

A Framework for Credit Stress

*The key question is not whether oil rises,
but whether the shock transmits into credit.*

If spreads widen materially, the market shifts from an inflation problem to a balance-sheet problem—forcing a different cross-asset response.

OrigoX

INFLATION PATH VS GFC PATH: CREDIT AS THE VALIDATION LAYER

Why insurance impairment and sovereign capital recycling may matter more than physical closure in determining the terminal market consequences of the current Middle East shock

Your energy bill may prove more informative than the prevailing official narrative or the market's near-term debate over whether oil at \$100 constitutes opportunity or noise. While much of the public discussion remains focused on the headline move in crude, a broader structural adjustment is already underway.

The recent escalation involving US and Israeli strikes on Iran has set in motion a chain of effects that extends well beyond the immediate conflict zone. The implications are now reaching critical shipping routes, trade-sensitive economies, and industrial supply chains across Asia, with potential consequences for sectors ranging from semiconductors in South Korea to agricultural output in India.

For investors, the central question is not simply how long the military phase lasts, but how the shock transmits through the financial plumbing of the global system. That distinction will determine whether markets treat the episode as a contained inflationary disruption or as the early stage of a broader balance-sheet event.

This report sets out that framework and the investment implications that follow from each scenario.

Our central view is that markets are pricing the immediate effects of the current shock while continuing to underprice its transmission channels. Oil is the obvious variable. Insurance impairment, sovereign capital recycling, and credit validation are less visible, but in our view materially more important for regime determination.

We see two broad paths from here.

Inflation Path

The shock remains concentrated in energy and logistics. Inflation expectations stay elevated, duration remains under pressure, and the market adjusts through rates repricing, sector leadership, and factor rotation rather than systemic balance-sheet stress.

GFC Path

The shock migrates beyond energy into funding conditions and credit spreads, impairing risk intermediation and raising the probability of broader deleveraging. In that scenario, the market is no longer trading a supply shock; it is trading a balance-sheet event.

Three transmission mechanisms are central.

Insurance Channel

The key question is less whether Hormuz is formally closed than whether it remains economically functional. If war-risk coverage stays impaired, the effect becomes functionally equivalent to a supply constraint: transit costs rise, shipping flexibility falls, and disruption persists beyond the military phase of the event.

Sovereign Flow Channel

This should be understood primarily as a marginal-buyer issue. Gulf sovereign capital has long provided a stabilizing bid for Western equities and high-quality sovereign fixed income. If those flows are diverted toward domestic stabilization requirements, the cross-asset consequences become meaningfully more adverse.

