Amundi
Investment Solutions

Trust must be earned

Investment Institute

Mapping the fallout: Iran, oil, and global markets

Cross Asset Investment Strategy

MARCH 2026 • Document for professional investors only

Table of contents

"It is still too early to change our base case for the global economy, but war in the Middle East raises downside risks to growth and upside risks to inflation, leading central banks to a wait-and-see approach."

Monica Defend
Head of Amundi Investment Institute

"This is a time for balance, not indiscriminate 'buy the dip' or risk aversion. Risk allocation should be diversified and selective, avoiding areas most exposed to leverage, inflation shocks, and AI disruption."

Vincent Mortier
Group Chief Investment Officer

MACROECONOMICS

Shockwaves: oil and the global economy

AUTHORS

Alessia Berardi
Head of Global Macroeconomics, Amundi Investment Institute

Monica Defend
Head of Amundi Investment Institute

The Iran conflict has prompted us to make targeted adjustments to our macro assumptions, rather than fully change our scenarios.

Overall, we have marginally upgraded our global inflation outlook, while growth adjustments remain minimal at this stage.

Europe is set to be the most affected, given its higher sensitivity to energy prices. The current energy shock is expected to push inflation modestly above target in 2026, though growth should remain relatively resilient under a temporary shock scenario. Latin America stands out as a relative winner, benefiting from its position as a major oil producer, while the GCC is currently the most exposed.

We have also revised our expectations for central bank policy. The stagflationary impulse from the conflict will reshape the growth and inflation risk trade-off, creating a policy dilemma for central banks globally. Overall, we expect policy rates to remain largely stable, as central banks adopt a wait-and-see stance, acknowledge stagflationary pressures, and postpone the anticipated rate cuts (see infographic on the next page).

Beyond the immediate impact, we are also assessing the potential implications should the oil shock prove more prolonged.

The oil 'what-if': Amundi oil shock scenario

Oil prices are the central transmission mechanism for the Iran war to seep into the real economy. Hence, the persistence of oil and gas prices at high levels (not the actual level, per se) and the duration for which the Strait of Hormuz remains impassable are two main factors that will determine the economic impact. We outline below the three phases (1. energy shock; 2. managed rerouting; 3. partial normalisation) through which we think the situation in the Strait of Hormuz could evolve in an oil shock scenario.

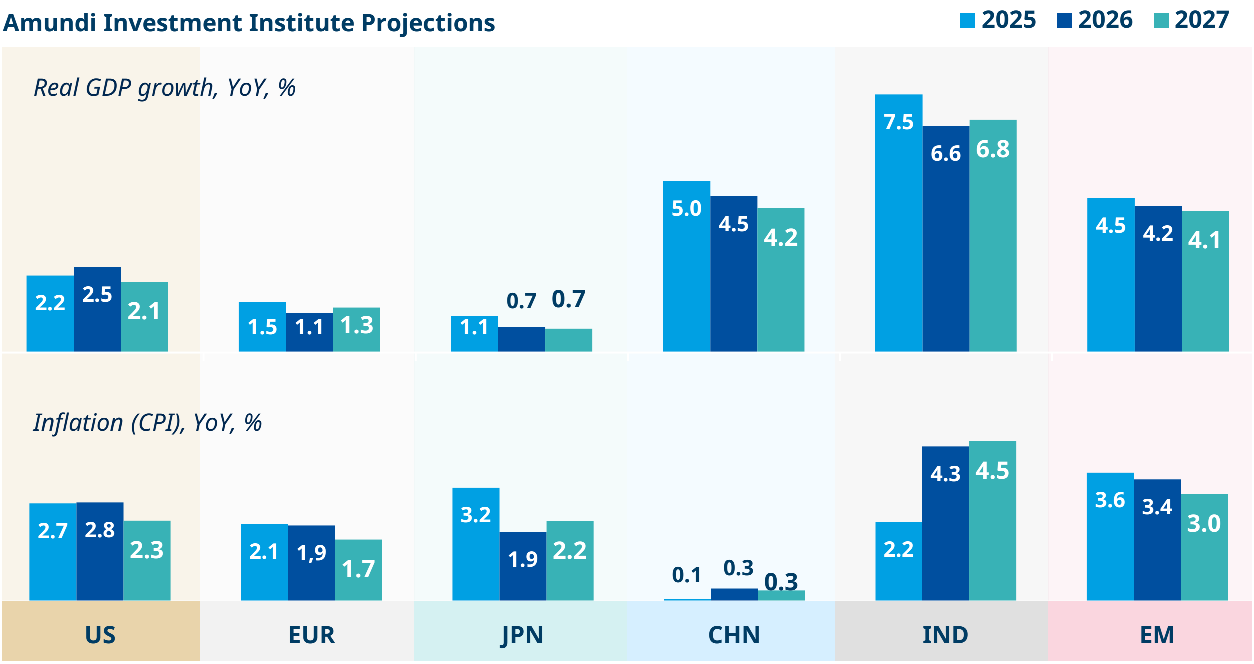
Oil price sensitivity to Strait of Hormuz duration and size of closure

