March 2026

War, Oil and Your Wealth: What We Know, What We Expect, and What We Have Done About It

Richard Harris | March 2026

Geopolitical events have a habit of moving faster than any of us anticipate. The conflict involving the United States, Israel, and Iran, which began in late February 2026, has now lasted just over four weeks and continues to create significant volatility in financial markets and dominate news headlines. This newsletter outlines what has occurred, the documented economic effects to date, and the steps Absolut Wealth has already taken to reposition client portfolios in response to these developments.

The Roots of this Conflict and why it Started

Tensions between the United States, Israel and Iran have been building for decades, rooted primarily in Iran's nuclear programme, its support for regional proxy groups, and its long-standing hostility towards Israel. In January 2026, Iranian security forces killed thousands of protesters during the largest domestic uprising since the Iranian Revolution, prompting US warnings of possible military action. Through mid-February, the two sides held indirect talks in Geneva, with Iran's foreign minister describing a historic agreement as "within reach." These talks broke down. On 24 February, President Trump used his State of the Union address to accuse Iran of reviving efforts to develop nuclear weapons, warning that the US was prepared to act. Four days later, on 28 February 2026, the United States and Israel launched coordinated surprise airstrikes on multiple sites across Iran, marking the start of the current conflict.

The Strait of Hormuz and Why the Oil Price Matters More Than You Might Think

Most of us do not spend much time thinking about the narrow stretch of water between Iran and Oman known as the Strait of Hormuz. At just 33 kilometres wide at its narrowest point, it is barrels consumed globally. When shipping through the Strait slowed sharply after hostilities began, the oil price responded immediately. Brent crude, the global benchmark, rose from around $73 per barrel at the start of the year to a peak of $113.71 per barrel on 19 March 2026. The International Energy Agency's March 2026 Oil Market Report described the disruption as the largest supply shock in the history of the global oil market, with Gulf producers cutting output by at least 10 million barrels per day and global supply projected to fall by 8 million barrels per day in March alone.

How Higher Energy Costs Move Through an Economy

One of the less well-understood aspects of an oil price shock is that its full economic effects do not occur all at once. The initial impact appears quickly in fuel prices and energy bills. The secondary effects – higher transport costs, increased manufacturing input costs, businesses deferring investment, and consumers spending less – take considerably longer, typically emerging in company earnings and economic statistics over the following two to four quarters. This pattern has been observed consistently across the oil price shocks of 1973, 1979, 1990, and 2022.

The economies most directly exposed are those that import the majority of their energy. India imports approximately 85% of its crude oil. Germany's economy is heavily weighted towards energy-intensive manufacturing, and Japan, Turkey, and several Southeast Asian economies are similarly reliant on imported energy. South Africa, as a net energy importer, is not insulated from these pressures. Oil-exporting nations – Saudi Arabia, the UAE, Norway, and the United States – receive higher revenues when prices are elevated, though they are not immune to the effects of slowing global trade.

Where Capital Has Moved Since the Conflict Began

Since the conflict began on 28 February, emerging market equities have been the most heavily affected asset class. The MSCI Emerging Markets equity index posted its largest weekly drop in six years in the week following the outbreak. The sharpest losses occurred in EM Asia ex-China, led by South Korea and Taiwan – two markets with significant semiconductor and technology weightings that had been strongly outperforming before the conflict. South Korea's KOSPI experienced its largest single-day drop since the 2008 financial crisis, falling as much as 12% and triggering a circuit breaker on 4 March. France, Germany, Japan, and Spain each recorded drawdowns of 8 to 10%.

Materials and energy-intensive sectors were among the hardest hit, as the prospect of sustained higher input costs weighed on margins across chemicals, industrials, and consumer discretionary businesses. Even gold, widely considered a safe haven during conflict, behaved contrary to historical expectations. After an initial surge to $5,423 per troy ounce on 1 March, prices reversed sharply, falling more than 9.6% in a single week. The main drivers were a strengthening US dollar, rising bond yields, profit-taking after an extended rally, and forced selling by investors needing to raise cash to cover losses elsewhere.

On the other hand, energy equities benefited directly from the oil price surge. The US dollar strengthened, with central banks in Indonesia, Turkey and India forced to intervene in foreign exchange markets, and government bonds from the US, Germany and Switzerland recorded periods of economic stress.

