



Israel-Iran War Crisis: Impact on the Global Markets

Strait of Hormuz Closure and Ras Laffan Disruption Has Driven a Market Regime Shift. No Longer Just a Geopolitical Event but a Supply Shock.

Ongoing Crisis

+44%

Brent Crude

~\$104/bbl (Mar 24)

~4 weeks

Hormuz Closure

Never in history

10M+ bbl/d

GCC Production Lost

Largest disruption ever

-12%

KOSPI Single-Day Drop

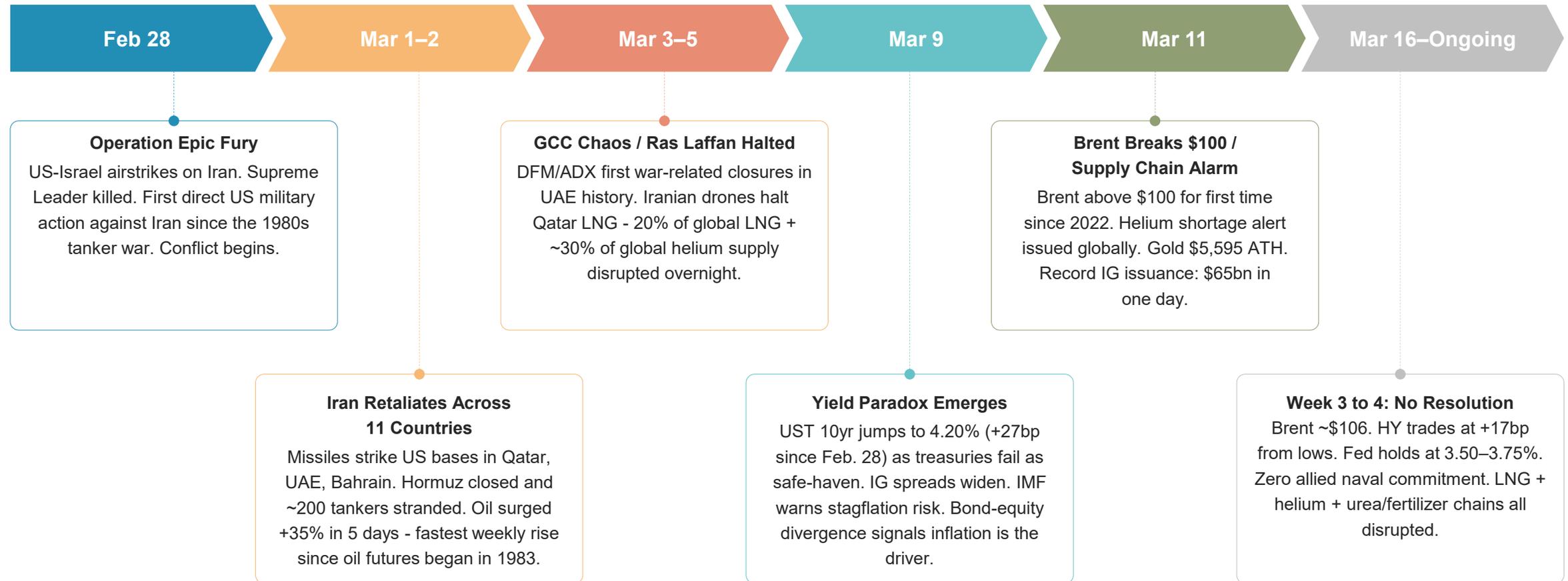
Worst ever recorded

\$5,595

Gold All time High

+81% from pre-war

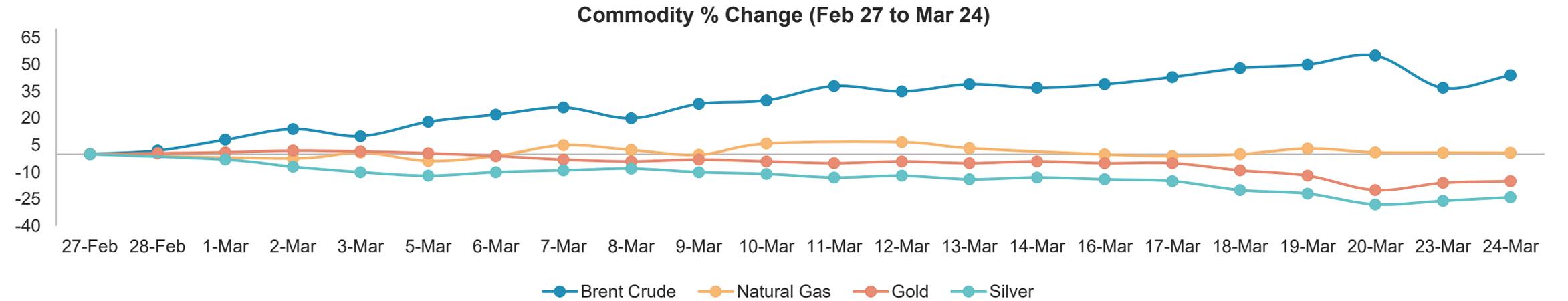
3 Weeks and Beyond: Not Just Geopolitics But Massive Supply Shock



ARANCAS VIEW: None of historical crisis events (Gulf War I, 9/11, GFC, COVID, Russia-Ukraine) closed Hormuz for more than hours. This is 3+ weeks impacting GCC production by 10M+ bbl/d, while LNG and helium supply have broken simultaneously. The market is treating this like a 2-week event. But we believe it is not, and prolonged conflict seems likely.

