

Iran war, Oil Shock, Growth Slowdown, and the Market Uncertainty

16 March 2026

- Abstract 1: Regime Shift! The conflict in Iran results in closure of Strait of Hormuz, this spikes oil prices to record weekly gain in over 40 years. Markets are pricing a physical supply disruption and no longer pricing risk premium.
- Abstract 2: Stagflation becomes a new narrative! A U.S. labor market lost over 90000 jobs in February weakening CB's ability to impose policies. FED is stuck between inflation risk and recession risks.
- Abstract 3: Russian stock market booming! After the start of the US-Iran war MOEX (Moscow Exchange) spiked to the multi-month highs, companies like Rosneft, Lukoil hit over 10% gain in two-week period.

Global Equity Strategist
Arseny Ignatiev
arseny.ignatiev@student.uva.nl

Head of Research
Junho Son
junho.son@student.uva.nl

The US-Iran conflict has rapidly escalated from a geopolitical risk to a worldwide supply chain disruption. The Strait of Hormuz, through which 20% of the world's oil flows, was effectively closed by Iranian military forces, with tanker traffic falling to zero.¹ That way Iran put in jeopardy the safety of the world's energy system.

Markets had priced a risk premium for an oil supply disruption, but now that premium has been realized and largely exceeded expectations. West Texas Intermediate crude surged 12.21% on Friday alone to close at \$90.90, marking the biggest weekly gain in the history of the futures contract. Brent crude jumped approximately 28% for its largest weekly advance since April 2020.^{2 3} The direct beneficiaries of that conflict are

Energy Equities (Energy Select Sector SPDR ETF - XLE, Exxon Mobil Corp - XOM, Chevron Corp - CVX), although they lag the spot price. The options markets offer defined-risk exposure for investors seeking upside without futures complexity.

Refineries and downstream players face disastrous pressure on their businesses. Data that Kpler provides shows that Asian refineries face output reduction of 3 million barrels per day.¹

Duration of the conflict is the key variable of the disruption. Kepler warns that these limitations cannot be bypassed, or no other supplier can replace 16 million barrels per day of other of Persian Gulf export capacity on any practical timeline. Morgan Stanley distinguishes sharply between a short conflict (weeks) and a prolonged war (months).^{1 2}

The disruptions are likely temporary, Fitch Ratings suggests. Noting that global oil inventories (8.2 billion barrels) could offset a complete halt of shipments through the strait for more than 400 days. A diplomatic resolution could trigger a sharp reversal.⁴

A classical stagflation setup was created by energy shock which is colliding with deteriorating economic conditions for which market was unprepared for. The US economy lost over 90000

¹ Pavlov, Andon. "Middle East Conflict – Oil Market Implications: A Continuing Assessment." *Kpler*, 5 Mar. 2026, <https://www.kpler.com/blog/middle-east-conflict---oil-market-implications-a-continuing-assessment>

² Xu, Conglin. "Oil Rises Sharply as US-Iran Conflict Disrupts Strait of Hormuz Flows." *Oil & Gas Journal*, 2 Mar. 2026, <https://www.ogj.com/general-interest/economics-markets/news/55360944/oil-rises-sharply-as-us-iran-conflict-disrupts-strait-of-hormuz-flows>

³ Shukla, Piyush. "Crude Oil Market Prices Hike in a Cruel Surge: Oil Markets Stunned as Prices Climb \$12 in 9 Hours — Here's What Sparked It." *The Economic Times*, 7 Mar. 2026, https://m.economictimes.com/news/international/us/crude-oil-market-prices-hike-in-a-cruel-surge-oil-markets-stunned-as-prices-climb-12-in-9-hours-heres-what-sparked-it/amp_articleshow/129170950.cms

⁴ "Hormuz Disruption Likely Temporary, Oil Price Upside Limited." *Mettis Global News*, 5 Mar. 2026, <https://mettisglobal.news/Hormuz-disruption-likely-temporary-oil-price-upside-limited-58839>