What We Have Done in Light of the Above

Much has happened in the past four weeks – oil prices have risen sharply, global shipping has been disrupted, equity markets have declined, and history shows that the full economic impact of such events often emerges well after the initial shock. Against this backdrop, we have deliberately repositioned client portfolios at Absolut Wealth.

We have reduced overall equity exposure and increased allocations to assets that have historically provided greater stability during uncertain times. These changes were made proactively – before the full market disruption unfolded, and with the likely knock-on effects of this conflict on the global economy clearly in mind.

We will continue to monitor the situation as it develops. The data available to us – oil prices, supply figures, capital flows, earnings revisions, and broader economic indicators – will guide any further adjustments as the situation evolves. What we can say with confidence is that your portfolio has not remained static while events have unfolded. As we have seen recently, periods of uncertainty create opportunities, and we believe this will also prove true in the current conflict.

A Few Closing Thoughts

Periods like this can feel unsettling, and we understand that. It is worth noting that conflicts of this nature typically resolve in one of three broad ways: a negotiated ceasefire, a gradual de-escalation as both sides exhaust their immediate objectives, or an escalation that draws in additional parties. Diplomatic activity is currently visible on several fronts, with multiple countries offering to facilitate talks.

Although the conflict remains unresolved – shaped by decades of deep-rooted tension that will not disappear overnight – oil is the world's most important commodity, and almost every nation has a tangible economic interest in seeing prices fall. That shared pressure, more than diplomatic goodwill, is often what ultimately brings parties to the table. At some point, an agreement of some form is likely, even if the road is longer than expected and the outcome uncertain.

Market Update

US equity markets saw a sell-off in March as a joint US–Israeli military campaign against Iran – launched on 28 February – triggered a severe energy price shock and broad risk-off sentiment. The S&P 500 fell 5.1%, the Dow Jones declined 5.4%, and the Nasdaq Composite dropped 4.9%. Losses were partially recovered on the final trading day, as a sharp rally was driven by reports that the US president was open to ending the war. Despite surging oil prices, the Federal Reserve left its policy rate unchanged. Chair Powell, speaking at Harvard on 30 March, indicated that policy was in a “good place” and cautioned against tightening in response to a supply-driven energy shock. February’s CPI data showed headline inflation at 2.4% year-on-year, though the forward outlook has shifted materially given the energy price surge. Markets have priced in no further rate cuts for the rest of the year.

economies bore the brunt of the sell-off, as the oil shock reignited inflation fears across the continent. Eurozone inflation jumped to 2.5% in March from 1.9% in February, driven almost entirely by surging energy costs and well above the ECB's 2% target. European oil and gas producers were notable outperformers. However, travel, tourism, technology, and banking stocks were severely impacted. The UK's FTSE 100 showed relative resilience given its heavy weighting towards miners and energy producers, declining approximately 6.73% for the month.