% transit restored mbd	Energy shock	Managed rerouting	Partial normalisation
100%	$60	$60	$60
90%	$71	$72	$74
80%	$82	$85	$89
70%	$93	$99	$106
60%	$105	$113	$125
50%	$118	$128	$144
40%	$131	$145	$166
30%	$144	$162	$188
20%	$158	$180	$213
10%	$172	$199	$239
0%	$186	$218	$267

Sources: Amundi Investment Institute, IEA analyses based on Kpler, as of 10 March 2026.

Fine tuning of economic forecasts and Central Bank expectations, reflecting current higher oil prices

Amundi Investment Institute Projections



Central Bank policy expectations

FED	Easing bias retained but rate cuts* postponed to September and early 2027. The easing bias is confirmed by an exacerbation of economic bifurcation (more stress on low earners compared to high earners) and subdued labour market. The mild inflation spike will be consistent with the Fed continuing to ease policy rates.
ECB	On hold this year. We do not project any rate cut this year in our central scenario (from a cut earlier). However, the ECB should not hike either, trapped in a policy dilemma combining weak growth and high inflation.
BoE	Cuts postponed. We have postponed our rate cut expectations to June and September as the BoE is likely to ignore the mild upward pressure on inflation.
BoJ	No change. Tightening to continue with a higher sensitivity towards the yen. In the base case, we continue to see the BoJ hiking once by 25bps over the summer. A larger weakening in the yen could trigger a larger hike.
PBoC	No change to our policy assessment of two cuts starting in May**.
RBI	No change, we expect the RBI to stay on hold this year.

Sources: Amundi Investment Institute, as on 10 March 2026. *25 bps each, **total 20 bps. Source: Amundi Investment Institute. The chart presents the Amundi Investment Institute's reference projections based on information available as of 10 March 2026, incorporates tariffs implemented up to that date in 2026, and does not consider major disruption from the Iran conflict. The oil shock scenario is based on the assumptions in the Amundi Oil Shock Scenario slide. The scenario isolates the oil and gas shock transmission channel and does not fully capture broader strategic evolution of the conflict beyond energy disruption. These figures are for illustrative purposes and are subject to revision, in case of protracted oil shocks.

Shockwaves: oil and the global economy

Energy shock
Phase 1 **ACUTE DISRUPTION – HORMUZ CLOSED**

Scenario: US and Israeli attacks continue. Hormuz closed. Sharp spike in oil and LNG prices.

Key drivers of oil prices: market panic, higher shipping risk premium, precautionary buying

BRENT OIL PRICE **$100–$125** Brent oil price

Managed rerouting
Phase 2
CONSTRAINED REOPENING

Scenario: Iranian missiles destroyed, but drone attacks continue. Some transport through the Strait of Hormuz and through alternative routes. Elevated oil and LNG prices, Europe competing with Asia.

