How the Iran War Is Reshaping the Macro Outlook

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Wichtige Erkenntnisse

- The Iran war is now driving a real energy supply disruption, not just a short-term fear spike, with Hormuz flows severely reduced and oil/LNG markets under sustained pressure.
- Central banks are likely to respond first by cutting rates less than expected, but a longer-lasting energy shock could force a tougher stance if inflation broadens and expectations rise.
- Asian equities are taking the biggest early hit from higher energy costs, while defence, rare earths, and strategic metals could emerge as relative winners in a prolonged conflict.
- Rising Gulf defence demand could support spending across the wider air-defence chain, from radars to interceptors

Iran, energy prices and why duration matters more than the first oil spike

The US war in Iran has intensified rather than stabilised. The Strait of Hormuz is effectively shut in market terms, shipping attacks have multiplied, and policy attempts to calm oil have not removed the risk premium.

Iran's new supreme leader, Mojtaba Khamenei, used his first public statement to vow that attacks would continue, to use the effective closure of the Strait of Hormuz as leverage against the US and Israel, and to consider "opening other fronts" if the war persists. That hardens the market's conclusion that this is no longer a temporary scare about what Iran might do, but a disruption tied to what is already happening.

Figure 1: Scenario framework: the duration of the war determines the market outcome

	Duration	Energy path	Growth	Earnings	Central banks	Impact on Equities
Short disruption	Days to weeks	Oil/gas spike fades as transit fears ease	Growth slows but stays resilient	Margin squeeze, limited Earnings per Share(EPS) reset	Mostly look through; fewer cuts rather than hikes	Energy outperforms briefly, sold-off cyclicals can recover
Protracted disruption	1-3 months	Oil stays elevated, gas and freight remain high	Clear stagflation drag, especially in importers	Broader downgrades in transport, chemicals and consumer cyclicals	Higher-for-longer bias, especially outside the US	Winners stay energy-linked; importers and cyclicals de-rate
Severe tail risk	> 3 months & infrastructure damage	Energy remains structurally high	Recession risk rises	Commodity gains are offset by weaker global demand	Policy trade-off turns harder; easing delayed	Value, Quality and Min Volatility are sought as safe havens

Source: WisdomTree as of 12 March 2026.

The International Energy Agency (IEA) has now described the conflict as the largest supply disruption in the history of the global oil market. It says oil and product flows through Hormuz have fallen from around 20mn barrels per day (bpd) before the war to a trickle, while global LNG supply has been reduced by around 20%1 . That is the crucial macro update: the oil move is no longer just a fear premium layered on top of comfortable balances; it is being supported by a genuine interruption to physical flows.

Central banks: fewer cuts first, then a tougher reaction function if the shock persists

For central banks, the reaction function is still about persistence, not the first headline print. A short-lived energy shock can be looked through. A sustained one that lifts inflation expectations, broadens pass-through and affects wages cannot. The Federal Reserve's (Fed) own research suggests oil shocks hit headline inflation quickly while the activity effect is initially smaller. The European Central Bank's (ECB) updated strategy explicitly says that large, sustained inflation deviations may require a forceful or persistent policy response to stop expectations becoming de-anchored.