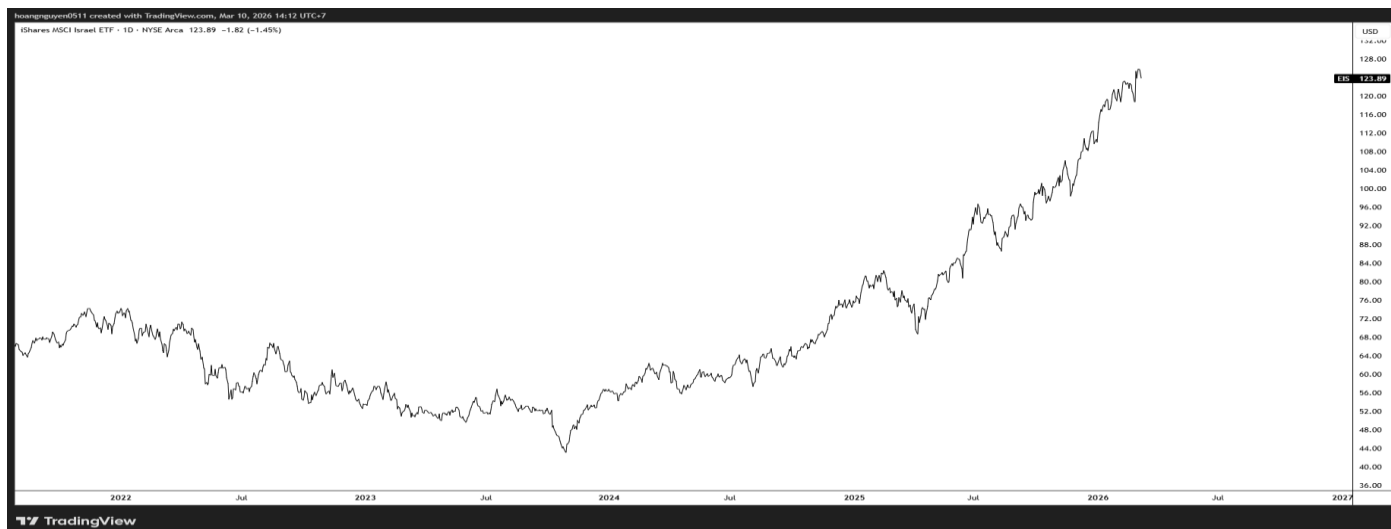
Credit Channel

Credit is the validation layer. If spreads remain contained, the shock is more likely to remain within an inflationary macro regime. If spreads widen in a sustained manner, the regime shifts toward funding stress, balance-sheet fragility, and broader deleveraging risk.

Investment conclusion: the key question is not oil alone, but whether the shock begins to validate through credit. Markets are focused on the barrel; we believe the larger mispricing lies in the financial plumbing surrounding it.

WHAT STOCK MARKETS ARE TELLING YOU

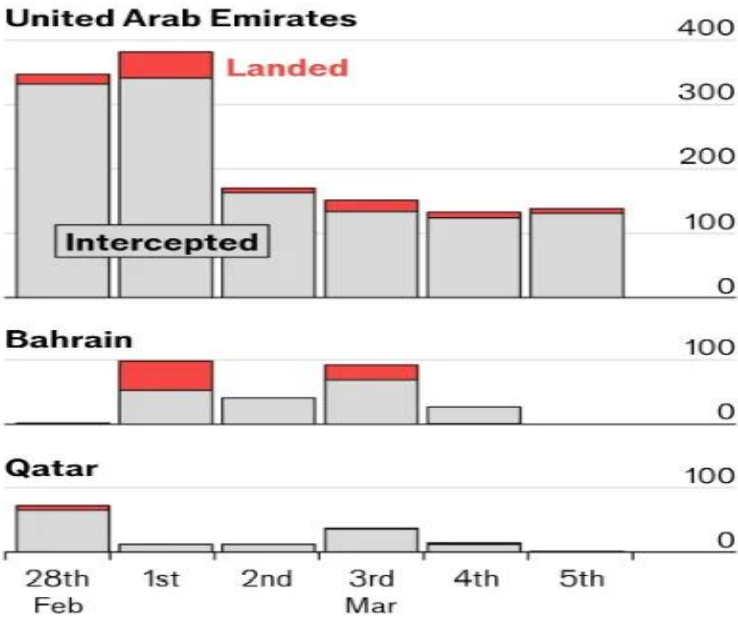
One of the clearest, and most underappreciated, signals in the current episode is the behavior of Israeli equities. At a moment when headline risk remains elevated and Iran continues to retaliate, Israeli risk assets are not trading as though the market is confronting an existential deterioration in the country's security position. If anything, the opposite appears true.



That divergence matters because local markets often absorb information about the security balance faster and more efficiently than external observers. Israel is not a peripheral participant in this conflict; it is one of its central actors and a direct target of Iranian retaliation. Yet domestic equities are not behaving as though investors expect a structurally worsening military position. In our view, that price action is telling us something important: the military balance may be volatile, but it is not necessarily deteriorating in the direction implied by the broader public narrative.