Key drivers of oil prices: Tanker rerouting, strategic reserves, China monitoring situation

BRENT OIL PRICE **$90–110** Brent oil price

Partial normalisation
Phase 3
FRAGILE STABILISATION

Scenario: Hormuz stabilised / traffic normalised, but street fighting may persist and/or civil war may follow. Oil and gas prices normalise but remain above pre-shock levels

Key drivers of oil prices: Inventory rebuilding, LNG flows to Europe, reduced risk premium

BRENT OIL PRICE **$80–$90** in Q3 and $**70** in Q4 Brent oil price

Macro implications: Emerging stagflationary impulse. The US growth premium versus the rest of the world is widening, though gains are uneven domestically. Europe will experience strong inflationary pressure from oil and gas, and rising PPI in China will feed through to higher inflation.

Policy mix: A stagflationary impulse will reshape the growth/inflation trade-off, creating a policy dilemma for central banks globally. With monetary policy rates largely stable, fiscal support is expected to be reintroduced or expanded.

Source: Amundi Investment Institute. Data as of 11 March 2026. This base case isolates the oil and gas shock transmission channel and does not fully capture broader strategic evolution of the conflict beyond energy disruption.

Phase 1 Energy Shock: The phase of acute disruption in which the Strait remains impassable, traffic is near zero because the US and Israel continue to bomb Iran and the latter retaliates. Brent prices stay between $100-$125/b and LNG prices also surge as shipping risks and insurance premiums rise. Across markets, that translates into risk-off or panic, and precautionary buying of energy.

Phase 2 Managed Rerouting: Constrained reopening of the Strait, some traffic is also rerouted through alternative routes. Iranian missiles are destroyed but drones continue their attacks. Brent prices come down within the range of $90-$110/b but stay elevated (from pre-war levels) as Europe and Asia compete for energy demand. Strategic oil reserves at the country level become crucial to navigate this phase for countries very dependent on the Hormuz supply.

Phase 2 may also include a more extreme scenario that extends beyond a short-lived energy shock and evolves into a more persistent phase of regional disruption.

The Strait of Hormuz will not be fully closed, but traffic and logistics are impaired for a prolonged period through rerouting, higher insurance and freight costs, periodic security incidents, and lingering geopolitical risk premia. Oil and LNG prices stay elevated relative to pre-shock levels, even as most of the stress gradually fades.

In this case, the macro impact is that of a stagflationary impulse, which is strongest in energy importing regions, with inflation staying higher for longer and growth weakening unevenly across economies. Central banks are forced to respond in a more cautious and fragmented manner. While the Fed will look through the inflation spike, the ECB would face a sharper inflation-growth dilemma. Some EM central banks may delay or reduce easing in this case. In this scenario, we have isolated the oil and gas shock transmission channel (to the economy) and do not fully capture broader strategic evolution of the conflict beyond energy disruption.

Phase 3 Partial Normalisation: A fragile stabilisation and normalisation of traffic through the Strait happens three months from now, but protestors and dissenting militias may have taken to the streets in Iran trying to overthrow the regime; a civil war is a possibility too. As long as shipping traffic passes normally through the Strait, this fighting on the streets doesn't affect Brent (and gas) prices, which stabilise between $80 and $90/b before moving later to $70 (closer to a Global Demand-Supply Fair Value). This would result from rebuilding energy inventories, normalising LNG flows to Europe, and a reduction in risk premiums.

Regional implications of the oil shock

The stagflationary impulse from sustained higher oil prices will have an uneven impact across countries. The US economy is expected to remain more resilient, resulting in a widening growth premium over the rest of the world. However, the impact within the US will vary, with notable differences across sectors and income groups. Europe faces pronounced inflationary pressure from oil and gas, while rising producer prices in China are set to add to global inflation.

"Stagflation risks are rising, with uneven effects: the US growth premium widens, Europe faces stronger inflationary pressures, and higher Chinese PPI will add to global inflation."

Europe is more vulnerable to the type of shocks that we are pencilling in, compared to the US. The region has been aiming for energy autonomy (as part of its strategic autonomy), diversifying its supplier base and its energy needs. This crisis may well turn into an accelerator of higher autonomy and greener energy. In the near term, however, Europe faces stronger headwinds, with higher inflation and weaker growth. This will further reinforce the case for the ECB to remain on hold.