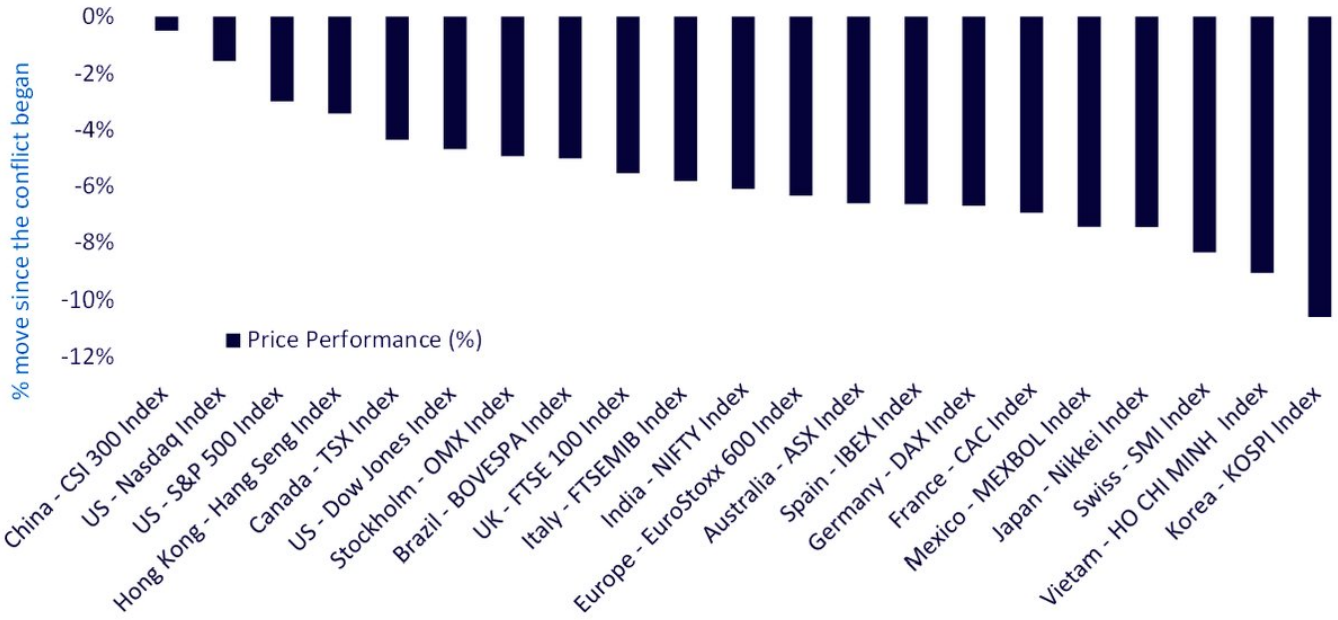
So, the likely sequence is first effect is fewer cuts, not automatic hikes. But the longer Brent stays, the less room the central banks have to ease. The ECB and BoE are likely to feel this constraint sooner than the Fed because Europe and the UK remain more exposed to imported energy costs, while Asia is most exposed at the regional level because around 80% of oil and oil products, and almost 90% of LNG, transiting Hormuz normally head to Asian buyers.

Equities: Asia takes the first hit, but security and scarcity are creating new winners

This explains why Asian equities have borne the deepest part of the initial sell-off. Higher crude, tighter LNG and a stronger dollar hit the region first through input costs, currencies and the rates backdrop. That is why Korea, Japan and Taiwan have led the drawdown, while China has been notably more resilient than its regional peers, with Chinese onshore equities falling far less than the broader Asian market in the earlier

phase of the sell-off. China is a special case here: while it is not immune to higher oil prices, it has greater energy diversification compared to others, and retains significant leverage in rare-earth supply chains.

Figure 2: Relative market moves since the conflict began



Source: Bloomberg, WisdomTree from 2 March – 12 March 2026. Historical performance is not an indication of future performance, and any investments may go down in value.

At the sector level, the first losers remain the most energy- and freight-sensitive parts of the market. Airlines, transport, chemicals, packaging and the more cyclical parts of consumer discretionary, where higher fuel, feedstock and logistics costs squeeze margins before revenue estimates have even fully adjusted.

There is, however, a second-order halo effect that matters just as much for equities. Once investors begin to pay for energy security, supply resilience and strategic autonomy, the re-rating does not stop at oil and gas; it spreads into the bottleneck materials that sit behind advanced technologies, industrial supply chains and defence systems.

