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Asset Management

OUTLOOK

The Strait of Hormuz: Markets in Turbulent Waters

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The economic challenges posed by the crisis in the Strait of Hormuz

Geopolitics returned to the forefront in March following the U.S. and Israeli **attack on Iran and the Iranian authorities' closure of the Strait of Hormuz in retaliation**. The **rise in energy commodity prices** severely destabilized the markets: a significant increase in short-term interest rates, especially in Europe, a decline in equity markets, and a global *deleveraging* that caused precious metals—which are usually resilient in such environments—to fall sharply.

It is **very difficult to make predictions during events of this nature due to the volatility of various announcements,** which trigger sharp declines followed by equally sharp rebounds. The inconsistency of Donald Trump's statements only adds to this instability.

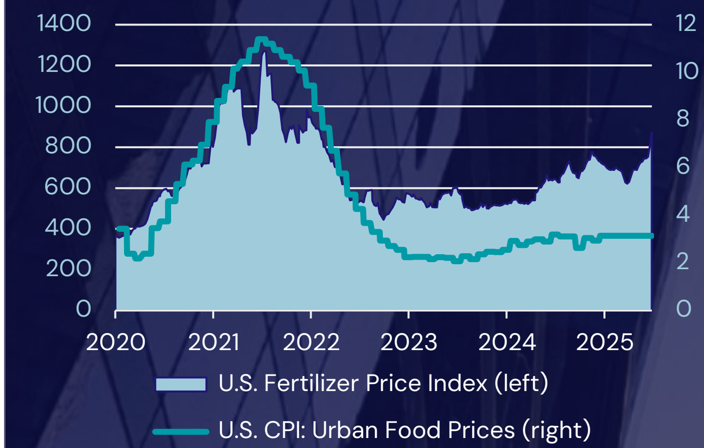
At the time of writing, **the market is regaining hope for a reopening of the Strait of Hormuz** in the near term following statements by the Iranian president that suggest a willingness to cease hostilities. But is he truly the one calling the shots in Iran today? There is no certainty on this point.

Despite the difficulty in making predictions, there are a number of points worth noting.

First, **this crisis does not affect only energy commodities.** The Strait of Hormuz is a strategic hub for a wide range of raw materials, including certain components needed for fertilizer production (30% of ammonia exports and 45% of sulfur exports). It is therefore likely that this crisis will lead to **a further rise in food prices** if it drags on, as was the case in 2022. A significant portion of aluminum (9%) also passed through the strait, which could similarly have **consequences for certain industries** (transportation, energy transition, food). Helium, 40% of whose global production passed through Hormuz, is necessary for the manufacture of optical fibers and semiconductors.

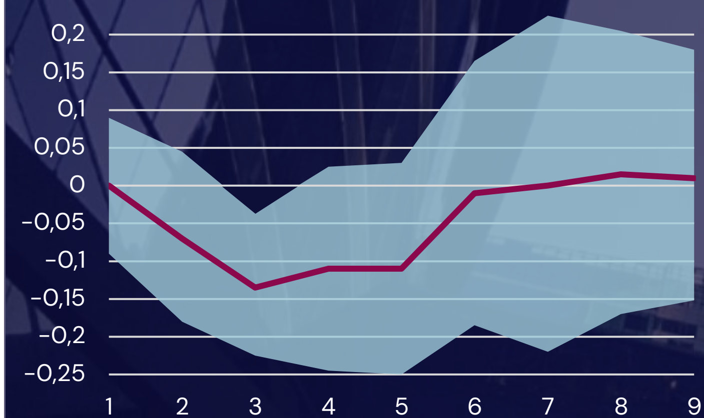
It is crucial to note that developed economies have significantly reduced their energy intensity over the past 50 years thanks to massive investments in nuclear power and renewable energy. This does not mean that these economies will be spared from fluctuations in energy prices, but it is essential to take historical differences into account. This observation is particularly relevant for the United States since it became a net oil exporter. **Budget Lab analyses indicate that the impact of a rise in oil prices on the U.S. economy would be relatively small,** estimated at between -0.1% and -0.15% growth for a $10-per-barrel increase. Given an anticipated U.S. growth rate of 2.5% prior to the shock, this would imply growth of between 1.5% and 2% in 2026 in the United States. **In Europe, the impact would be more significant**, likely reducing growth to 0% if the price per barrel remains sustainably above $100. In Asia, excluding Japan and China, the situation would likely be even more precarious.

