

# Oil prices surge

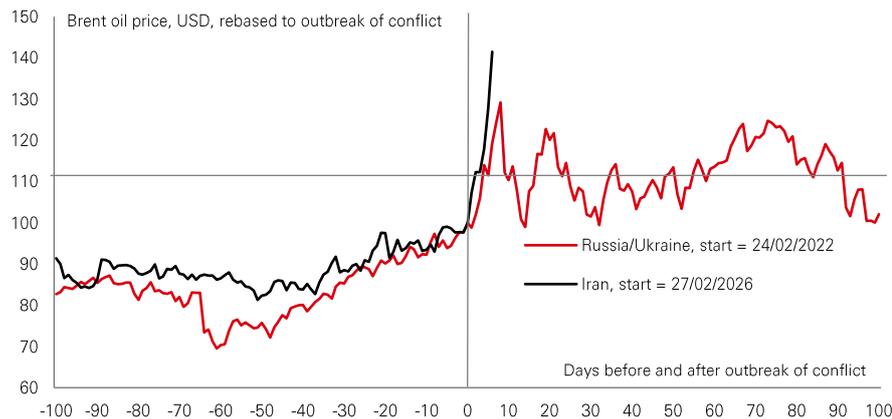
Investment Event | 10 March 2026



## Oil prices surge past USD100

With the geopolitical situation in the Middle East showing no signs of de-escalating, oil prices have surged past the psychologically important USD100 level for the first time since the aftermath of Russia's invasion of Ukraine in early 2022. The spike over the past week is now more significant than immediately after that episode (Figure 1).

Figure 1: Oil price shocks – 2022 versus now



Source: Macrobond, Bloomberg, HSBC AM as of 9 March 2026

The price surge comes as production from major oil-exporting countries such as Saudi Arabia, the United Arab Emirates, Iraq and Kuwait are shut-in amid blockages in the Strait of Hormuz, and energy infrastructure in the region continues to be damaged in the conflict.

The global market response has been resoundingly negative, with Asian and European stock markets falling sharply, and Wall Street's fear gauge, the VIX index (of implied stock market volatility) spiking to levels last seen during last April's "Liberation Day" market selloff. Government bonds have also fallen, extending losses from last week, while the US dollar has gained.

### A worrying situation, but there are some buffers in the system

In the near-term, there are **some buffers in the system that can help keep a lid on oil prices**. For example, today's announcement that G7 finance ministers will meet to discuss a **possible joint release of petroleum from reserves** - co-ordinated by the International Energy Agency - has already been met positively by the market. Brent crude prices slipped back toward USD100 in Monday trading, having been closer to USD120 earlier in the session.

For Asia's leading oil-importers - China and India - the impact may be cushioned by **China's significant oil reserves** built up over the past year, while a new **30-day waiver** from the US government allows India to tap into previously sanctioned Russian supplies. Meanwhile, the US is better positioned than most; even with its strategic reserves depleted since 2022, a ramp up in **domestic shale production** offers a vital safety net for the economy.

Finally in the Gulf region, there is a **strategic bypass infrastructure**. Saudi Arabia can use its East-West pipeline, rerouting millions of barrels per day from the gulf to the Red Sea port of Yanbu. Simultaneously, the UAE is maximising its Habshan-Fujairah pipeline, which allows Abu Dhabi's Murban crude to reach the Gulf of Oman, again bypassing Hormuz. These physical "workarounds" are reinforced by **US-led intervention** to restore market confidence: the USD20 billion maritime reinsurance program that aims to effectively backstop tankers against insurance losses, while the promise of US Navy escorts provides a military shield for vessels.

### Everything depends on the persistence of the shock

The surge in oil prices is a major downside risk to the global economy and financial market performance in 2026. **Nevertheless, it is early days in the conflict and a lot still depends on the persistence of the disruptions, and how sustained the oil price shock is. This remains very difficult to predict.**

In a scenario where the conflict de-escalates over the next month, or US efforts to get oil flowing through the Strait of Hormuz again are successful, the price spike should be temporary. This is disruptive, but should leave our base case on track. Growth can be sustained by supportive policy, strong (and broadening) profits, and the AI capex boom. New inflation pressures might make prices stickier for longer, but still manageable, with room for rate cuts later in 2026. For markets, a short-term volatility spike would eventually give way to this year's theme of "the great rotation"; that would benefit value, non-tech sectors, and emerging markets.