Price pressures in both Western and Eastern Europe will be affected. Overall, the headline inflation shock is expected to extend to core inflation before being reabsorbed, thanks to demand disruption. **With respect to growth, Germany in Western Europe, as well as Turkey, Romania and Czech Republic in Eastern Europe, will be the countries most affected by higher oil and gas prices.**

In contrast, in the US we expect a more limited impact on inflation (more flexible and competitive energy market) and growth. However, the oil shock is expected to amplify already existing inequalities: energy-intensive consumption is more relevant for low-income earners. Heading towards the midterm elections in November with mild domestic support for the military action in the Middle East, there will likely be a high incentive to end the strikes and/or to reinforce household support by containing inflation. With a mild impact on growth and relatively stronger impact on inflation, we believe that Fed cuts should be off the table.

In Asia, we see negative impacts on China, Japan, and India.

In Japan, growth has been slightly downgraded, and inflation upgraded. The incentives to consider affordability measures to contain inflation are even higher than before; with the big unknown being that the JPY could further disrupt the inflation path.

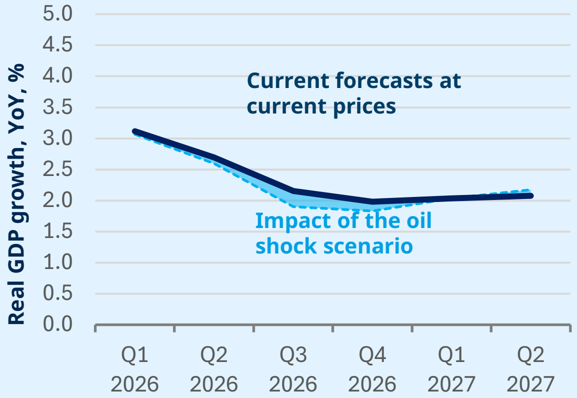
Beyond the available oil reserves, we can't neglect the **relevance of Hormuz for China**; however, the policy mix as a percentage of energy consumption has been changing over the years, with electrification increasing and coal declining substantially: the mix can rebalance during a crisis. Anecdotally, the spared LNG physical supply is shifting to Asia.

As far as India is concerned, energy retail prices are relatively safe in this environment thanks to companies absorbing costs and the government stepping in to reduce the burden of very high oil prices. More **disruption to economic activity is possible** and in addition to that, while a commitment to the fiscal target may remain visible, expenditure may shift away from capex, further reducing investments.

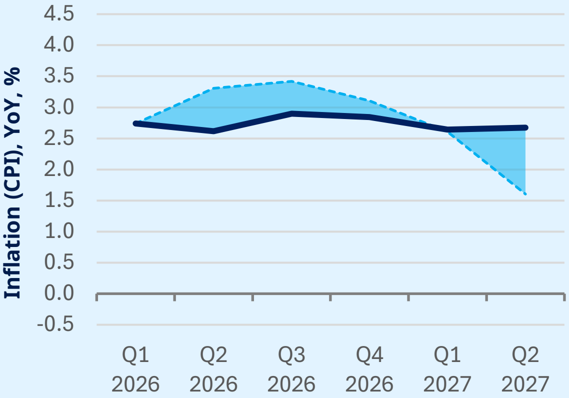
Amundi oil shock scenario – regional impact

