

Beyond the Headlines: Where Energy Risk Is Showing Up in Markets

As we reach Day 60 of the ongoing conflict with Iran, its financial, political and economic consequences are continuing to show up across markets in real time. The impact is meaningful, though it is not unfolding evenly, with different sectors, regions, and parts of the economy absorbing it in different ways.

With developments and headlines shifting daily, clarity becomes essential. This month's blog looks beyond the headlines to focus on how the war is showing up in markets today. The aim is to understand how these developments are being reflected in market behavior, how that differs across geographies, and how taking a behavioral lens can help stay focused in a shifting environment.

Key Developments

Please note: developments are evolving day by day. The points below reflect the most recent information as of April 30th and are intended to highlight broader trends rather than a fixed snapshot.

- Disruptions to key energy transit routes in the Strait of Hormuz have remained a source of uncertainty, with periods of restricted and inconsistent access ¹
- Negotiations between the U.S. and Iran remain fluid, with no clear or durable resolution in place²
- Approximately 20% of global oil, 20% of natural gas, and up to 30% of fertilizer supply disrupted³
- Ship traffic through the Strait remains well below pre-conflict levels ⁴ (CSIS)
- Oil remains elevated and volatile, with Brent above \$110 and WTI around \$100 (WSJ)⁵
- Growth expectations revised lower (~2% GDP; ~1.3% near-term)⁶
- UAE plans to leave OPEC, weakening coordination (AP News)⁷
- Israel–Lebanon ceasefire remains fragile (Reuters)⁸

Taken together, these developments are beginning to reinforce one another. Supply disruption, softer growth, and policy uncertainty are moving in the same direction, which makes the environment harder to interpret and outcomes less predictable.

How The Current Environment Is Taking Shape

WHERE THE IMPACT IS SHOWING UP

AREA	WHAT'S HAPPENING
 EQUITY MARKETS	Performance is diverging across sectors. Energy and defense are holding up, while travel, logistics, and manufacturing face rising costs and constraints.
 CREDIT MARKETS	Still stable on the surface, but pressure is building. Higher rates are increasing borrowing costs, especially in private credit, with risks not yet fully reflected.
 POLICY & RATES	Inflation remains uneven and energy-driven. Rate cut expectations have shifted, keeping borrowing costs elevated and tightening financial conditions.
 SECOND ORDER EFFECTS	Supply chain disruptions are increasing costs and delays. Operational changes are building gradually and may impact earnings over time.
 GLOBAL DIVERGENCE	Impact varies by region. The U.S. is more insulated, while Europe and Asia face greater exposure to energy shocks and import costs.

What This Snapshot Tells Us

What this points to is not a single clear trend, but a market environment shaped by uneven adjustment and rising uncertainty. Different parts of the system are moving on different timelines. Equity markets are reacting quickly, while pressure in credit and earnings is still building more gradually. That gap can make conditions look more stable than they are.

At the same time, higher rates combined with sustained energy pressure are reducing the system’s ability to absorb shocks. Adjustment is less likely to happen all at once and more likely to unfold over time, with second-order effects showing up first in how companies operate. Lufthansa’s cancellation of 20,000 flights through the fall⁹ is one example of how cost pressures are already translating into real economic decisions.

These dynamics are also not playing out evenly. Outcomes are becoming more dependent on sector and regional exposure, rather than broad market direction. Looking ahead, the path forward becomes closely tied to duration. How long energy remains constrained, how long rates stay elevated, and how long uncertainty persists will shape how much of this pressure ultimately comes through.

Behavioral Lens: Staying Grounded in Uncertain Periods

In environments like this, it's natural for attention to narrow and for reactions to become more immediate. The volume of information can make everything feel urgent, even when the underlying changes are unfolding more gradually. Three patterns are especially common.

First is **availability bias**: the tendency to focus on what is most visible. Headlines, price moves, and daily updates can begin to shape perception, while slower developments like margin pressure or credit conditions receive less attention.

Second is **action bias**: the instinct to respond quickly in order to regain a sense of control. In reality, acting too quickly can make it harder to stay aligned with longer-term objectives.

Third is **ambiguity aversion**: geopolitical situations, like this crisis, often have more unknown unknowns that make it difficult to assign probabilities to the range of possible outcomes. Investors tend to exhibit aversion to such ambiguity, which can lead them to stay out of the market for an extended period of time.

This is where working with your financial advisor becomes particularly valuable. Periods like this are not about reacting to each new development, but about stepping back, asking the right questions, and making decisions with the right timing.

A few helpful questions to guide that conversation:

- What has actually changed in the market, and what has not?
- How does this environment affect my current portfolio positioning?
- Are there risks that are developing more slowly that we should be paying attention to?
- Does this situation require action now, or is it something to monitor over time?
- Are we staying aligned with my long-term objectives?

Staying grounded does not mean ignoring what is happening. It means engaging with it in a way that is measured, deliberate, and aligned with a longer-term plan. It can also be helpful to remind oneself of past crisis, many of which were similar in scope or even had potentially bigger impacts, and how those played out in the markets in the long run.

Closing

Markets have moved beyond the initial shock and are now adjusting to its effects. What matters from here is duration. The length of time that energy flows remain constrained and prices stay elevated will shape how these dynamics develop.

Some of these adjustments are likely to persist even as conditions stabilize. Energy markets, supply chains, and global trade patterns tend to shift gradually, which is why clarity, discipline, and perspective remain important in periods like this.

Sources:

[1] Reuters (2026), Reporting on Strait of Hormuz disruptions

[2] Reuters (2026), US–Iran negotiations update

[3] Morgan Stanley (2026), Iran Conflict: Seven Takeaways for Investors

[4] Center for Strategic and International Studies (CSIS) (2026), Strait of Hormuz shipping activity

[5] Wall Street Journal (2026), Oil price movements amid Middle East conflict

[6] International Monetary Fund (IMF) (2026), Global growth outlook update

[7] Associated Press (2026), UAE and OPEC developments

[8] Reuters (2026), Israel–Lebanon ceasefire developments

[9] Associated Press (2026), Airline company Lufthansa cuts 20,000 flights as war squeezes fuel prices and supplies