Available indicators are broadly consistent with that interpretation. The volume of munitions being launched appears to have declined, interception effectiveness appears to have improved, and the shift from missiles toward drones suggests deterioration in destructive capacity rather than escalation in it. Markets appear to be differentiating between persistent low-grade disruption and genuine strategic deterioration, and so far they are not pricing the latter.

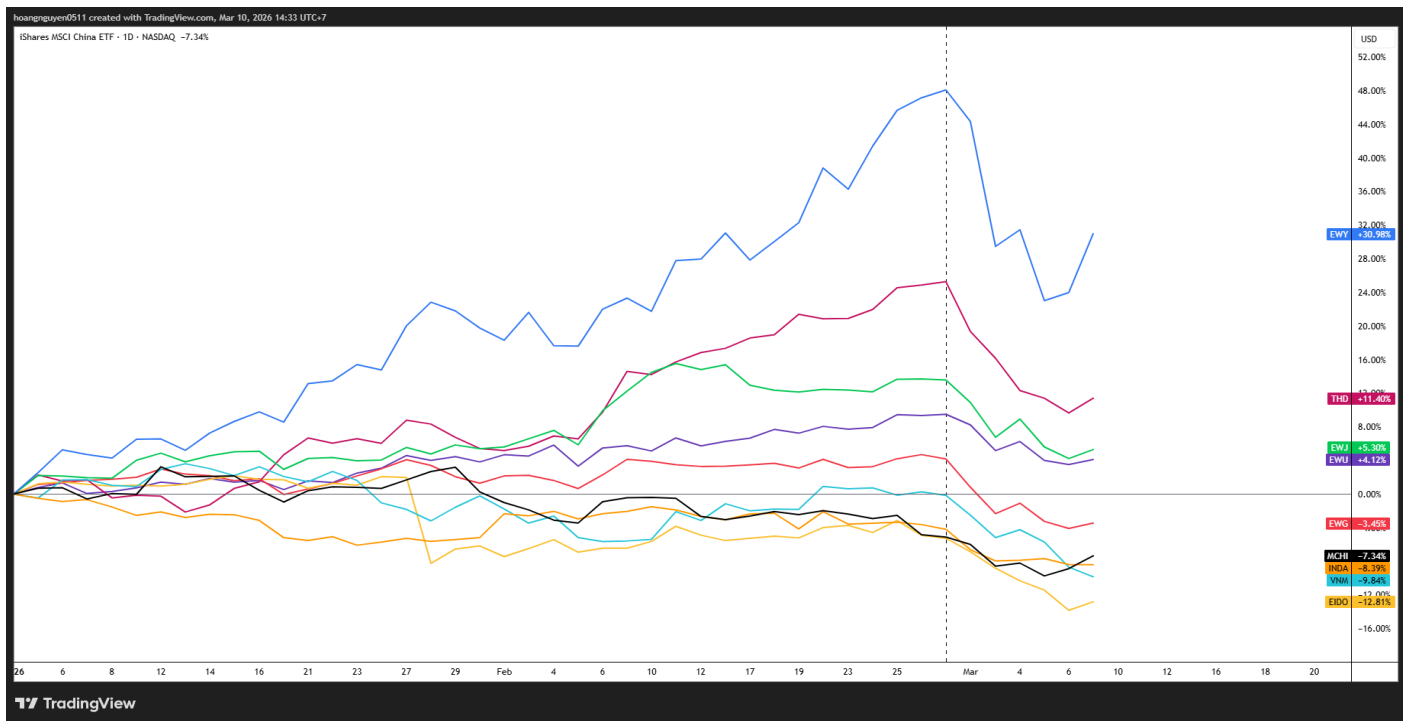
Reported incoming Iranian munitions



Sources: Defence ministries; press reports; *The Economist*

The comparison with 2022 reinforces the point. When Russia invaded Ukraine and energy prices surged, Israeli equities sold off alongside other oil-importing markets. That move was economically intuitive: Israel, as an energy importer, was exposed to the inflationary and growth effects of higher oil prices. Today, by contrast, Israeli equities have held up far better despite another major geopolitical shock and renewed pressure in energy markets. That divergence is unlikely to be accidental. It suggests that investors view the security trajectory as more favorable than the headline environment alone would imply.