## Oil prices have surged past the USD100 level

The outlook for oil prices is complex but there are some buffers that can help restrain prices

The surge in oil prices is a major downside risk to the global economy and financial market performance in 2026

The key variable is the persistence of the disruptions, and how sustained the oil price shock is. This remains very difficult to predict

An increasing weight on the replay of the 2022 scenario justifies some tactical derisking in portfolios

However, valuation gaps in emerging markets and developed market ex-US stocks, create some cushion against negative macro shocks

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Alternatively, there exists a downside scenario of a drawn-out conflict with the Hormuz still effectively out of bounds for weeks would place significant pressure on alternative supplies and likely result in a longer-lasting oil spike – with prices likely to remain well above USD100 for an extended period – potentially months. This brings into focus the 2022 experience for the global economy and markets and presents a challenge to our investment outlook.

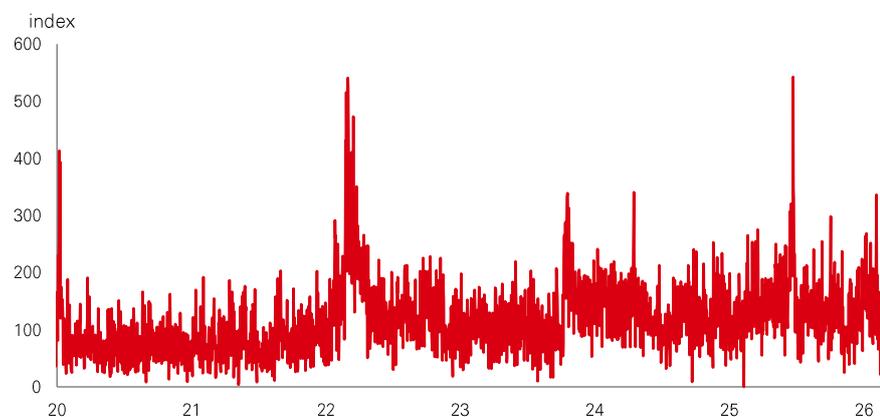
A pickup in inflation and higher input prices would be more disruptive to growth, which could hamper profits, and potentially undermine stock market multiples. With some parts of global markets, particularly in the US, now “priced for perfection”, any adverse news could challenge performance. However, valuation gaps in emerging markets and developed market ex-US stocks, create some cushion against negative macro shocks.

### Investment implications

**Geopolitical stress in markets is usually short-lived.** History suggests that while geopolitical shocks introduce short-term volatility, market recoveries are usually rapid, measured in weeks and months rather than years. It means a bumpier path for investors, but staying invested for the long run still makes sense.

**Volatility is a feature of the current system, not a bug.** Stepping back from short-term trends, the Geopolitical Risk Index (GPR) – a barometer of market uncertainty that scours the world’s press for signs of international tension – is not only at its highest since early 2022, but has been trending up in recent years (Figure 2). It’s a complex geo-economic world.

Figure 2: Geopolitical Risk Index



Source: Macrobond, Bloomberg, HSBC AM as of 9 March 2026

**We are not living in the 1970s.** Looking back to history, parallels could be drawn to the energy shocks of the 1970s (1973 and 1979) which centred on the Middle East. In particular, the 1973 Yom Kippur war stands out as a highly-impactful geopolitical event for investment markets.

But the current environment is very different. The US is now energy independent, there has been a drastic fall in oil intensity of GDP, and strategic reserves now exist. Inflation expectations are anchored - unlike in the 1970s - which allows price shocks to be transient.

**The 2022 lesson:** Despite a historic energy shock, the S&P 500 drawdown post invasion was limited to around 13%, with the index level recaptured after just 120 trading days. Instead, the primary challenge was the emergence of a positive-stock bond correlation – effectively bonds added to portfolio losses, rather than providing a crucial counterweight. This experience has been repeated over the last week, with gold also failing to hedge portfolios. Only the US dollar has worked.

**Diversification is key.** With evidence that no single hedge is consistently reliable, resilience likely comes not from relying on a single safe asset, but from “diversifying the diversifiers”. The best defence is a well-diversified portfolio across assets, factors, and sectors.

**An increasing weight on the replay of the 2022 scenario justifies some tactical derisking in portfolios.** But this does not necessarily require a reduced allocation to equities. It’s worth remembering that value, momentum and low volatility factors all outperformed in 2022. Today these factors are better represented in international and emerging market indices. This historic precedent, a valuation buffer versus the US, and the knowledge that the geopolitical risk premium is fleeting all aligns with current positioning across the investment platform.

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