US

Growth

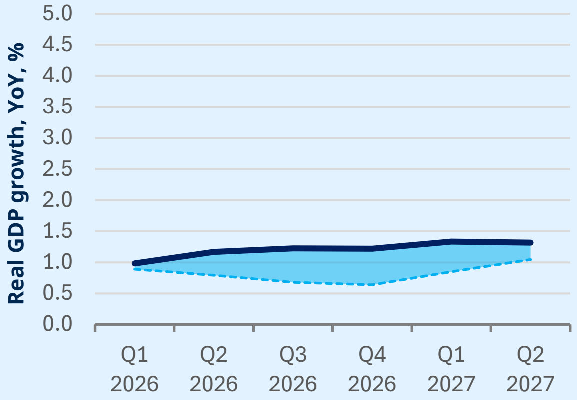


Inflation

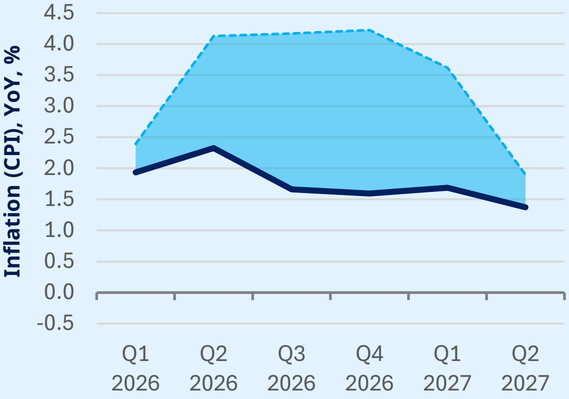


Europe

Growth

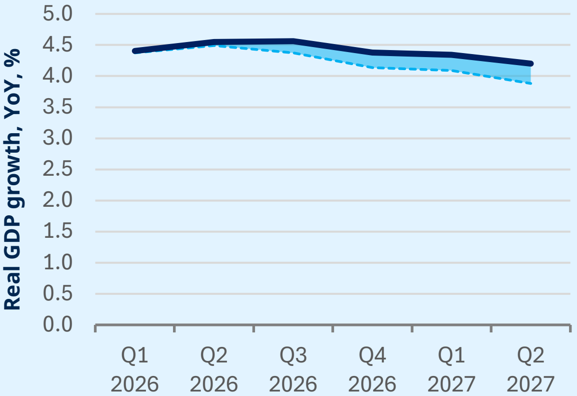


Inflation

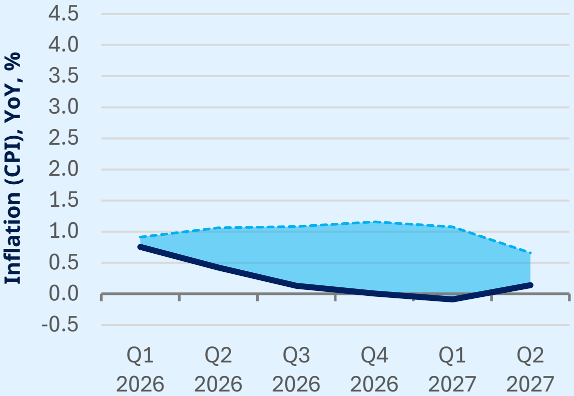


China

Growth



Inflation



Source: Amundi Investment Institute. The chart presents the potential impact of the oil shock scenario based on the assumptions in the Amundi Oil Shock Scenario slide. The scenario isolates the oil and gas shock transmission channel and does not fully capture broader strategic evolution of the conflict beyond energy disruption. These figures are for illustrative purposes and are subject to revision. Data as of 10 March 2026. Eurozone assumptions are based on Germany, Italy, France and Spain simulations.

GEOPOLITICS

How could the war evolve?

AUTHOR

Anna Rosenberg
Head of Geopolitics, Amundi Investment Institute

Since the onset of the war, the US and Israel have had two distinct desired outcomes: the ‘must haves’ and the ‘nice to haves’. The ‘must haves’ include weakening Iran’s missile and nuclear capabilities, as well as its military and regime apparatus. Regime change, however, remains a ‘nice to have’ for both the US and Israel, although for Israel, regime change has a higher priority than for the US.

By causing severe economic pain, Iran’s military strategy aims at getting the US and Israel to settle for the ‘must haves’ and avoid pursuing regime change. Based on available data, we expect the ‘hot phase of the war’ — the time it takes for the US/Israel to achieve the majority of their ‘must haves’ — to last another couple of weeks. That said, the issue of removing Iran’s highly enriched uranium is trickier.