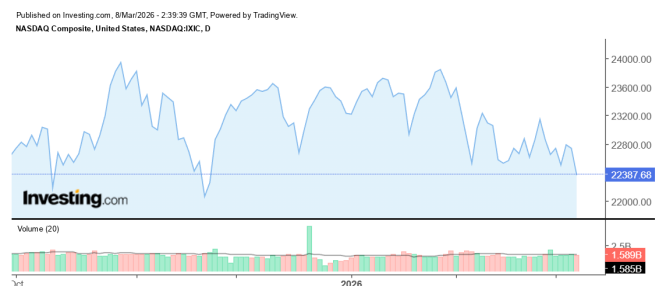
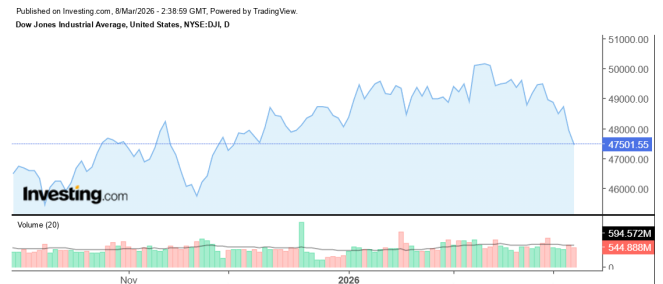
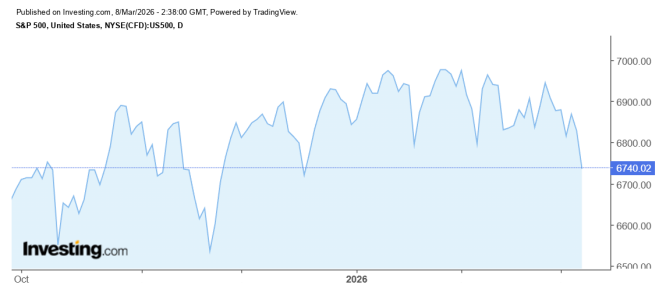
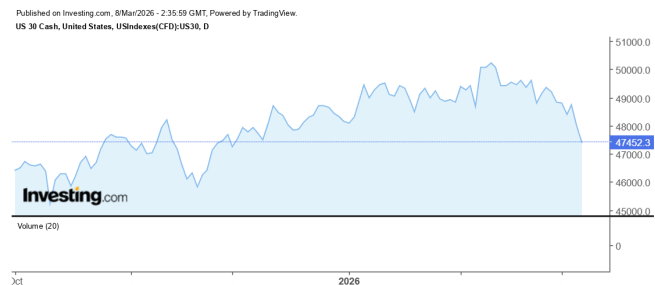
during February, it was one of the largest declines since pandemic, while unemployment rose to 4.4%.⁵⁶

The Central Bank is now paralyzed. San Francisco Federal Reserve President Mary Daly noted, the report commands attention, acknowledging that the labor market may be weaker than previously observed.⁵⁷

The S&P 500 posted its worst week since November, falling by 1.33% on Friday to 6740. This indicates that Equity faces a dual threat: (rising input costs squeezing margins and slowing demand by reducing revenues).⁵⁷⁸

The sector's dispersion becomes extreme. Nine out of eleven primary S&P 500 sectors ended up in the red, with consumer discretionary down 1.96% and materials down 1.89%. Meanwhile, energy managed a slight gain of 0.13%.⁵⁷

Traditional diversification is broken. The 60/40 portfolio is underperforming because bonds are not functioning as a hedge. The VIX fear gauge closed at 29.49, its highest level since April.⁸



When bond no longer hedge Equities and Gold shows mixed signals investors must search for new risk compensating strategy and express views through three distinct channels: energy channel, volatility/equity protection channel, and the Hedge channel.

While the old playbook "buy bonds on risk-off" showing as a failing strategy due to inflationary pressure of a current shock. The new playbook requires matching the underlying instrument to the specific narrative.

Focusing on the energy sector, Kpler notes that physical crude delivered into China is approaching \$100 per barrel, while paper markets have not fully caught up, creating both risk and opportunity.¹

Second order effects are strong. Looking at Airlines, they are getting squeezed by high fuel prices and weakness of demand (since the airspace around the middle East is closed). Jet fuel prices in Singapore have climbed to approximately \$230 per barrel, which is a 140% increase.¹

⁵ "U.S. Stocks Drop amid Weak Jobs Data." *Xinhua*, 7 Mar. 2026,

<https://english.news.cn/20260307/421e9b1ffa284e46ab5e45a7ca687fe2/c.html>

⁶ Shukla, Piyush. "US Jobs Report Today: Nonfarm Payrolls Fall by 92,000 in February 2026 as Unemployment Rate Rises to 4.4% — What Will the Fed Do Now and Will the US Stock Market Fall Further?" *The Economic Times*, 6 Mar. 2026,

https://m.economictimes.com/news/international/us/us-jobs-report-today-nonfarm-payrolls-fall-by-92000-in-february-2026-as-unemployment-rate-rises-to-4-4-what-will-the-fed-do-now-and-will-the-us-stock-market-fall-further/amp_articleshow/129158484.cms

⁷ "Asia-Pacific News Summary at 1600 GMT, March 7." *Xinhua*, 6 Mar. 2026,

<https://english.news.cn/20260307/46ad93219d8d49f2a3ccab1f29079f69/c.html>

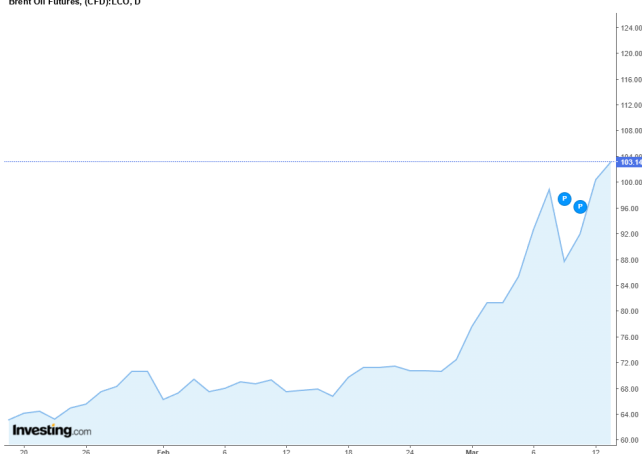
⁸ "Major World Indices." *Investing.com*, <https://www.investing.com/indices/major-indices>. Accessed 6 Mar. 2026.

