EQUITY STRATEGY

The energy test for European sectors

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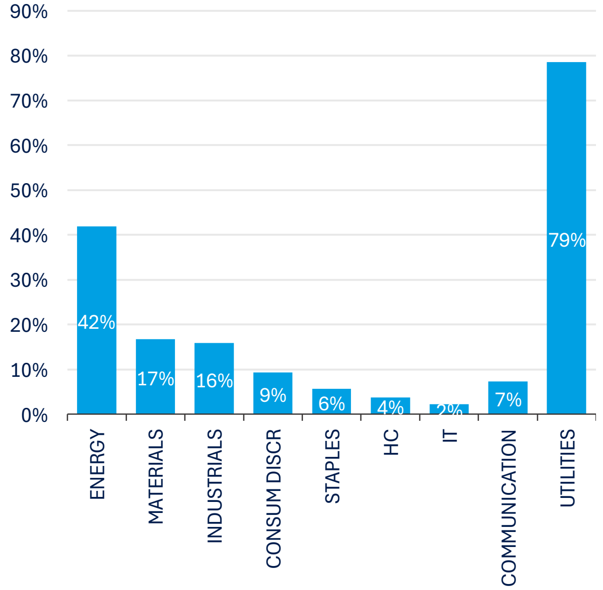
We believe that European companies’ Q1 earnings should remain relatively robust. As the Iran conflict only started at the end of February, the impact is likely to be more visible in Q2 reporting and beyond; while the pullback in share prices so far have mostly been due to valuation multiple de-rating from a higher equity risk premium given the uncertain outlook. The eventual magnitude of the earnings impact will ultimately depend on the intensity of the conflict and how long the Hormuz Strait energy supply blockages persist.

We note that generally **periods of higher inflation tend to support nominal earnings**, while **stronger currency pairs at the end of Q1 (compared to when guidance was issued in Feb), such as USD/EUR, should also be a modest tailwind for some sectors** (e.g. pharma companies generate more than 50% of revenue from North America). As evident from the Ukraine invasion experience of 2022, EPS growth was revised higher for many sectors, with energy leading the way. This should be the case again for the Iran conflict, with **energy and utilities set to benefit from higher oil**, **LNG and power prices.**

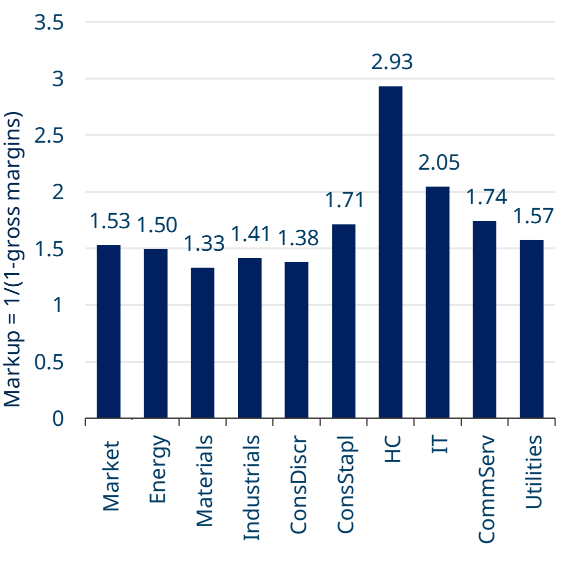
In addition, the financial sector’s revenues should benefit from the higher yield backdrop, albeit potentially offset by any front-loading of loan provisions under the new IFRS 9 accounting rules for some institutions (mostly by the UK Asian banks which have exposure to the Middle East region). **Chemical companies could benefit from supply dislocations**, and airlines are protected in the near term by fuel hedging programmes, although they face jet fuel shortages if the situation persists. The push by policymakers to secure Europe’s energy supply over the coming years is also likely to intensify, and this should support the renewable industry, as well as companies involved in the electricity grid buildout.

Energy costs as % of input costs vary substantially across sectors



Source: Amundi Investment Institute, Eurostat IO table (naio_10_cp1750). Data as of 2023.

And the (lower) mark-up penalises the most energy intensive segments



Source: Amundi Investment Institute, Bloomberg. Data as of 27February 2026.

However, **the longer the conflict persists, the greater the toll on economic growth across the region, which would create margins and earnings pressure**. While Eurozone PPI remains substantially below the level seen before Ukraine was invaded (EZ PPI was around 29% YoY in February 2022, it is firmly below -3% YoY currently), **macro conditions are less conducive for most companies now to a full pass-through to consumer prices, and this highlights a negative asymmetry for margins.** Higher energy prices would likely penalise sectors with high energy costs as a percentage of total input costs, as well as those facing intense competition and limited pricing power. This would be the case for the transport sector (where, on average, around 30% of input costs are energy-related) and consumer discretionary stocks. **In addition, weaker consumer affordability and confidence would adversely affect demand for consumer products in general.** The ability of companies, such as those in consumer staples, to raise prices to offset higher raw materials and energy costs is also likely to diminish, in contrast to the Ukraine-related inflation shock.

