



Iran crisis

Market Comment, March / April 2026

The collapse of negotiations between the US and Iran has led to a military conflict centred on the latter. The economic risks are primarily driven by rising oil prices, which could push inflation higher if elevated levels persist over an extended period. However, significant fiscal stimulus in Germany, Japan and, above all, the US through its “Big Beautiful Bill”, which includes tax cuts and increased government spending, means that a recession should not be considered the baseline scenario. Nevertheless, the increase in the geopolitical risk premium suggests that we are now faced with a period of heightened market volatility.

Since the US and Israeli strikes on Iran’s nuclear facilities in June 2025, Iran has not only managed to hide around 400 kilograms of highly enriched uranium, but has also partly repaired nuclear installations and, in particular, substantially expanded its drone and missile arsenal. During the negotiations held with the US at the end of February, Iran rejected demands to scale back its rebuilt arsenal and to cease uranium enrichment. In response, American and Israeli air and naval forces targeted Iranian leadership figures and military assets. Iran retaliated with missile and drone strikes against Israel and US military bases as well as against neighbouring Gulf states such as Saudi Arabia, Qatar, Kuwait, Bahrain, Oman and the United Arab Emirates. The situation continues to evolve, meaning that any assessment may quickly be overtaken by new developments.

More than 20% of global oil exports and liquefied natural gas (LNG) shipments pass through the Strait of Hormuz between Iran and Oman. Of this figure, more than 80% flows to Asia – primarily China (especially Iranian oil), India, South Korea and Japan. A share of the LNG also makes its way to Europe. The US, in turn, is economically independent in terms of both oil and LNG and could support the global market via its strategic oil reserves or LNG production in an emergency.

Since the end of December, in anticipation of a potential conflict, the markets have seen precautionary oil buying, rising inventories and higher oil prices, reflecting fears of an escalation and the risk of a partially blocked passage through the Strait of Hormuz. A closure of Hormuz by Iran would hit its own interests particularly hard, as it would eliminate the country’s only source of state revenue. Iran produces around 4% of the global oil supply. As recently as December, i.e. before the escalation of the Iran crisis, the global oil market was characterised by supply clearly above demand and thus rather low prices by historical standards. Currently, hardly any oil tankers are travelling through the strait owing to reduced insurance cover and the risk of drone and missile strikes. Accordingly, oil prices have risen, reflecting the build-up of a geopolitical risk premium. In principle, due to reserve capacities in Saudi Arabia or the US, a short-term, partial interruption of Hormuz shipments appears less problematic than a longer period of disruption would be, i.e. several weeks or even several months of blocked passage. However, the prospect of a multi-week closure of Hormuz has been partly anticipated by the recent increase in oil prices.

“The massive infrastructure and defence spending represents a clear source of economic stimulus.”

Gérard Piasko, Chief Economist

A massive Iranian attack on Saudi oil infrastructure would cause oil prices to rise, while an expansion of Saudi or US oil production or a release of strategic US oil reserves would provide relief for the global oil market and thus for possible inflation increases. Only a massive and, above all, long-lasting reduction in the global oil supply would be likely to significantly reduce global economic growth, which is currently being driven by fiscal stimulus in the US, Japan and Europe. As such, recession risk must not be the main scenario, and the panic selling of shares should be avoided.

As with other wars, the response of the financial markets to the Iran crisis is to increase the geopolitical risk premium. As shown, this results in a price increase for oil and, justifiably, also in stronger demand for the “safe haven” of gold. In the case of equities, geopolitical crises often lead to valuation declines in the short term that have historically usually been made up after around six months to a year – in line with the saying that “political markets have short legs”. Among the sectors traditionally more vulnerable to higher oil prices are airlines (higher costs, lower revenues) and chemical companies (higher production costs). By contrast, gold mining stocks, oil stocks and military stocks have historically tended to benefit from geopolitical uncertainties.

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Editorial deadline: 2 March 2026

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