At the same time, the market response elsewhere helps identify where the economic burden of the conflict may ultimately be felt most acutely. Weakness has been more visible across trade-sensitive and energy-importing economies in Europe and Asia, including Japan, Korea, China, India, Thailand, Indonesia, and Vietnam. In other words, while the conflict is centered in the Middle East, the market is increasingly signaling that its economic transmission may fall more heavily on countries further down the energy, shipping, and industrial chain. We return to the distribution of winners and losers later in the report.



This raises the more important question: if the military balance is not deteriorating in a linear way, why has oil moved so sharply higher?

This distinction is central. **The military outcome and the economic outcome are no longer the same question.** Israel may be gaining relative military advantage even as the conflict continues to generate economic disruption through shipping, insurance, and energy transmission channels. For markets, that means battlefield developments and macro consequences can move in different directions at the same time.

That is why the focus on oil alone is incomplete. The relevant question is not simply why crude has moved higher, but why the economic consequences of the conflict remain large even if the military balance is no longer deteriorating in a linear way. The answer lies in the channels of disruption that sit beneath the commodity itself.

THE MOST IMPORTANT QUESTION

Roughly 20% of global crude oil transits through the Strait of Hormuz, and close to 90% of Persian Gulf oil flows eastward to Asia. A meaningful disruption to that corridor does more than reprice crude — **it reprices the entire Asian economy.**

That raises the central question for markets: can Iran keep the Strait meaningfully disrupted for long enough to alter the market regime, and does it have an incentive to do so?

Our base case is that a full and durable closure remains unlikely. The history of commodity disruptions suggests that even severe military shocks often produce price spikes that are more durable than the physical disruption itself. The Russia-Ukraine grain shock is an instructive parallel. Russia was able to impose a real disruption on Black Sea exports, and wheat prices reacted sharply. Yet the closure proved neither absolute nor permanent. The initial repricing was violent; the disruption itself was not durable.

The same logic applies here, and in some respects even more forcefully. Iran faces a far stronger adversarial coalition in the combined capabilities of the United States and Israel. More importantly, **Iran earns everything through the Strait.** Any attempt to sustain a full closure would not only damage its rivals; it would also undermine its own export revenues, fiscal position, and domestic stability. That makes a prolonged and fully effective closure difficult to sustain on both strategic and economic grounds.

But the market does not need an indefinite physical blockade to face a serious problem. In fact, the more relevant risk may not be physical closure at all. It may be commercial impairment.

A second and, in our view, more relevant possibility is that the Strait is not primarily being shut by military force, but by the reaction of **Western insurers** and commercial underwriters.

That distinction matters because the disruption is no longer purely military. It becomes legal, financial, and institutional. **A lane does not need to be physically shut to become economically unusable.** If war-risk cover remains impaired, the effect becomes functionally similar to a supply restriction: transit costs rise, shipping flexibility falls, and disruption persists well beyond the immediate military phase of the event.

This is where the thesis of a Western **insurance blockade** becomes most relevant. The operative constraint is not simply whether tankers can move, but whether they can move under commercially viable conditions. That shifts the center of gravity from battlefield control to the financial plumbing surrounding global shipping. In that sense, the risk is not confined to oil as a commodity; it sits in the system that allows oil to move, be insured, and be financed

There is also a broader regional constraint on the thesis of unconstrained escalation. A disorderly collapse of the Iranian regime is not clearly in the interest of surrounding states or key regional actors. For much of the region, such an outcome would imply significant second-order costs: migration pressure, militant spillover, deeper energy instability, and the potential loss of Iranian supply for a prolonged period. That makes a managed, unstable equilibrium more plausible than a fully destabilizing end-state. For markets, this matters because it suggests that the duration of disruption may ultimately be shaped as much by regional incentives as by battlefield dynamics alone.