Commodities: Supply Shock Engine & Critical Chain Disruptions

<p>Brent Crude</p> <p>~\$104/bbl</p> <p>+44%*</p>	<p>Natural Gas</p> <p>~\$54</p> <p>70%*</p>	<p>Gold XAU</p> <p>~\$4,475</p> <p>-15%*</p>	<p>Silver</p> <p>~\$71</p> <p>-24%*</p>
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Oil & Gas

- Hormuz Supplies 20% global oil + 20% LNG offline. Closure has declined GCC production by 7-10M bbl/d.
- WTI +35% weekly - largest since 1983. Every \$10/bbl = -0.13% global GDP, +0.15pp CPI.
- Brent could end at \$75 on swift resolution. A prolonged conflict could lead to \$100+ levels

LNG & Helium (Qatar)

- Ras Laffan: 77M t/yr LNG (20% global) + 40% global helium offline. EU gas +52%.
- Helium non-substitutable in chip fabs (TSMC, Samsung, Intel). Currently 15% supply shortage.
- Semiconductor production slowdown risk - the hidden tail risk in tech valuations.

Urea / Fertilizers

- Natural gas = feedstock for ammonia/urea. Qatar/UAE are major urea exporters globally.
- 2022 precedent: EU gas spike removed 30% of European urea capacity; prices tripled.
- 8-10-week disruption could result in massive surge in urea prices.

Sulphur & Gold

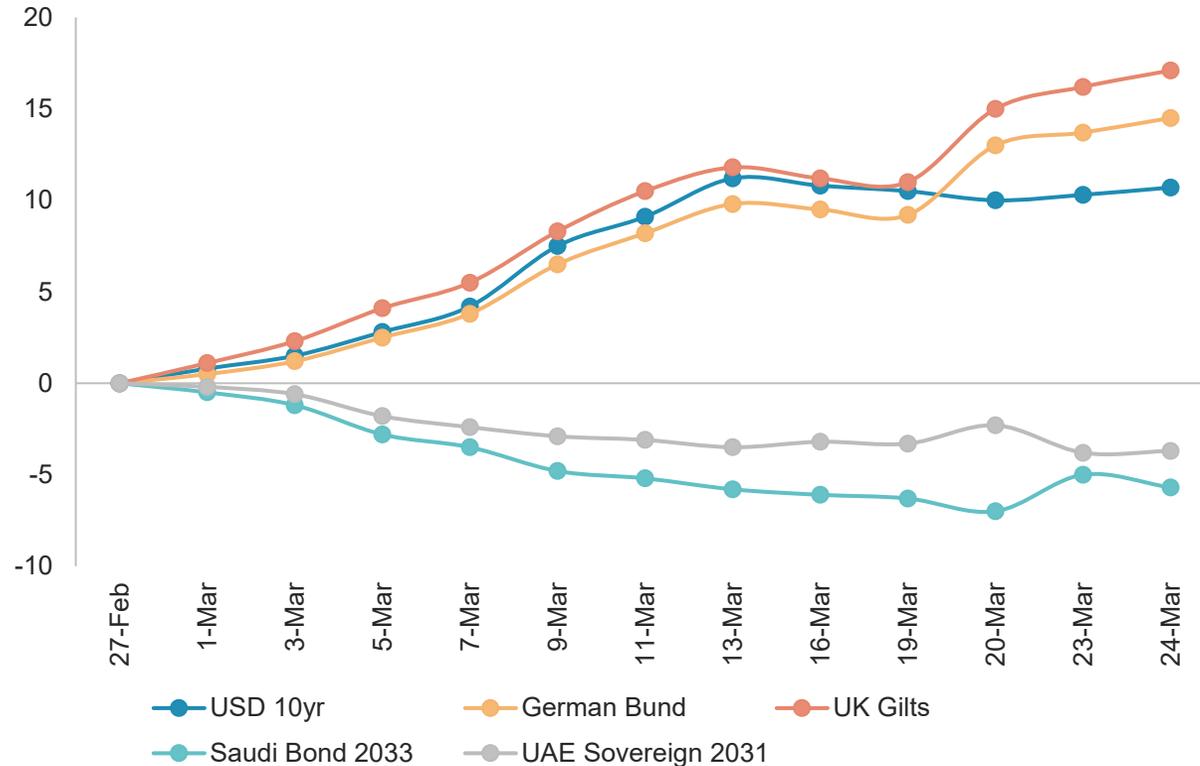
- GCC = ~45% of global sulphur. Minimal stockpile - buyers rely on continuous supply.
- Sulphur shortage = phosphate fertilizer constraint = additional food price pressure.
- Gold: Corrected ~15% to \$4,475 vs. pre-war, however, structural bid intact.