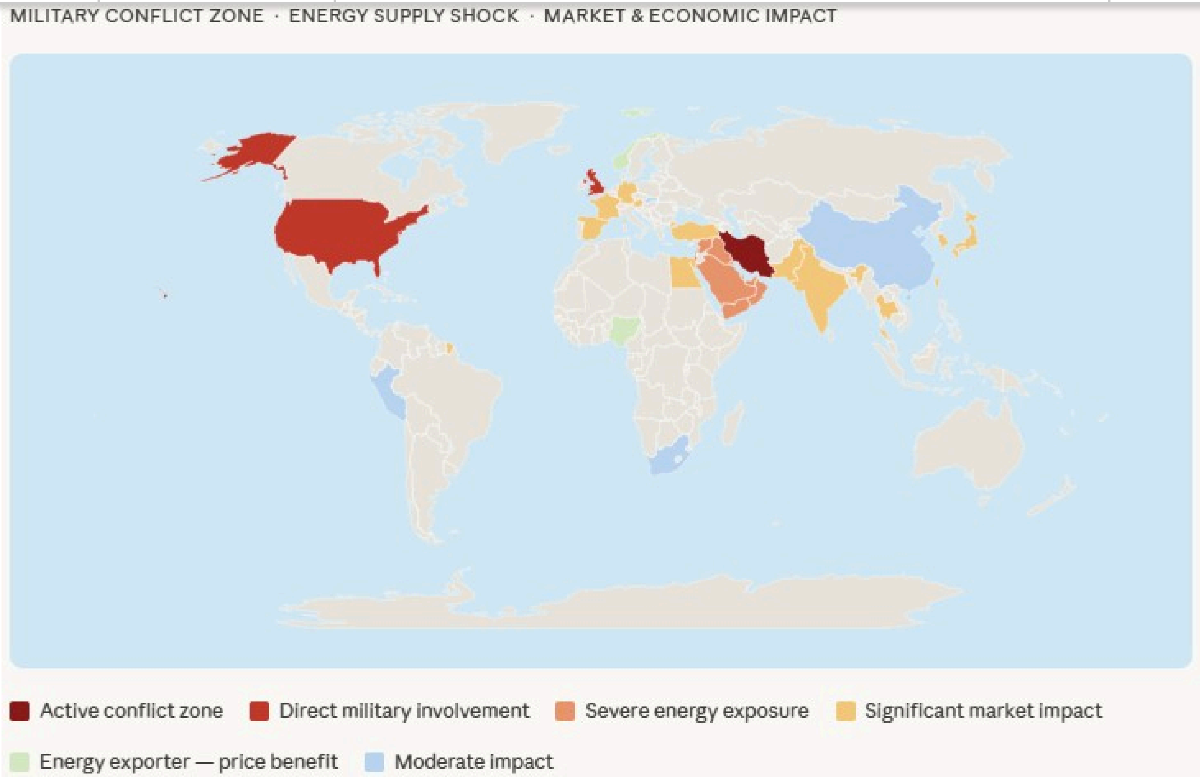
In Asia, equity markets also sold off sharply as the conflict intensified concerns over energy security for the region's major oil importers. Japan's Nikkei 225 retreated approximately 13.2% from its February record highs above 59,000, closing the month near 51,064. The Bank of Japan discussed the potential need to accelerate rate hikes in response to rising oil-driven inflation pressures, despite headline CPI easing to 1.3% in February. South Korea's Kospi plunged 19.9% for the month, with Samsung and SK Hynix each falling over 20%. The index also experienced its worst single-day decline in 19 months early in March. Hong Kong's Hang Seng declined 6.92%, weighed down by insurance and technology stocks. China's Shanghai Composite fell 6.51%, though early-year economic data offered some support, with retail sales up 2.8% and industrial output rising 6.3% for the January–February period, both beating expectations.

Commodities were dominated by the energy shock. Iran's effective closure of the Strait of Hormuz sent Brent crude surging from around $73 per barrel to as high as $119, before settling near $106 by month-end, a gain of 43.14% for the month. Gold initially served as a safe haven but then sold off sharply, falling for seven consecutive sessions as investors liquidated positions to meet margin calls elsewhere. Gold recovered on the final day amid peace hopes, ending the month near $4,703 per ounce, down 11.36%. Silver and platinum also experienced severe volatility, broadly entering a consolidation phase after their extraordinary gains earlier in the year. Silver ended the month down 2.22% and platinum down 17.09%.

Locally, the JSE experienced one of its most volatile months on record. The Top 40 Index, which had reached an all-time high of 121,314 on 2 March, fell sharply over the course of the month before partially recovering, ending March down 11.64% near 106,284. Sasol surged over 55% on the back of higher oil prices, but as the conflict persisted and gold prices corrected sharply, mining stocks came under significant pressure. The rand weakened towards R16.90 per US dollar, pressured by the oil shock and deteriorating sentiment towards emerging markets. The SARB held the repo rate at 6.75% at its March meeting, with market expectations for further rate cuts now fully reversed. Rising fuel and energy costs have materially shifted the inflation outlook, with some analysts warning that headline CPI could push back above 4% in the months ahead.

Chart of the Month

The map below shows how far this conflict's reach extends beyond Iran and Israel. Deep red countries indicate where direct military impact has occurred, orange marks nations most exposed to energy disruption across the Gulf and Levant. Yellow countries – South Korea, India, Germany, Turkey, and others – have experienced the clearest effects on financial markets and import costs. Not all arrows point downward: green countries such as Norway, Nigeria and Angola are oil exporters benefiting from rising prices. The takeaway is simple – in a connected global economy, no conflict remains contained.



"In investing, what is comfortable is rarely profitable." — Robert Arnott

---

FPI Approved Professional Practice™

Absolut Wealth Management is an FPI Approved Professional Practice™

Our mailing address is:
Absolut Wealth Management
1st Floor, North East Block
5 Wessels Road
Rivonia, Gp 2128
South Africa