The honest conclusion is that duration remains the central uncertainty. Markets can price the first-order oil shock quickly. What they struggle to price is the persistence of the second-order effects: insurance impairment, shipping friction, regional incentives, and the point at which macro disruption becomes financial disruption.

Iran war disrupts global energy exports

About a fifth of world's oil and gas supply that passes through the Strait of Hormuz have come to complete halt.

Daily tankers passing through Strait of Hormuz



Note: Strait of Hormuz connects the Persian Gulf with the Gulf of Oman; Data till March 4, 2026

Source: LSEG Data | Reuters, March 5, 2026 | | Vineet Sachdev

That is ultimately the question that matters most for portfolio construction. The more important question is not whether disruption occurs, but whether it persists long enough to validate through credit. If the answer is no, the episode is more likely to remain an inflationary supply shock, expressed through higher energy costs, rates repricing, and sectoral dispersion. If the answer is yes, the market moves into a different regime altogether — one defined by tighter funding conditions, wider spreads, and broader balance-sheet stress.

WINNERS AND LOSERS

Let's be direct about who is being hurt and who is benefiting. The geopolitical map here is radically different from what the Western media narrative implies.

China may prove more resilient than many headlines imply. Its vulnerability is real but so is its preparation. Between 2016 and early 2024, China's total observed aboveground crude oil inventory has ranged from 850 million to a bit over 1 billion barrels. Total inventories were estimated at between 1.1 billion and 1.2 billion barrels – equivalent to around over three months of imports.

China imports Russian and Central Asian oil via overland pipeline routes that bypass the Strait entirely. It has the world's highest electric vehicle penetration — not out of environmental enthusiasm, but as a national energy security strategy built precisely for moments like this one. And in the aftermath of the June war, China and Russia finalized a gas pipeline deal that had been dormant for years. China saw this coming. It is positioned accordingly.

By contrast, the more immediate economic burden appears likely to fall on energy-importing, trade-sensitive economies across Asia, particularly India, South Korea, Japan, Thailand, and the Philippines. These countries are more directly exposed to higher energy costs, tighter shipping conditions, and the inflationary consequences of prolonged disruption in Gulf-to-Asia flows. The Korean KOSPI fell 12-15%. Japan's Nikkei dropped 8%. The relative weakness seen across several of these equity markets is broadly consistent with that exposure.

They are US allies being economically destroyed by a war their ally started.

India's situation deserves particular attention — and particular bluntness. The US granted India a 30-day waiver to continue buying Russian crude. That waiver is not generous. It is a face-saving admission that the Strait disruption might be not ending quickly. India had never actually stopped buying Russian crude anyway — it was flowing through Oman via a shadow market. The waiver formalizes a reality Washington had been pretending didn't exist. But the deeper question India should be asking itself is this: why does a country of 1.4 billion people, the world's fifth largest economy, need permission from Washington to buy energy on the open market? That question will reshape Indian foreign policy for a generation.

The risks are more acute still for lower-income, energy-importing economies with fragile currencies and limited policy space. For countries such as Bangladesh, Pakistan, the Philippines, Vietnam, and parts of Africa, the combination of higher energy prices, imported food inflation, and a stronger dollar can become materially destabilizing. These countries are less able to absorb higher fuel and food costs, and more vulnerable to the balance-of-payments consequences of prolonged commodity stress. In that sense, the downstream effects of the conflict may extend well beyond markets and into migration, social stability, and domestic political risk.