Source: Bloomberg, CNBC, Seeking Alpha | Data as of March 24, 2026 | *Compared with 27 February



Bonds: The Yield Paradox & Safe-Haven Failure

Bond Yield % Change (Feb 27 to Mar 24)



Yields of Safe-Havens Surge while GCC Tightens Implying Divergence

- **UST Yields:** Surged by ~300 bps to ~4.34% as of Mar 24 driven by: (1) fed funds expectations held higher on sticky inflation, (2) inflation break-evens rising on oil shock, (3) term premium expanding on geopolitical uncertainty. This trifecta last occurred in 2022 when bond markets witnessed a massive plunge.
- **Fed Stagflation Trap:** Core PCE ~3%, above 2% target. Feb payrolls: -92K. FOMC holds at 3.50–3.75%. Cannot cut (inflation) or hike (recession risk).
- **GCC Yields (Saudi, UAE):** Tightening backed by oil revenues surge. 3.75% level on 10yr acts as technical floor until a Hormuz resolution collapses inflation risk premium.

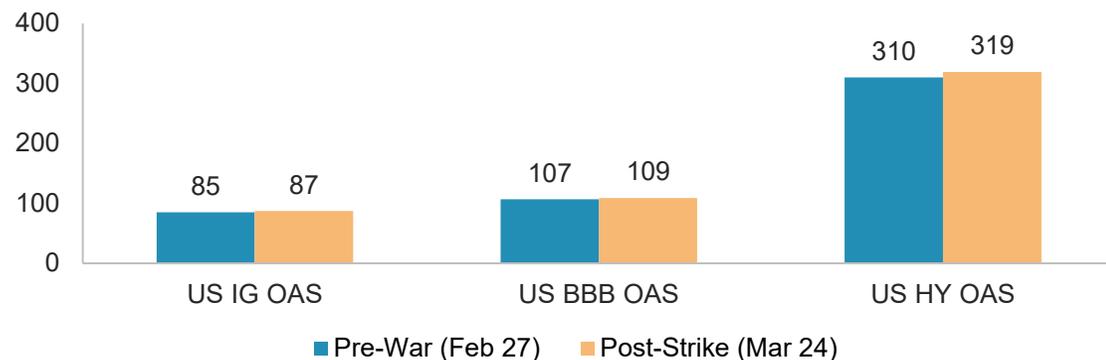
Oil Price Surge Triggering Inflation, Interest Rates, and Yields

- **ECB Policy Dilemma:** Europe faces energy price shock and trade disruptions. A December 2026 hike is now partially priced (vs. an ongoing easing cycle prior to war). ECB signals caution, but Eurozone is projected to contract in Q2 - a no-win fiscal/monetary backdrop for French, German and Italian bond investors.
- **Russia-Ukraine Transmission Lesson:** In 2022, DM yields initially fell briefly, then reversed sharply as oil fed through to inflation. UST 10yr surged from 2% to 5%. The current conflict skipped the flight-to-safety phase entirely. Starting from ~4%, the absolute move may be more contained - but direction is the same.

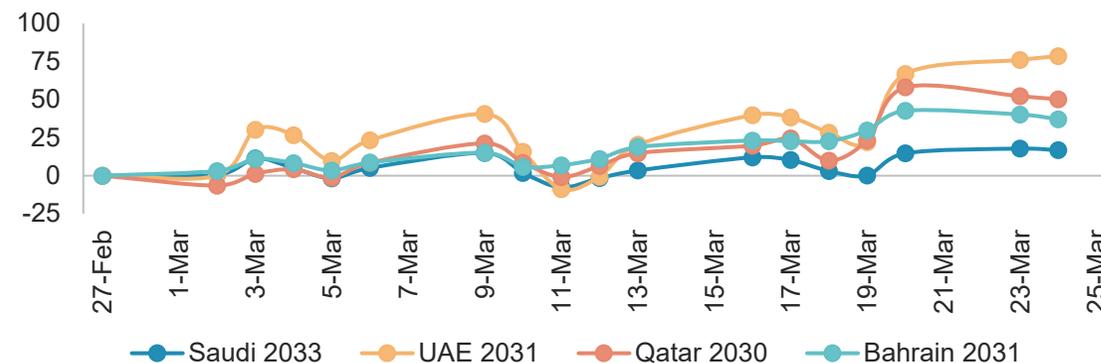
ARANCAS VIEW: The consensus view is that Fed will remain cautious and hold rates amid stagflation risks. We believe investors should avoid long-end duration stagflation makes 10yr+ a double risk. Potential opportunity 1) GCC sovereign and quasi-IG (tightened on oil revenues) 2) TIPS over nominals, if oil sustains at higher levels.

Credit Spreads Indication: IG vs HY, US vs GCC

OAS Spreads (bps) - (Feb 27 to Mar 24)



GCC Spreads (OAS % change) - (Feb 27 to Mar 24)



IG - Relatively Resilient | HY - Vulnerable

- US Bonds spreads have widened. IG higher by 2bps, however, still tight vs 2022 highs. Record US IG issuance on Mar 11 at \$65bn in one day, highlighting investors inclination for high quality bonds. Amazon issue of \$37bn was subscribed 3.3x.
- HY spreads widened by 9bps, however still tight vs. historical long-run average of ~450bps.
- BDC / leveraged loan double risk: BDCs lend to AI/tech companies. Oil shock results in AI margin compression and loan deterioration, while rising rates raises BDC' funding costs.
- Refinancing wall: \$400bn+ in HY maturities due 2025–2027. All-in refinancing costs 150–200bps above issuance levels for leveraged issuers at current base rate + spread levels.

