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War in the Middle East – how long will the turmoil on the markets last?

The US and Israel have launched military operations against Iran, dragging the entire region into war. The US's political objectives are vague, while the risk of a setback at home for the president is considerable. The economic consequences depend on changes in energy prices, both in terms of their extent and, above all, their duration.

A significant portion of the oil supply passes through the Strait of Hormuz, which is currently closed de facto because there is no insurance coverage for transporters. Existing reserves are estimated to be sufficient for eight months to compensate for a total loss of supply through the Strait of Hormuz. Even if Iran's military power is weakened, it cannot be ruled out that they will succeed in disrupting shipping for a longer period of time. In addition, attacks on production facilities are possible, as was recently the case with the gas facilities in Qatar. Given this prospect, it is entirely possible that oil and natural gas prices will rise even further.

The economy's dependence on oil and gas has decreased significantly over the decades, so comparisons with historical oil crises are not helpful. However, the consequences for inflation, inflation expectations, monetary policy actions, and long-term interest rates are worth observing. Speculation about the development of these variables will preoccupy and influence the markets. Basically, it can be said that the longer the supply uncertainty persists, the more serious the consequences for the financial markets will be. Rising inflation expectations and capital market interest rates, as well as rising real yields, are affecting bond and stock markets alike.

The reactions on the equity markets to date have been very mixed. The correction in the US, whose economy is presumably less affected by the "energy shock" than Europe and Asia, was surprisingly modest. Risk premiums rose on the credit markets, and the US dollar and gold showed strength.

As an economic crisis is highly unlikely, we do not anticipate any massive slumps on the markets, but rather continued high volatility as long as the high level of uncertainty persists. For this turbulent phase, we consider a broadly diversified portfolio to be the "best" strategy for investors and would also stick to equity exposure.

Wangs, 3 March 2026