



The Impact of the Israel-Hamas War on Oil Prices

Amid near-term pressures, secular drivers will likely remain intact.

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The Israel-Hamas war could have broader implications beyond the Middle East. The situation is highly dynamic, and the human cost of the conflict will rightly remain the primary concern. Our thoughts are with those impacted by this tragedy, and we hope that the conflict is resolved soon.

The immediate impact on global financial markets has been relatively muted. The primary risk to the global economy is through oil markets, particularly if the conflict spreads to other parts of the region. Higher oil prices would hit consumer spending power and could potentially fuel inflation—making decisions more complicated for central banks that had been planning to slow or pause monetary tightening measures. An extended period of elevated energy prices could, for example, persuade some central banks to keep rates higher for longer.

Risks Could Remain Elevated

In the short term, the price of oil may remain elevated as markets assess the impact to commodity supply chains. While the direct oil market risk may not seem as acute since Israel produces a negligible amount of the world's oil

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supplies, the indirect oil market risk from a supply perspective is that Iran may become implicated in the war, resulting in an aggressive reinforcement of sanctions on Iranian oil exports. This could push prices higher, particularly given the market is already tight.

While OPEC has the capacity to offset lost Iranian exports, it is not entirely clear it would do so given the complex geopolitical dynamics in the Middle East.

We are also mindful that the conflict could impact natural gas prices in the near term. Israel has indicated its intent to shut down natural gas fields, and as the country sources about 1.5% of global supplies, the curtailment could have an impact on markets beyond the

region. Price pressures could impact diesel and fertilizer prices, which we will be watching closely in the period ahead.

History shows that these conflicts often impact commodity prices over shorter time frames but do not typically overwhelm the long-term drivers underpinning commodity cycles. Productivity and cost curves remain the key drivers of secular bull and bear markets in commodities, and we expect that to remain the case.

We continue to monitor the situation to understand the immediate and longer-term impacts on global markets and our investment portfolios.

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