Correlations can tighten further in a crisis, reducing the effectiveness of even granular positioning. All options strategies require careful attention to liquidity, open interest, and contract specifications.

The closure of the strait of Hormuz transformed Russian oil trade overnight. Centre for Research on Energy and Clean Air (CREA) showed that Russia earned six billion dollars in two weeks of a conflict. Of which estimated that €672 million represents additional revenue gained from huge spike in oil prices, in comparison to prewar revenue reports.⁹

Brent Oil Futures

Published on Investing.com, 15/Mar/2026 - 1:33:24 GMT, Powered by TradingView.
Brent Oil Futures, (CFD):LCO, D



The closure of Strait of Hormuz caused the largest supply disruption in oil market history. Prices for Brent crude oil rose to one hundred dollars per barrel. Lifted sanctions and spike in oil prices caused Russian Urals crude oil, which was traded at 10 to 13 dollars discount, gain 4 to 5 dollars premium.¹⁰

While the S&P 500 closed with remarkable downfall Russian stock market showed remarkable growth. The MOEX index to a multi-mount high.

Moex performance

Published on Investing.com, 15/Mar/2026 - 2:02:33 GMT, Powered by TradingView.
MOEX Russia Index, Russia, Москва:IMOEX, D

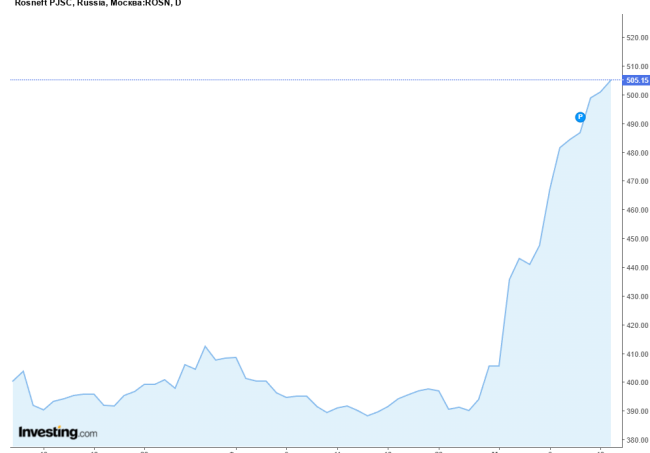


Multiple Russian companies showed high performance. Lukoil and Rosneft gained 10.87% and 28.43% in two weeks.

Published on Investing.com, 15/Mar/2026 - 2:09:47 GMT, Powered by TradingView.
LUKOIL PJSC, Russia, Москва:LKOH, D



Published on Investing.com, 15/Mar/2026 - 2:11:21 GMT, Powered by TradingView.
Rosneft PJSC, Russia, Москва:ROSN, D



⁹ The Guardian. "Russia earned €6bn from fossil fuel exports since start of Iran war, data suggests." *The Guardian*, 12 Mar

2026, www.theguardian.com/world/2026/mar/12/russia-fossil-fuels-revenue-us-israel-war-iran-data

¹⁰ Time. "How Russia Emerged as an Early Winner of the Iran War." *Time*, 7 Mar. 2026, time.com/7383068/iran-war-russia-oil.

Disclosures

This research report has been prepared by members of Prometheus Capital, an independent, student-run investment club in Amsterdam, NL. The report is produced solely for educational and informational purposes.

Analyst Certification

Each contributing analyst certifies that the views expressed in this report accurately reflect their own analysis and interpretation of publicly available data. No analyst received or will receive compensation related to any specific recommendation or opinion contained in this report.

Regulation

Prometheus Capital is not a registered financial institution and is not regulated by any financial industry. The club operates independently and is not affiliated with the University of Amsterdam, any financial firm, or regulatory body. Nothing in this report should be interpreted as compliance with, or endorsement by, any supervisory or regulatory organization.

Conflicts of Interest

Analysts and members of Prometheus Capital may hold academic or personal interest in financial markets but have no financial positions in the instruments or entities discussed. All research is conducted for educational discussion only and is free from commercial bias or incentive structures.

Methodology and Data Resources

All calculations, forecasts, and views are based on publicly available data and standard analytical methods. Sources may include official statistics, academic literature, and market data services. Documentation is available upon request.

Risk Warning

Financial markets are inherently volatile. Any analysis or opinion here is hypothetical and should not be relied upon for actual investment decisions. Readers should perform their own due diligence before engaging in financial transactions.

General Disclaimers

This report is provided for academic and educational use only. It does not constitute investment, legal, accounting, or tax advice, nor an offer or solicitation to buy or sell any financial instruments. Prometheus Capital, its members, and contributors accept no liability for any loss or damage resulting from reliance on this material.