"The longer the conflict lasts, the greater the drag on growth, earnings and markets."

The consequences of a long-lasting conflict will increase the risks of recession over time (more adverse scenario).

If higher energy prices persist, global recession risks increase, creating asset-quality concerns for banks and insurance companies, notwithstanding their currently strong balance sheets and solvency levels heading into this crisis. Global companies' supply chains have been better diversified in recent years, although reliance on certain products, such as helium and agri-feedstocks that pass through the Strait of Hormuz, could adversely affect some sectors, including semiconductors and medtech, as shortages emerge. **Demand destruction and delayed capex decisions are also likely in this scenario, which would be negative for industrial companies and the wider economy**. While defence stocks should benefit from current conflicts and heightened geopolitical tensions underlining the need for Europe to re-arm, there has been some volatility in this sector since the outbreak of the Iran conflict, due to long positioning and worries about potentially higher government fiscal deficits which may be exacerbated by the potential need to subsidise energy prices.

Therefore, we may see a slowdown in new defence orders if the conflict persists and the economic outlook deteriorates, although longer-term growth remains well underpinned for this sector. Energy and utility companies also increasingly face the risk of new government taxes/levies over coming months if they are perceived to be generating super normal profits at the expense of the public.

European sectors impact of a short-term conflict

The main transmission channels to sectors are higher oil and gas prices, which feed through to margins, input costs, consumer spending and inflation.

A second channel is the macro and policy response: stronger inflation can keep rates higher for longer, lift credit risk, and increase intervention risk in more regulated sectors.

Positive impact in scenario of short-term conflict: energy / chemicals / utilities (especially renewables) / financials may see some benefit over the short term from the conflict.

Negative impact in scenario of short-term conflict: consumer discretionary / transport companies are more vulnerable.

At this stage it is unclear if companies will provide new / reset financial guidance for the remainder of full-year 2026 given the uncertainties in the macro outlook.

Source: Amundi assessment as of 10 April 2026.

European sectors – assessing the impact of the energy shock

Sector		Impact on earnings from the Iran conflict
Communication Services	**Mixed**	Telecom and media should be relatively insulated. Most companies are better hedged against energy costs than they were before the Ukraine conflict. The main risks are indirect, through weaker sentiment and higher inflation.
Consumer Discretionary	**Negative**	There is direct exposure for companies with Middle East operations (accounting for mid- to high-single-digit percentages for European luxury companies) as well as indirect exposure through higher inflation, supply-chain disruption and weaker consumer confidence. The auto sector could suffer from higher raw material costs plus possible supply constraints.
Consumer Staples	**Mixed**	Direct impacts are limited, but higher oil prices could feed product inflation via food, fertilisers, and packaging. Higher-margin names are more protected, while packaging-heavy companies face pressure. Organic sales growth and volumes matter more in the near term for earnings, though the expected stronger H2 may now be more challenging.
Energy	**Positive**	Higher oil prices support oil stocks, but LNG exposure may be even more leveraged. With US gas prices down year to date and European/global gas prices sharply higher, LNG players should benefit from strong spreads. The earnings impact is harder to gauge because much of LNG is priced with a six-month lag, but uncontracted volumes could generate strong margins.
Financials	**Mixed**	We expect near-term guidance to hold and may even benefit from higher rates. However, the sector is exposed to a macro fallout if we see sustained high oil prices over the long term. Higher inflation and interest rates can weaken economic growth, increasing credit risk.
Health Care	**Positive**	The sector should be largely resilient. A stronger US dollar is also supportive for companies with large North American profits. Medtech impacts will vary: the conflict could affect helium supply for MRI cooling, while areas like hearing aids and dental implants may face weaker demand if inflation hurts confidence.
Industrials	**Mixed**	Energy costs are a small part of input costs while the Middle East region contributes only low-single-digit revenue so the near-term impact is limited. Recovery in manufacturing and residential construction may be delayed until inflation eases. The aerospace aftermarket could suffer from fewer flying hours. For airlines with margins of only about 15%, a 50% rise in fuel costs could wipe out profits unless fares increase.
Information Technology	**Mixed**	Direct impact is limited, but supply-chain risks remain, especially around helium for semiconductors. Over 50% of helium comes via the Strait and supply is critical despite a small cost input. However, demand has remained strong, with price increases in memory, optical and power chips over the past 6–9 months.
Materials	**Mixed**	Chemical companies should benefit from tighter supply, higher prices and better spreads. Elsewhere, mining stocks' earnings should not be notably impacted but some have been de-rated as fears grow about a global GDP impact.
Real Estate	**Mixed**	Generally limited revenue exposure, in the short term. Higher rates are likely to be negative for the sector, impacting demand and dampening valuations.
Utilities	**Positive**	2026 impact is limited due to hedging, although higher commodity prices may support earnings for low fuel-cost companies. However, they could also lift inflation, keep rates higher for longer and increase risk of political intervention. When security weakens, energy independence is a focus, supporting domestic oil/ gas production or renewable expansion.

Source: Amundi Investment Institute. Data as of 10 April 2026.

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Amundi Investment Institute

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