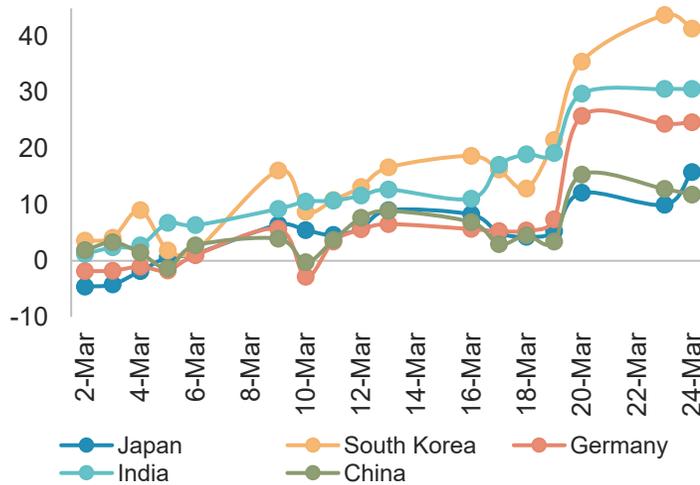
Importer – Most Exposed | Exporter - Benefits Most

- EM importer HY (Korea, India, Thailand issuers) most exposed: these credits face simultaneous oil shock, LNG shock, fertilizer inflation, and helium supply disruption to their semiconductor manufacturing.
- Complacency from 2023–2025 benign conditions has left the HY market insufficiently compensated for a prolonged conflict scenario.
- Saudi and UAE spreads tighten on oil revenue surge and combined Hormuz bypass capacity of 6.5M bbl/d.

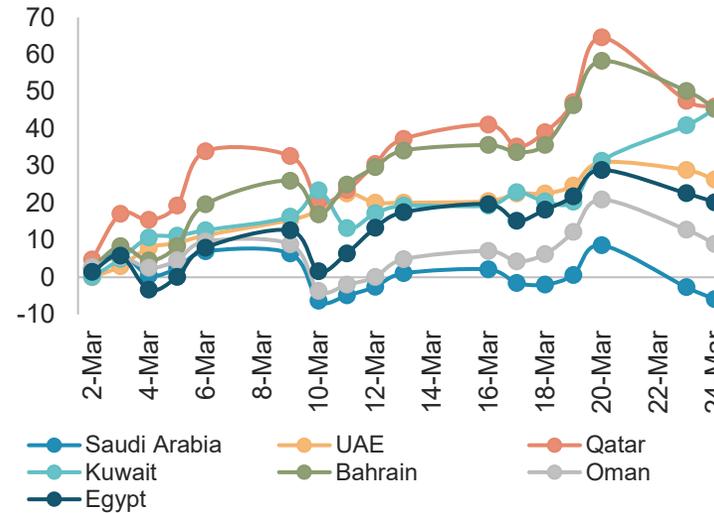
ARANCAS VIEW: HY markets are less compensated and hence we believe IG, especially intermediate IG corporates (3–7yr), represents relatively safer opportunity. Amid a prolonged conflict scenario, global asset managers are positioning themselves to stay conservative. Prefer oil exporter sovereigns (Saudi, UAE) over importer corporates (Korea, India, Thailand)..

5Y CDS Spreads: Sovereign Risk Repricing

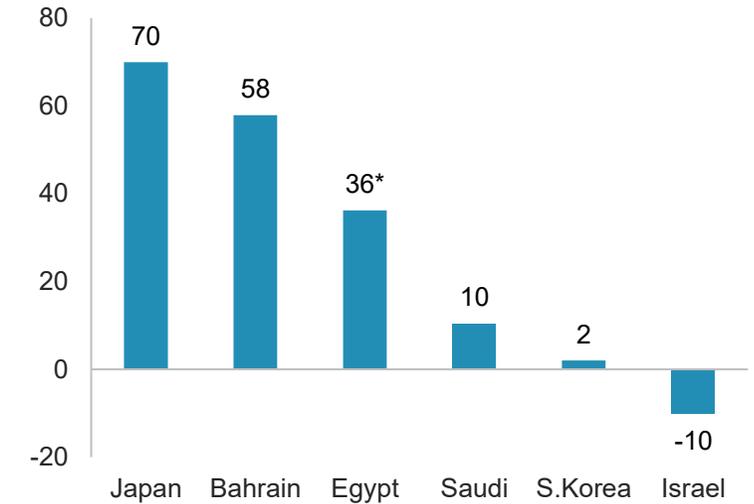
Global (Excl. ME): 5Y CDS (% change)



Middle East: 5Y CDS (% change)



(c) CDS YoY (%)



Most Resilient: Saudi Arabia

- Saudi Petroline bypass (5M bbl/d) operational and undamaged.
- Less direct physical targeting than UAE.
- Slight CDS widening, but fiscal surplus from oil revenues surge provides strong buffer.

Moderate Risk: Qatar / Kuwait / Oman

- Qatar: 100% of LNG transits Hormuz; Ras Laffan halt = total LNG + helium export stoppage.
- Qatar CDS widened the most.
- Kuwait and Oman structurally exposed but manageable given reserve buffers.