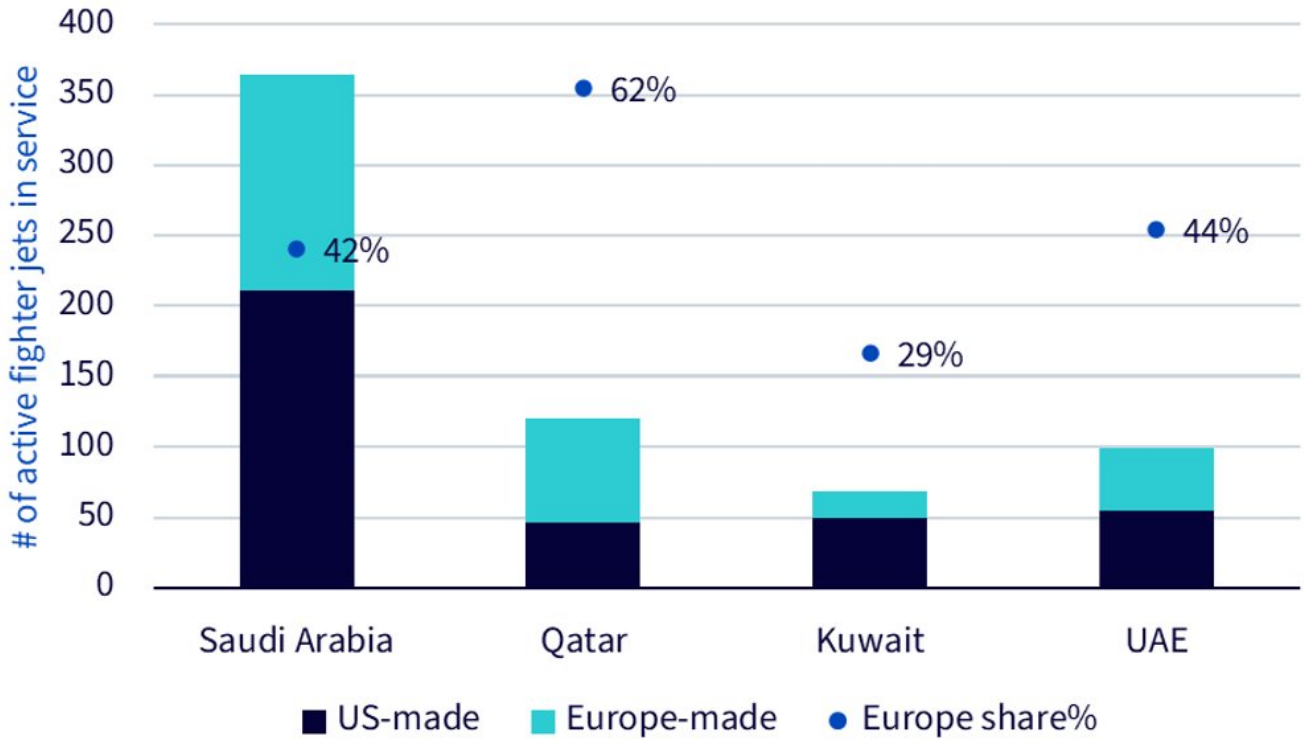
Positioning for Protracted Disruption

In the case where the conflict is prolonged, strategic metals miners may be set to benefit on a relative performance basis, particularly those exposed to rare earths and other hard-to-substitute inputs for advanced technologies. As governments and industrial buyers respond to the energy disruptions triggered by the conflict in Iran, the importance of securing critical supply chains is becoming clearer. The episode is a reminder that strategic materials, energy and defence technologies sit at the core of industrial and national sovereignty. Rare earth metals are key inputs for modern defence systems, including magnets used in precision targeting, radar systems, and drones. As military inventories are depleted during the

conflict, demand for these materials may increase as governments seek to replenish defence equipment and munitions.

At the end of the supply chain, producers of defence equipment may also see stronger demand. Defence companies with Gulf exposure could benefit as the conflict highlights the need for more resilient, layered air-defence systems. Recent missile and drone attacks on Gulf states have underlined the importance of air surveillance, counter-drone capability and interceptor replenishment, while also exposing the cost of defending against high-volume, lower-cost threats. Beyond the traditional US suppliers, selected European and Asian suppliers are also positioned to benefit. European defence groups also have a meaningful installed base in GCC aircraft fleets. Thales has established exposure to Gulf air-surveillance radars, while Korean suppliers have already secured missile-defence contracts in Saudi Arabia and the UAE, supporting procurement diversification beyond sole reliance on US systems. The rise in demand is likely to be felt across the wider air-defence systems, from radars and command & control systems to interceptors.

Figure 3: Major GCC fighter jet fleets show meaningful European exposure



Source: Flight Global: World Air Forces 2026

Conclusion

What began as an energy shock is increasingly evolving into a broader security-of-supply shock. If the conflict endures, sustained pressure on oil and LNG markets could reshape the path for inflation,

monetary policy and equity performance, raising the bar for central-bank easing and weighing on the most energy-sensitive sectors. At the same time, the disruption is accelerating the market's focus on energy security, supply resilience and strategic autonomy. In that environment, defence systems and the rare-earth supply chains that underpin them could emerge as key areas of relative strength.

1. International Energy Agency as of 12 March 2026

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