At present, we see three scenarios emerging: a full ceasefire, fighting moving to the streets for a more prolonged conflict, or a full war at the present level of intensity that lasts longer. While the US is now seemingly looking for an off-ramp, it will be difficult for the US alone to end this war as the US president does not control all the forces that have been unleashed. As we have seen in Ukraine, despite Trump’s efforts, it is not easy to end wars.

The key signpost to watch is whether people will take to the streets and militias will try and seize the opportunity to overthrow a weakened regime. This is likely, in our assessment. The Iranian diaspora will likely call upon Iranians to resume protests at home, while separatist Kurdish militias will try their luck, and these efforts will likely be supported by Israel. The key question is when does this happen — immediately after the hot phase, or at a later phase.

If Israel does not succeed with regime change, it would likely prefer Iran to be destabilised, inward-looking and busy with itself. The regime will therefore continue to fight for survival, and we expect sporadic drone attacks in the region to persist.

If the regime survives, the only conclusion it can draw from the current conflict is that it needs a nuclear weapon to protect itself. This means that the diplomatic path to solve the nuclear threat is now even more difficult, making a military solution more acute for Israel and the US.

Iran war possible evolution

We’re here now: War hot phase with US/Israel attacks continuing to weaken Iran’s military reach

	Strait of Hormuz	Political conditions	Timeframe & likelihood
FULL CEASEFIRE	Strait reopens fully	US/Israel aerial bombardment stops; full ceasefire with Iran	Unlikely in the next couple of weeks, becomes more likely after Israel/US destroy Iran military capabilities
OIL SHOCK FOLLOWED BY STABILISATION Fighting moves to the streets, air attacks, and slow, regional drone/militia attacks persist	Strait partially reopens	Iranian missiles destroyed, drone attacks persist as fighting moves to street, US provides naval escorts/ insurance	Likely after the ‘hot phase’
WAR REMAINS IN HOT PHASE	Strait remains fully closed	Iran’s missile/drone capabilities stronger than assumed; no ceasefire, US fails to provide naval escorts/insurance	Depends on US success in reducing Iran’s missile capabilities, wheher other countries get fully involved, hot phase extends

Source: Amundi Investment Institute, Bloomberg. Data as of 11 March 2026.

INVESTMENT CONVICTIONS

Assessing the market's reaction to US-Israel strikes

AUTHORS

Vincent Mortier
Group CIO

Monica Defend
Head of Amundi Investment Institute

Philippe D'Orgeval
Deputy Group CIO

Following the US-Israel strikes on Iran, the markets have responded logically so far, repricing to reflect a higher risk of stagflation due to the energy price action. Brent oil and European natural gas futures rose sharply due to supply risks. As a result, breakevens and bond yields rose, and yield curves flattened.

Secondly, we have seen more volatility in segments that delivered strong performance earlier. For instance, emerging market equities (including South Korea), Japan, Europe and World ex-US and even gold fall under this category. Now, this volatility boosted the dollar — though not substantially — and US equities, as demand for US assets rose. In the short term, the US appears relatively safe, as it is less dependent on imported energy compared to Europe or Japan.