Under Stress: UAE

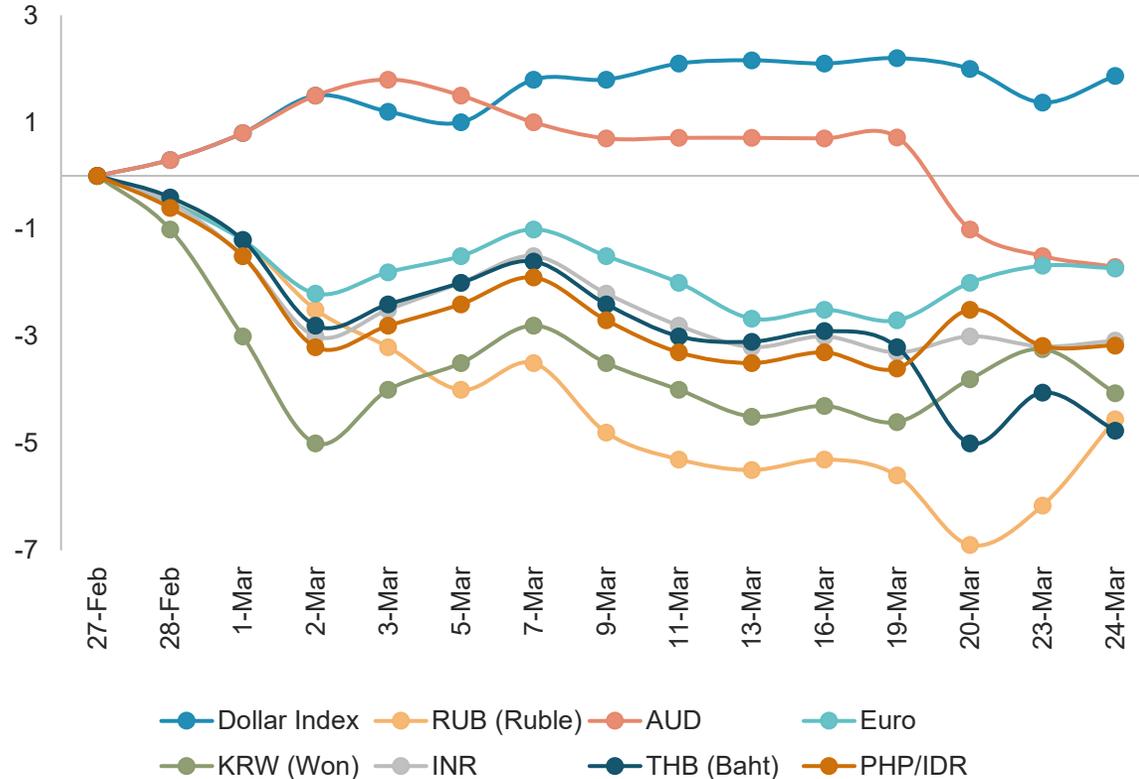
- CDS widening catches pace. UAE corporate bonds = worst EM performers.
- Majorly impacted by strikes, with tourism, real estate, facing a major brunt.
- Iran directly threatening Ras al-Khaimah, resulting in increased escalation risks.

Most Vulnerable: Bahrain / Egypt

- Bahrain: 131% debt/GDP, no Hormuz bypass, Abu Safah oilfield lifeline under threat, Iranian strikes on capital.
- Egypt: High debt, FX stress - elevated but below distressed levels; remains sensitive to external shocks
- Downgrade risk if conflict is prolonged.

Currencies: Terms-of-Trade Framework

Currency % Change vs USD (Feb 27 to Mar 24)



Oil Exporters - ToT improvement - Strengthening

- **USD:** Surge in demand driven by US's net energy exporter, safe-haven status, and rising yields.
- **AUD:** Australia accounts for ~18% of global LNG exports. Benefits from Qatar outage volumes.
- **SAR, AED (pegged to USD):** Pegs hold firmly. Fiscal improvement from higher oil. Multi-year reserve buffers are strong.
- **RUB:** An outlier in exporters, as it benefits from oil but paradoxically weakened. Sanctions prevent normal FX transmission, ballooning budget deficit is, and weaker growth.

Oil Importers - ToT Deterioration - Weakening

- **KRW:** South Korea has major dependency with 100% fossil fuel imports. ~70% oil imports from Middle East. \$68bn stabilization deployed to temporarily cap fuel prices.
- **INR:** India vulnerable too imports - ~80% LPG and ~50% crude imported from Middle East. Risk of CAD widening rapidly.
- **THB:** >50% crude from Middle East. Net oil imports 4.7% of GDP. Energy subsidies strained.
- **PHP, IDR (Philippines & Indonesia):** Both heavily oil-import dependent. IDR volatile in EM risk-off episodes. PHP under CAD pressure.

ARANCAS VIEW: In a Prolonged stalemate scenario, USD and oil exporters are major beneficiary in the near-term. However, once conflict subsides, the near-term dollar bid is likely to reverse. The geopolitical fracturing underway is accelerating the structural shift away from dollar-denominated assets, a trend already in motion pre-war.

