defined as the market peak immediately preceding the onset of the decline associated with the conflict—i.e., the point where market momentum turned. In some cases, the sell-off may have begun before official action, reflecting anticipatory market positioning. Calculations are based on daily data. “12m from bottom” represents the price change in the 252 trading days after the bottom.

\* Medians do not include the Iran War.

Copyright © 2026 Cambridge Associates. All rights reserved.

**Cambridge Associates** is a global group of companies that provide investment management, investment advisory, research and performance reporting services. For the purposes of this document 'us', 'the Firm', 'our', 'we', 'CA', 'Cambridge Associates', and similar terms refer collectively to the list of companies below. Similarly, unless otherwise stated the figures provided are the combined total for the list of companies below:

— **Cambridge Associates LLC**

Massachusetts Limited Liability Company. **Regulatory Authority:** Registered and regulated by the US Securities and Exchange Commission, the US Commodity Futures Trading Commission, and the National Futures Association. US Securities and Exchange Commission file number 801-14255.

— **Cambridge Associates Limited**

Limited Company in England and Wales, company number: No. 06135829. **Regulatory Authority:** Authorised and regulated by the Financial Conduct Authority (FCA). FCA Number 474331.

— **Cambridge Associates GmbH**

German Limited Liability Company. **Regulatory Authority:** Registered and regulated by Bundesanstalt Für Finanzdienstleistungsaufsicht (Bafin). Bafin Identification Number 10155510.

— **Cambridge Associates Investment Consultancy (Beijing) Ltd**

People's Republic of China Limited Liability Company. **Regulatory Authority:** Beijing Administration for Industry and Commerce. Registration No. 110000450174972.

— **Cambridge Associates Hong Kong Private Limited**

Hong Kong Private Limited Company. **Regulatory Authority:** Licensed with the Securities and Futures Commission of Hong Kong. CE Reference BRV471.

— **Cambridge Associates Asia Pte Ltd**

Singapore Corporation. **Regulatory Authority:** Licensed and regulated by the Monetary Authority of Singapore. Registration No. 200101063G.

— **Cambridge Associates Limited, LLC**

Massachusetts Limited Liability Company. **Regulatory Authority:** Registered with the US Securities and Exchange Commission, subject to oversight by the Australian Securities and Investment Commission, and registered in several Canadian provinces. ARBN (Australian Registered Body Number) 109 366 654. US Securities and Exchange Commission file number 801-45277.

— **Cambridge Associates AG**

Swiss Limited Company. **Regulatory Authority:** Authorized and supervised by the Swiss Financial Market Supervisory Authority (FINMA). Registration Number: CHE-115.905.353.

— **Cambridge Associates (DIFC) Limited**

Incorporated as a Private Company. **Regulatory Authority:** Regulated by the Dubai Financial Services Authority. DFSA License Number: FO11237.

This document, including but not limited to text, graphics, images, and logos, is the property of Cambridge Associates and is protected under applicable copyright, trademark, and intellectual property laws. You may not copy, modify, or further distribute copies of this document without written permission from Cambridge Associates ("CA"). You may not remove, alter, or obscure any copyright, trademark, or other proprietary notices contained within this document. This document is confidential and not for further distribution, unless and except to the extent such use or distribution is in accordance with an agreement with CA or otherwise authorized in writing by CA.

This report is provided for informational purposes only. The information does not represent investment advice or recommendations, nor does it constitute an offer to sell or a solicitation of an offer to buy any securities. Any references to specific investments are for illustrative purposes only. The information herein does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Information in this report or on which the information is based may be based on publicly available data. CA considers such data reliable but does not represent it as accurate, complete, or independently verified, and it should not be relied on as such. Nothing contained in this report should be construed as the provision of tax, accounting, or legal advice.

**Past performance is not a reliable indicator of future results. All financial investments involve risk. Depending on the type of investment, losses can be unlimited.**

Any information or opinions provided in this report are as of the date of the report, and CA is under no obligation to update the information or communicate that any updates have been made. Information contained herein may have been provided by third parties, including investment firms providing information on returns and assets under management, and may not have been independently verified.

---

## Contributors

Sean Duffin, Senior Investment Director, Capital Markets Research

Thomas O'Mahony, Senior Investment Director, Capital Markets Research

TJ Scavone, Senior Investment Director, Capital Markets Research

Drew Boyer and Graham Landrith also contributed to this publication.