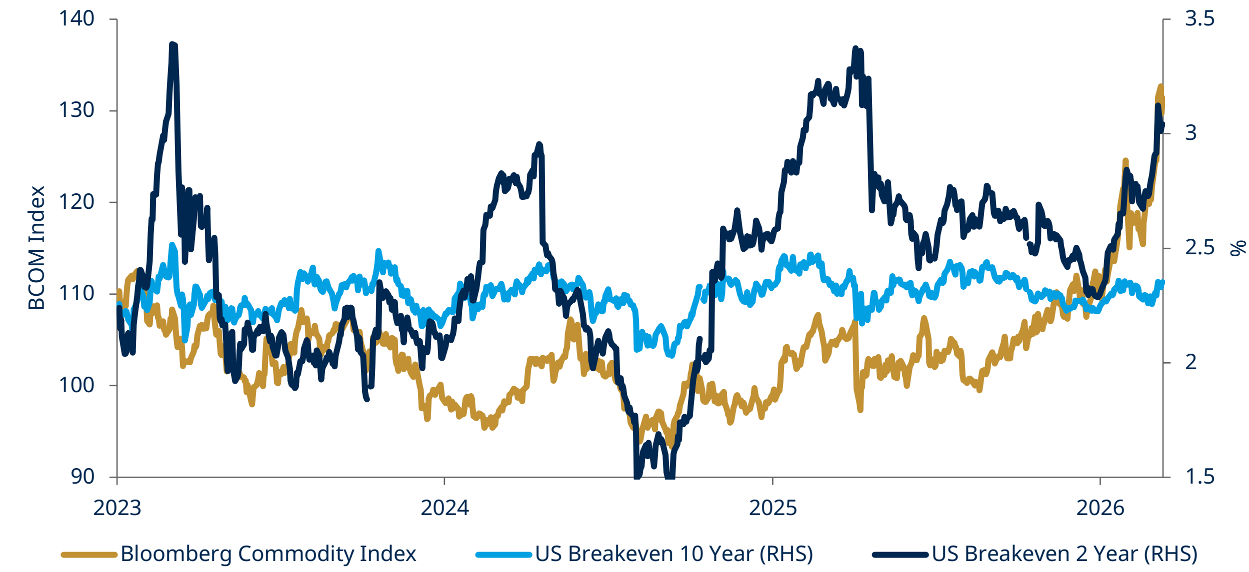
Investment implications

Global equities are witnessing a typical energy-shock pattern, with a spike in implied volatility, widening risk-premia, and a compression in market beta, as investors temporarily scale back risk budgets amid uncertainty about the persistence and scope of the shock.

Many key oil importers (such as South Korea) have been recent outperformers, and this leaves them more vulnerable to pullbacks, should the uncertainty persist. This is something we see as consistent with the evidence at sector level, where a rotation from financials and more cyclical sectors into energy and defensive names has recently emerged as a consequence of this crisis.

"Markets responded predictably: yields rose, curves flattened, and some of the best performing equities this year pulled back."

Commodity price gains not showing up in long-term inflation expectations



Source: Amundi Investment Institute, Bloomberg. Data as of 11 March 2026.

Look beyond the crisis and don't ignore pockets of weakness

We believe that, beyond the short term, fundamental issues such as the fiscal deficit, high US debt, and high-risk asset valuations in the US are very much in place. Additionally, the unconventional approach of the US President along with a challenging domestic political dynamic persists. Risks around the US tech sector and the private credit space also remain. These challenges reinforce the need for a geographically diversified approach, complementing US exposure with allocations to Europe and Emerging Markets.

Our main convictions are as follows:

- **In equities**, beyond the volatility, and barring a persistent shock to oil prices, we would expect risk sentiment to stabilise and leadership to broaden again, as the underlying trends in favour of international cyclicals, industrials and financials still hold. As the AI cycle shifts from digital applications to physical-world deployment, volatility may open opportunities for strategic winners.
- **In fixed income**, bond yields are facing dual pressures from safe haven demand and from the repricing of inflation expectations due to the surge in oil and gas prices. For the moment, we remain overall neutral with regional divergences. Additionally, market expectations regarding monetary and fiscal policies would continue to drive yields.
- **In emerging markets bonds,** we are assessing countries that rely heavily on oil and gas imports and are also getting wary of crowded trades. On EM and Asian equities we are positive, but we think that a prolonged military conflict, a further oil price shock, US dollar appreciation and potential inflationary pressures could detrimentally impact EM equities. We remain vigilant in responding to the emergence of these risk factors.
- **From a cross-asset perspective**, we have moved to a neutral equity stance and added hedges to navigate this volatile phase. We continue to focus on diversification with the inclusion of EM bonds, gold and oil in our overall asset allocation.