Equities: Bearish, Divergent, and Headline-Driven

Global Indices % Change (Feb 27 to Mar 24)



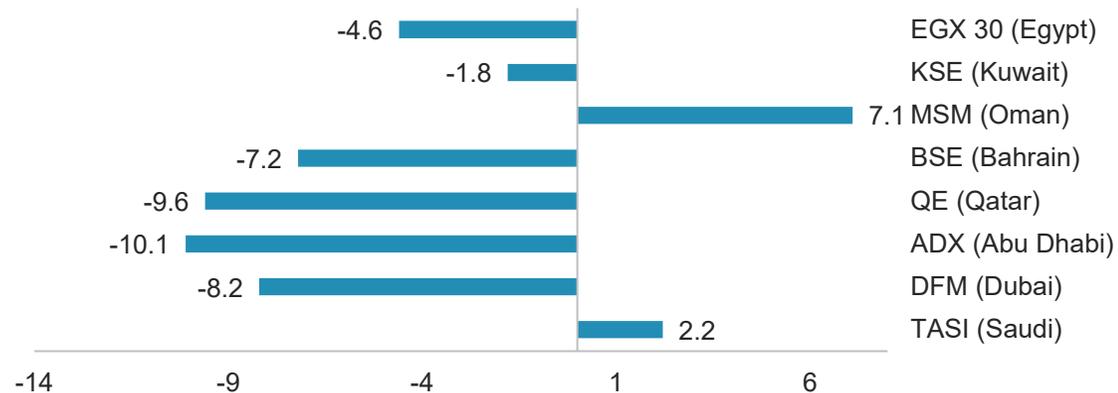
US: Stability Masking Risks

- Decline in US indices was relatively less compared to other major indices, as net energy exporter status supports index. Energy / Defense up, while Tech/Airlines plunged.
- Defensive outperformed cyclicals. Staples, healthcare, and utilities shine.
- Europe majorly impacted amid energy supply-demand imbalance, with DAX down 10.5%.

KOSPI: Significant Impact

- Massive impact in Asia - KOSPI declined by 12% in single day (worst ever) on March 5.
- South Korea is 100% fossil fuel import-dependent, with ~70% supply from Middle East.
- With the overall decline, South Korea looks cheap and attractive. However, reliant on Hormuz resolution signals.

Regional Indices % Change (Feb 27 to Mar 24)



GCC: Frontline Stress

- EGX, BSE, UAE fell sharply on geopolitical exposure and structural risks.
- Qatar declined on LNG disruption and spillover concerns.
- Oil beneficiaries (TASI, MSM) outperformed on higher oil revenues and fiscal strength.

What History Says

- Across 36 crises since 1940, S&P averages +2.6% at 6M and +5.5% at 12M.
- However, the crisis in 1973, 2001, and 2008, were outliers. All involved longer-term financial and structural supply damages.
- Current crisis carries hallmarks, wherein markets are pricing a short 1991-style shock, but the risk is 1973-style structural supply crisis.

Historical Precedents: Why This Time Is Different?

	1990–91	2003	2022	2026
	Gulf War I	Gulf War II	Russia-Ukraine	Iran War
Oil spike	+70%	+30%	+30%	+49%+ rising
S&P 6-month	+16%	+14%	-12% (6M)	TBD
Duration	7 months	Weeks (military ops)	6M oil prices elevated	Hormuz 3wks+
Key driver	Supply fear, then relief	Fast combat ops = fast recovery	Aggressive rate hikes	Largest disruption ever

What's Similar

- Oil shock → inflation → yields rise
- USD strengthens as safe-haven
- EM currencies weaken on terms-of-trade
- Equities sell off, then recover

What's Different (& Worse)

- Hormuz closed 3+ weeks (first time in history)
- 11 countries are hit simultaneously
- LNG, Helium, Sulphur, Urea chains all broken
- GCC production down 10M+ bbl/d
- 15% global air traffic disrupted

What's Mitigating

- US is now a net energy exporter
- Corporate balance sheets stronger post-pandemic
- Fed has room to cut (3.50–3.75%)
- Strategic Petroleum Reserves available
- AI/tech non-oil growth engine intact

Three Scenarios: War Outlook & Market Paths (Global ex-GCC) (1/2)

	Scenario A Ceasefire & De-escalation	Scenario B Prolonged Stalemate	Scenario C Infrastructure Damage
	Ceasefire within few weeks	No resolution through Q2–Q3 2026	Power plants / energy infra targeted. Ground ops
	Markets embed this as optionality on each headline	Most consistent in current scenario - markets oscillating around this	Tail risk - hedge for this
Oil	Brent retreats at ~\$75 to 85. Not \$70 - reflects risk premium from damaged facilities	Brent \$90 to \$110. Swings of \$15–17 per session, a new normal	Brent above \$130. Wood Mackenzie says \$200 plausible
Equities	S&P positive in next 5-6 months. Historical post-conflict avg +5.5% at 6 months (RBC)	Range-bound. US outperforms. Asia and Europe lower on energy drag	Global recession. Asset bubbles burst
Bonds	UST yields ease. Fed resumes rate cuts in 2H. Curve Steepens	Rate cuts off table. UST yields stay higher. TIPS outperform nominals	ECB and Fed hike rates. Nominal collapse. TIPS the only fixed income safe haven
Credit	IG tightens. HY stabilizes - no defaults. BDC/AI scar persists	IG, HY holds at wider levels. Distress in EM energy-importers and leveraged borrowers	IG to 200bp+. HY defaults spike. EM sovereign distress. Full credit repricing
FX	DXY retreats lower. EM carry trades resume. KRW, INR partially recover	DXY +8–10% vs. pre conflict (2022 replay). EM currency crisis	Full EM debt crisis. Flight to gold/USD/CHF
Gold	Pulls back. De-dollarization + Central Bank buying puts floor well above pre-war	\$4,500–5,200 range. Each headline = \$100–200 swing. Structural uptrend intact	\$6,000+. Central bank buying accelerates

ARANCAS VIEW: Scenario B looks the potential outcome amid LNG halt, helium shortage, urea/fertilizer chain disruption, and Sulphur supply constraint. Markets oscillate around Scenario B with A as optionality. Ras Laffan restart remains a key signal to watch. Asymmetry is clear: downside from being wrong on A is far greater than upside of being right.