U.S. fertilizer prices compared to food prices



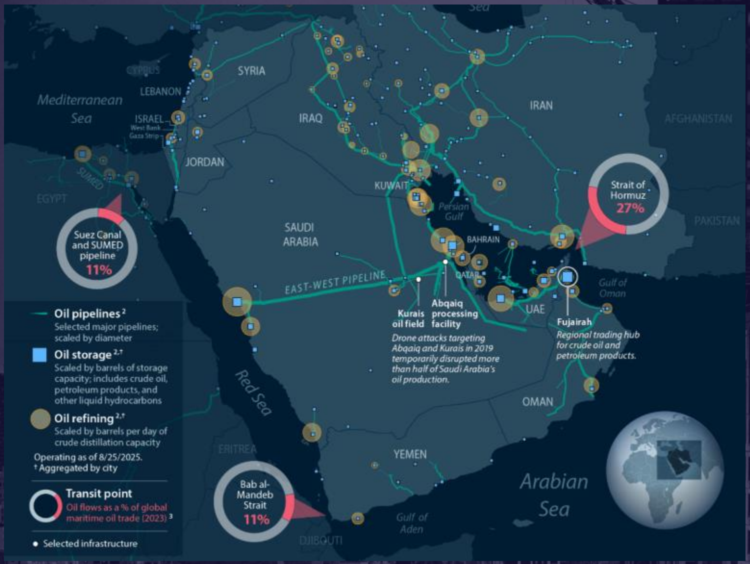
Sources: Bloomberg as of 01/04/2026

Sensitivity of U.S. real GDP to a $10 per barrel increase



Sources: BEA, Federal Reserve Bank of St. Louis, Känzig (2011).

Major transit hubs in the Middle East



% Oil flows as a percentage of global maritime oil trade (2023)

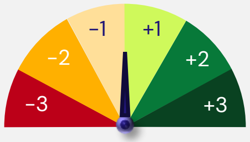
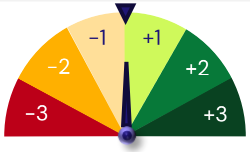
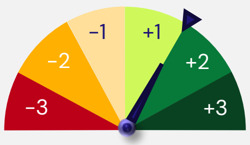
Sources: Budget Lab, Crédit Mutuel Asset Management, as of 31/03/2026

We are taking advantage of the downturn to reinforce certain convictions

Market reactions to geopolitical instability

Finally, it is important to note that **the supply shock currently affecting the oil market is of a rare magnitude**: 27% of maritime oil trade passes through the Strait of Hormuz, which accounts for approximately 18–19% of global production. Taking into account all the measures implemented to mitigate the overall impact (redirecting certain flows to the Red Sea or the port of Fujairah, tapping into strategic reserves, and reintroducing some Iranian or Russian oil to the market), the supply shock currently appears to account for **11 to 12% of global oil production.** This is already causing supply issues in certain Asian countries, which have already taken various measures to reduce demand by approximately 2 million barrels per day. These supply issues could reach Europe within 4–6 weeks if the shock persists. Finally, it is important to bear in mind that this supply shock could be exacerbated if the Houthis close the Bab al-Mandeb Strait; this would represent an additional supply shock of 6 to 7 million barrels per day.

In response to this crisis, we have adjusted part of our asset allocation. **On the equity side,** we **quickly neutralized the positive bias** in our portfolios. The market sell-off and the sharp decline in investor sentiment are almost tempting us to turn positive again—but that still seems a bit premature to us, with oil still at $100 and traffic in the Strait of Hormuz remaining sluggish. On the fixed-income side, **we have strengthened our positions in the short- and medium-term** segments. Indeed, we do not believe that European central banks will be able to raise rates sharply, as the markets currently anticipate, in the event of a prolonged crisis. Finally, we are taking advantage of the downturn to **reinforce certain convictions**; this is the case for utilities on the equity side, as well as gold and gold mining companies.

Asset Class	Outlook	Strategic Vision
EQUITY		**A neutral stance** due to the conflict in the Middle East. We are waiting for a market pullback or further clarity before turning more positive again. We favor U.S. stocks in the short term.
CREDIT		**A neutral stance** here as well. Credit spreads have changed very little compared to other asset classes, but rising interest rates continue to make credit attractive to investors in the medium term.
RATES		A positive bias on the **short- and intermediate-term segments of the Euro yield** curve due to central bank pricing that we consider too aggressive.

April Outlook

Market conditions currently appear too weak to justify taking on additional risk, but the situation remains too uncertain for the risk-reward profile to be truly favorable. We are also increasing our holdings of **European bonds with maturities of 5 years or less** in anticipation of very significant interest rate hikes.

AGENDA

US Employment (NFP)
04/03

US Inflation
10/04

OPEC Meeting
13/04

Kevin Warsh testifies to the Senate
13/04

BOJ
28/04