Investment Roundup

17 March 2026

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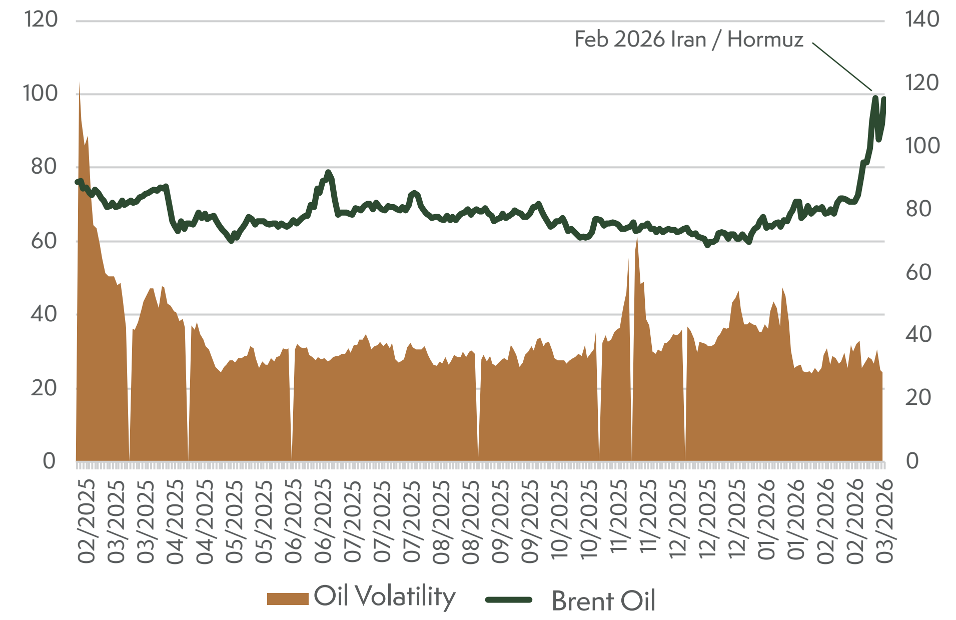
Brent Crude Oil Price VS Oil Volatility



Source: Bloomberg L.P., as of 12 March 2026

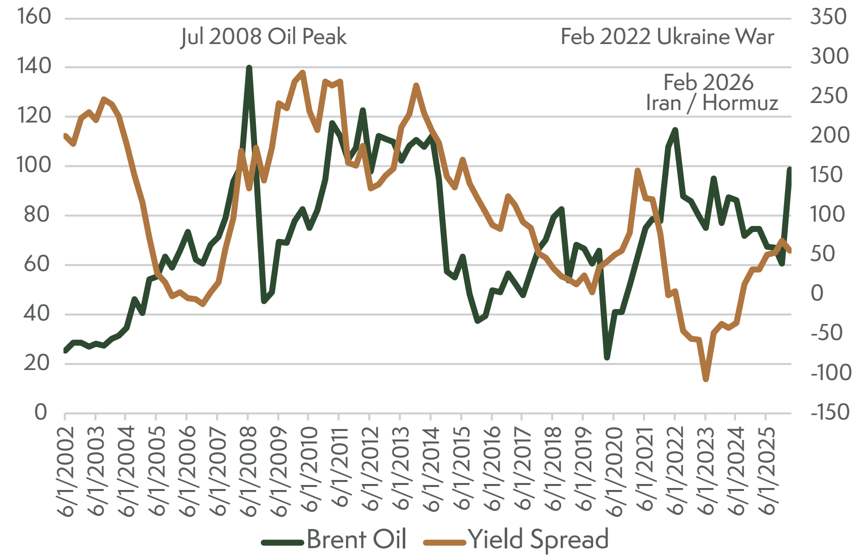
History shows markets react to duration, not magnitude

Recent market attention has been focused on developments around Iran and the Strait of Hormuz.

Oil prices have moved higher and volatility has increased. One question currently being discussed in markets is whether this could represent the start of a broader energy shock for global markets.

One way to look at oil shocks is that not all oil shocks are the same. For markets, what often matters is not only the magnitude of the spike, but also the duration of elevated prices.