Three Scenarios: War Outlook & Market Paths (GCC) (2/2)

	Scenario A	Scenario B	Scenario C
	Ceasefire & De-escalation	Prolonged Stalemate	Infrastructure Damage
	Ceasefire within few weeks	No resolution through Q2–Q3 2026	Power plants / energy infra targeted. Ground ops
	Markets embed this as optionality on each headline	Most consistent in current scenario - markets oscillating around this	Tail risk - hedge for this
Oil / Fiscal	Q1 windfall locked in with per-barrel margin at multi-year highs; Saudi strongest via Petroline	Prices high but volumes constrained. Saudi resilient. UAE/Qatar/Bahrain disadvantaged	Bypass pipeline hit. Volume collapse overwhelms price. Saudi weakens.
Equities	TASI rallies (Aramco-led). DFM partial recovery. Bahrain lags	TASI range-bound. Foreign outflows persist. Qatar and Bahrain deteriorates	TASI and DFM plunge. Bahrain faces systemic banking risk
Bonds	Sovereign spreads compress. Refinancing risk fades. Sukuk issuance resumes	Saudi holds. UAE and Qatar spreads widen. Bahrain refinancing costs spike. Sukuk issuance slows	GCC-wide downgrades (excl-Saudi). Debt maturities become a wall. Sukuk freezes
Credit	GCC IG sovereign /quasi rallies. UAE corporates recover. HY partially recovers	IG return positive but spread widening offsets. HY sectors under sustained pressure.	HY restructuring emerges. Dubai RE insolvency risk. Bahrain CDS surges
FX	SAR/AED pegs comfortable. But permanent demographic drag from expat exodus	Pegs hold but defense cost rises. Expat exodus accelerates. Bahrain dinar most vulnerable	Pegs tested. Bahrain needs Saudi/UAE intervention. Petrodollar flight to London/Swiss/UST
Gold	Central Bank reserves building continues. Physical gold demand normalizes	Physical premiums elevated. Local buying accelerates	Physical gold = Gulf asset of choice. Premiums explode. Central Bank buying accelerates
<p>ARANCAS VIEW: Any GCC downgrade cascades into bonds and equities. GCC will be separate trades. Saudi looks relatively investable under Scenario A and B. UAE requires waiting for physical security clarity. Qatar is structurally binary on Ras Laffan. Bahrain is untouchable until GCC support is formalized.</p>			

Winners' vs Losers: Countries & Regional Oil Sensitivity (1/2)

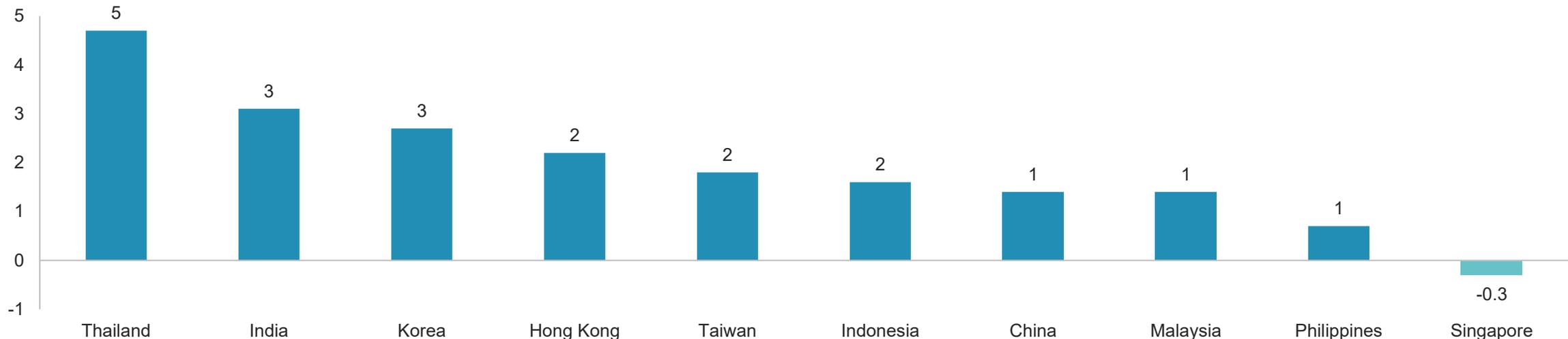
Countries That Benefit

- **Saudi Arabia:** ~15% global crude exports and strong fiscal reserves. Petroline bypass supports supply of 5M bbl/d
- **US:** Net energy exporter with shale windfall.
- **Australia:** ~18% of global LNG exports, benefitting from Qatar LNG outage volumes
- **Russia:** ~EUR 6bn in fossil fuel revenue in first 2 weeks of conflict
- **UAE:** ADCOP pipeline supports supply of 1.5M bbl/d. However, recent attacks have impacted other sectors such as tourism, real estate