Amundi oil shock scenario: investment sequence

Energy shock Phase 1 **PRESERVE OPTIONALITY**	Managed rerouting Phase 2 **SELECTIVE EXPOSURE**	Partial normalisation Phase 3 **RE-DEPLOY RISK IN PORTFOLIOS**
Market regime: volatility spikes and flight to safety	**Market regime: volatility moderates, commodity shock persists**	**Market regime: risk stabilisation, macro concerns re-emerge**
Asset allocation: avoid strong directional risk. Preserve optionality.	**Asset allocation:** selective risk taking with commodity and exporter exposure.	**Asset allocation:** Gradual re-risking and diversification across regions.
Equities: defensive bias; energy producers and low beta sectors outperform.	**Equities**: commodity exporters and energy sectors lead; Europe and Asia likely lag.	**Equities**: broader participation; global industrials and financials outperform.
Fixed income: curve flattening. Inflation shock drives up break-evens even as real yields fall, neutral duration. Spreads widen, HY vulnerable	**Fixed income**: short end yields fall in both the US and in the Eurozone. Selective carry (EM exporters, IG). Spreads begin to tighten.	**Fixed income:** reconsider duration positioning on growth concerns, IG credit preferred, HY still late cycle.
FX: USD strong; FX commodity importers under pressure	**FX:** USD peak fades; commodity currencies outperform. DXY back to 96-98 range, EURUSD in the 1.17 – 1.20 range	**FX: USD** weakens on a broad-based correction as inflation volatility gets under control**;** Energy importers will benefit from a positive terms of trade shock, DXY < 95, EUR/USD up to 1.22.
Commodities: oil spike (Brent $100-125), **gold** supported as a diversification asset.	**Commodities:** Oil stabilises ($90-110), **gold** supported as diversification asset.	**Commodities: oil normalises ($90-70), gold** supported as diversification asset.

AII* Contributors

Alessia Berardi
Head of Global Macroeconomics, AII*

Federico Cesarini
Head of DM FX, Cross Asset Strategist, AII*

Ujjwal Dhingra
Investment Insights & Client Division, AII*

Claire Huang
Senior EM Macro Strategist, AII*

Lorenzo Portelli
Head of Cross Asset Strategy, AII*

Anna Rosenberg
Head of Geopolitics, AII*

Guy Stear
Head of Developed Markets Strategy, AII*

Annalisa Usardi, CFA
Senior Economist, Head of Advanced Economy Modelling, AII*

Chief Editors

Monica Defend
Head of Amundi Investment Institute

Vincent Mortier
Group CIO

Editors

Claudia Bertino
Head of Amundi Investment Insights and Publishing, AII*

Laura Fiorot
Head of Investment Insights & Client Division, AII*

Deputy editor

Cy Crosby Tremmel
Investment Insights, AII*

Data Visualisation

Vincent Flasseur, CAIA
Graphics and Data Visualisation Manager, AII*

Design editor

Chiara Benetti
Digital Art Diirector and Senior Designer, AII*

* Amundi Investment Institute

Date of first use: 13 March 2026.
Document ID: 5303280

Document issued by Amundi Asset Management, "société par actions simplifiée"- SAS with a capital of €1,143,615,555 - Portfolio manager regulated by the AMF under number GP04000036 – Head office: 90-93 boulevard Pasteur – 75015 Paris – France – 437 574 452 RCS Paris – www.amundi.com

Photo credit: banyu bening @Adobestock

Amundi Investment Institute

In an incrly complex and changing world, investors need to better understand their environment and the evolution of investment practices in order to define their asset allocation and help construct their portfolios.

This environment spans across economic, financial, geopolitical, societal and environmental dimensions. To help meet this need, Amundi has created the Amundi Investment Institute. This independent research platform brings together Amundi's research, market strategy, investment themes and asset allocation advisory activities under one umbrella: the Amundi Investment Institute. Its aim is to produce and disseminate research and Thought Leadership publications which anticipate and innovate for the benefit of investment teams and clients alike.

Get the latest updates on:

- Geopolitics
- Economy and Markets
- Portfolio Strategy
- ESG Insights
- Capital Market Assumptions
- Cross Asset Research
- Real and Alternative Assets

Visit us on

Visit the Research Center

Amundi
Investment Solutions

Trust must be earned