Brent Crude Oil and US 2Y10Y yield spread



Source: Bloomberg L.P., as of 12 March 2026

The chart plots Brent oil prices together with oil volatility across several historical episodes. Two observations can be made.

First, oil volatility tends to spike before the actual price peak.

This happens because markets often price uncertainty before actual supply disruption becomes visible. Market participants may hedge potential risks early, which pushes volatility higher even before physical supply is affected.

This pattern was observed in 2008 and again in 2022, and current market conditions show some early similarities.

Second, and more importantly, the duration of elevated volatility tends to determine the broader market impact.

Short volatility spikes usually coincide with temporary geopolitical events. Once supply risks stabilise, volatility falls and oil prices tend to mean revert.
However, when volatility remains elevated for several months, it may signal a more structural supply issue or a broader macroeconomic imbalance.

Not All Oil Shocks Are Equal

Markets absorb spikes but persistent shocks drive deeper drawdown

	Oil Move	EQ (MSCI World)		Bonds (US10yr Treasury $ Chg		XAU (GOLD)		Inflation (US CPI)		Notes		
	1mth	1mth	6mth	1mth	6mth	1mth	6mth	1mth	6mth	**Shock Type**	**Market Reaction**	**Implications**
1990 Gulf War (Aug 1990)	-6.70%	0.18%	0.18%	-3.20%	2.38%	1.04%	2.64%	10.71%	1.79%	Short-term geopolitical supply disruption	Oil spike reversed once military timeline clarified	Markets absorb shocks when resolution path is clear
2008 Oil Peak (Jul 2008)	- 68.3%	1.80%	-30.17%	-0.26%	13.00%	-14.56%	-16.79%	-3.57%	0.00%	Demand-driven commodity supercycle peak	Oil collapsed as financial crisis triggered demand destruction	Demand shocks align with economic downturns
2022 Russia-Ukraine (Feb 2022)	1.2%	5.36%	-6.04%	-3.50%	-8.80%	0.99%	-8.18%	7.59%	5.06%	Structural supply disruption	Prices stayed elevated as sanctions rerouted supply	Persistent shocks lift inflation expectations
2026 Iran / Hormuz (Feb 2026)	41.0%	-4.26%	-	8.61%	-	0.02%	-	-	-	Geopolitical supply chokepoint risk	Markets pricing disruption risk through Hormuz	Persistence could reinforce inflation pressures

Looking at previous oil shocks, they can broadly be grouped into three categories.

The first is short-term geopolitical disruptions, such as the 1990 Gulf War.

Oil prices moved sharply higher on supply concerns, but the disruption was resolved relatively quickly. Equity markets initially declined around 6–7%, but recovered within a short period once the resolution became clearer.