Countries Negatively Impacted

- **South Korea:** 100% fossil fuel import-dependent resulting in plunge in KOSPI
- **Thailand:** Most exposed ASEAN economy as net oil imports accounts for 4.7% of GDP >50% of its crude imports are from Middle East
- **India:** With ~80% LPG imports, country faces risk of CAD widening rapidly
- **Japan:** ~90% crude from Middle East via Hormuz. CDS +57% YoY as LNG prices surge
- **Bahrain:** ~140% debt/GDP (Fitch), No Hormuz bypass, and Iran strikes = downgrade
- **Egypt:** High debt, FX stress, resulted in CDS >645bp - approaching distressed territory

Asia Net Oil Imports (% of GDP, 2025)



Source: Bloomberg, Fitch, CEIC | Data as of March 19, 2026 | **Note:** Net oil import data (% of GDP, 2025). A 10% oil price rise widens current account deficits 40–60bp in Thailand, Korea, Taiwan, Philippines.

Winners' vs Losers: Sectors Oil Sensitivity (2/2)



Sectors That Benefit

Energy E&P, Integrated Oil & Gas, Oilfield Services

Direct revenue beneficiary

Defense & Aerospace

Structurally rising global spending; conflict boosts multi-year uplift.

Fertilizers

Ras Laffan disruption in Qatar impacting urea supply leading to price surge.

Gold Miners

Commodity Price surge and safe-haven demand major drivers.



Sectors Negatively Impacted

Airlines

Fuel = 15–35% of costs; routes disrupted; no pricing power to offset cost surge

Transport & Logistics

Cape rerouting adds 10–14 days + cost; margin compression

Petrochemicals, Consumer Discretionary & IT

Input cost surge; demand risk; helium supply risk.

Actionable Portfolio Playbook

Position For

IG Over HY Across the Board

US HY still remains tight versus 52-week lows and can widen further. IG is also tight, but further widening of 40-50bps could be manageable. Favour physical-asset sectors, such as utilities, energy, infrastructure, with real pricing power.

Gold on Dips

Consensus targets \$6,200–6,300 by end-2026. Structural bid: de-dollarisation + elevated central bank buying. TIPS also offer inflation hedge if oil sustains >\$90/bbl.

Prefer Energy, Defense, & Fertilizers

Energy E&P + integrated = direct beneficiary. Defense spending structurally rising globally. Urea and Fertilizers producers to benefit from price surge after Qatar LNG halt (fertilizer prices tripled in 2022).

Intermediate Duration, High Quality Bonds

Favour 3–7yr IG corporates. Lock in yields before any easing cycle. 10yr 3.75% floor without Hormuz resolution. TIPS over nominals, given that this is an inflation shock and not demand shock.

US Over International (Near-Term)

Energy independence + safe-haven flows. Post-conflict: international valuations 30%+ cheaper. Build rebound list now: KOSPI, DAX, India at attractive valuation entry points.

Helium-Integrated Plays

Helium distributors benefit from 40% global helium scarcity. Given pure supply constraint, price responds immediately.

01

02

03

04

05

06

Avoid

Oil above \$100+

In a prolonged stalemate scenario, Brent retreats to ~\$75-80/bbl. Avoid buying at \$100+, which could result in maximum reversal risk.

High-Yield and Leveraged Loans

US HY spreads can widen to 400–500bp and trigger capital losses. BDC + leveraged loan AI exposure adds a second structural risk layer on both sides simultaneously.

Beaten-Down EM

Avoid buying at lows -build a rebound list instead. KOSPI looks cheap, while India policy buffers strong. These are rebound candidates if conflict ends. However, avoid in prolonged conflict scenario.

Semiconductor

Helium supply (40% from Qatar) is a direct production risk for TSMC, Samsung, and Intel fabs. No substitute, no fast production response.

India & ASEAN Markets

India/ASEAN now face compounded multi-vector risk: (1) oil shock, (2) LNG shock, (3) fertilizer inflation, (4) helium disruption for semiconductor manufacturing. Current account deterioration is accelerating.

USD

Near-term safe-haven bid does not equal a long-term structural thesis. Post-conflict, dollar weakness resumes. De-dollarisation narrative intact and strengthened.

The Bottom Line

This is not a typical geopolitical shock. **The Strait of Hormuz closure has created the largest energy supply disruption in history.** GCC production is down 10M+ bbl/d. LNG, helium, urea/fertilizer, and sulphur supply chains are all simultaneously disrupted. Markets are still grappling with its true scope and duration.

Aranca View: Risk is skewed to the downside. The credit market is already signaling this, with spreads across IG, HY, and Country CDS widening, but equities have not fully caught up. The bond-equity divergence will resolve, and historically bonds have been right. Scenario B (prolonged stalemate) looks a reality, not a tail risk.

The Playbook: IG over HY. Duration over credit. Gold over silver. Energy + Fertilizers + Helium plays over tech. TIPS over nominals. Exporters over importers. US over international (near-term). Avoid semiconductor. If resolution comes, can rotate into beaten-down EM and European assets at attractive valuations.

DEFEND

IG bonds,
TIPS, cash



Hormuz Still Closed?

HEDGE

Gold, energy, defence,
fertilizers, helium plays



Ras Laffan Restarted?

WATCH

Hormuz, Ras Laffan,
FOMC, CDS spreads



Petroline Flow Confirmed?

PREPARE

EM/Europe rebound list
KOSPI, DAX, India



Allied Naval Force?

Decide Fearlessly

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