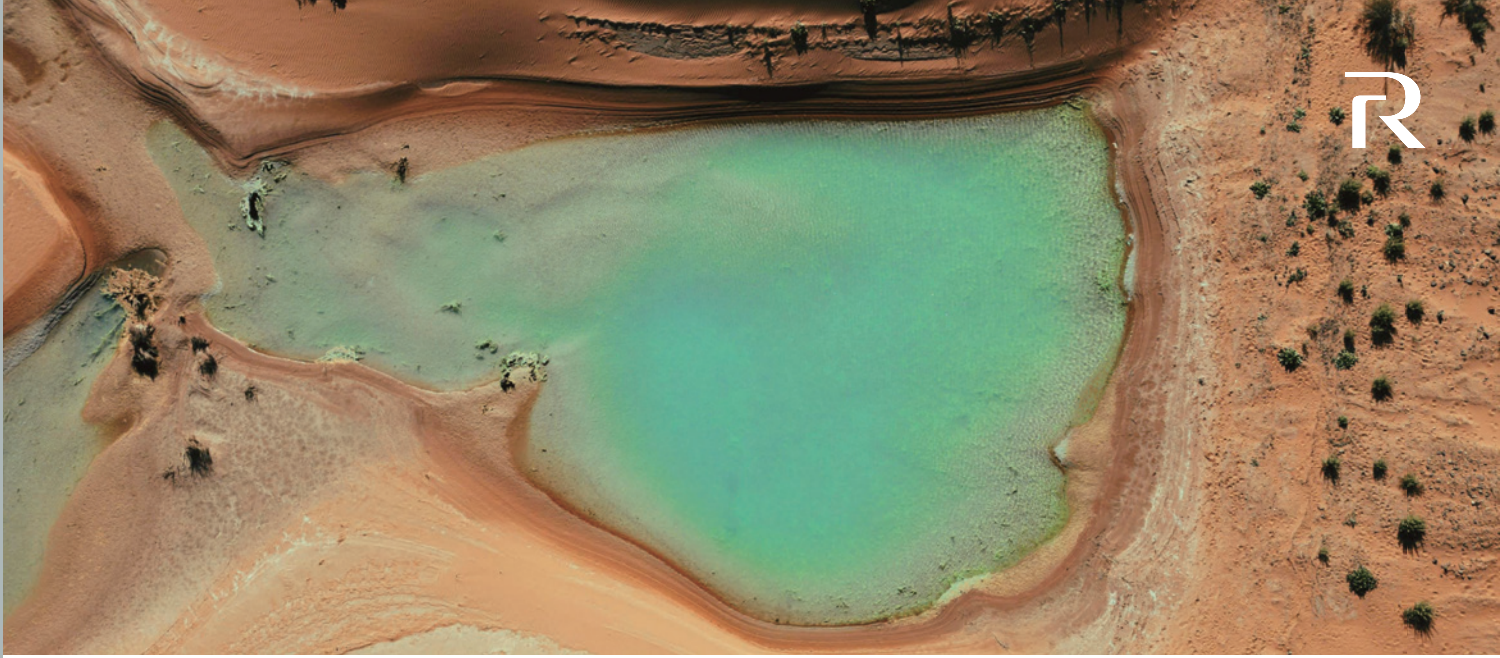
Across asset classes, the reaction was also relatively contained. Safe-haven assets such as US Treasuries and the US dollar saw temporary inflows, while gold moved modestly higher. These moves largely reversed as the geopolitical risk faded.

The second category is demand-driven commodity peaks, such as the oil surge in 2008.

In that episode, oil prices were rising because global demand was overheating. The spike coincided with the global financial crisis and the subsequent collapse in economic activity.

The equity drawdown was significantly larger, with global equities eventually falling more than 60% during the cycle.

In this type of environment, the cross-asset reaction tends to be much broader. Credit spreads widen sharply, commodity prices eventually collapse, and government bonds rally strongly as growth expectations deteriorate.



In this context, oil prices were less the cause of the downturn and more a signal that the global economic cycle was already turning.

The third category is structural supply disruptions, such as the Russia–Ukraine conflict in 2022.

Sanctions forced a rerouting of global energy supply chains, which kept energy prices elevated for an extended period.

The key consequence was persistent inflation pressure.

Even several months later, inflation remained elevated and central banks had limited flexibility to ease policy.

In this type of shock, the cross-asset response is driven largely by inflation expectations.

Bond yields remain volatile, real yields move higher, and commodities such as energy and gold tend to stay supported for longer.

This type of shock tends to have a more prolonged macro impact.

Current Situation

Applying this framework to the current situation, markets appear to be treating the developments around Iran primarily as a geopolitical risk premium rather than a structural supply shock.

Since the escalation began

- Oil prices have risen roughly 40% from recent levels
- Global equities have corrected only about 4%
- Gold has remained relatively stable

In other words, markets are acknowledging the risk, but they are not yet pricing a sustained supply disruption, in which case, if the situation were to prolong, the correction could deepen further.

Historically, when oil prices remain elevated, transmission channels often appear through inflation expectations, bond yields, and credit markets, before equities fully adjust. This is typically when broader macroeconomic effects become more visible.

Such developments may also influence how markets interpret the potential policy path of the Federal Reserve.

Looking ahead, developments that market participants may monitor include vessel movement through the region as well as conditions in credit markets, particularly high-yield credit spreads.