Imports, regional ranking, 2023

Regional ranking Global ranking

Rank	Country/Region	TJ
-	Asia Pacific	122 872 839
1	China	43 973 433
2	India	19 741 631
3	Japan	14 380 500
4	Korea	12 520 464
5	Singapore	6 796 219

Source: [World Energy Balances](#) Licence: [CC BY 4.0](#)

On the other side of the ledger, the most obvious beneficiary is Russia. Higher oil prices improve its fiscal position, while simultaneous instability in the Middle East weakens the coherence of any broader Western strategy aimed at constraining Russian energy revenues. You cannot sanction Russia AND destabilize the Middle East at the same time. Europe understands this and is quietly resuming Russian energy purchases — a development that will receive exactly zero honest coverage in mainstream Western media.

There is a broader strategic logic here worth examining plainly. US national security strategy in 2025 explicitly states that American world dominance requires two things: AI supremacy and abundant cheap energy for the US, with expensive energy for competitors. Controlling the waterways is how you control the energy. The helium angle fits this framework precisely: disrupting Qatar's helium supply cripples Asian semiconductor manufacturing, and the US is the replacement supplier. History offers a useful parallel. Britain and the Soviet Union jointly invaded Iran in the 1940s to prevent a German railway from providing a troop route to the Soviet border. China has now built a Belt and Road railway from Beijing to Tehran, with plans to extend it to southern Iraq's oil fields — another corridor for accessing Middle Eastern energy without using the Strait. For investors, that distinction matters.

The winners are not simply commodity exporters, and the losers are not simply those closest to the battlefield. The more relevant divide is between economies that can absorb prolonged disruption and those whose macro, currency, and industrial structures remain highly exposed to it.

TWO SCENARIOS COME TO MIND

This is where the framework becomes operational. It has direct implications for how you should be positioned. Understanding both scenarios and what signals to watch is worth more than any single prediction.

Our task is not to predict every twist in the geopolitical path. It is to identify the regime, monitor the transmission channels, and adjust exposure accordingly.

Scenario A: The Inflation Path

The disruption persists for weeks or months. Oil remains elevated, and adjacent energy and industrial inputs — including LNG, fertilizers, NGLs, and helium — remain constrained. Under this path, the shock remains primarily inflationary rather than financial. The result is a slower, more grinding repricing across rates, duration, and relative equity leadership.

In this scenario, central banks around the world have to take action, but not simultaneously and not with the same degree of urgency.

● The ECB:

The ECB is likely to be the most sensitive to a sustained energy-driven inflation shock. They still have fresh, painful memories of being late to the party in 2022, and they aren't looking to repeat that mistake. They're currently at a neutral stance and the economy is at potential.

March is too early for a move, but April is a "live" meeting. If the shock lasts, one hike won't be enough. We're talking about a new hiking cycle.

● The Bank of England:

The BoE would likely follow, though from a more complicated starting point. Their first move will be taking rate cuts off the table. They're already in restrictive territory and the economy is under-performing, so they have a bit more breathing room than the Europeans.

We don't see a hike before the summer, but a durable shock means they'll have to tighten eventually.

● The Fed:

The Fed is likely to be the slowest to react. Unlike the others, the Fed has a dual mandate—they have to worry about "maximum employment" while the world is burning. This stagflationary shock is a nightmare for them: it pushes inflation up but hits jobs at the same time.

More importantly, the Fed is under massive political pressure to ease, not tighten. Plus, the US is a bit more insulated because our gas prices aren't as tied to the Gulf mess. A hike before autumn is unlikely, but again, if the shock is persistent, they'll eventually have to face the music.

In this scenario, Bond markets continue their structural bear market, because you cannot own a fixed income instrument yielding 4.7% when inflation is structurally embedded at higher rates. This is the slow grind scenario.

The evidence for this scenario: 30-year Japanese Government Bonds are trading at 3.4% — a level that indicates market participants believe inflation is structural and persistent. The Israeli stock market's all-time highs are consistent with inflation, not deflation. Other stock markets are still trading healthy relative to what has been happening recently despite some selloffs. Central bank gold purchases — which accelerated massively after the

West seized Russian reserves and every non-Western central bank asked itself whether it could trust US Treasuries in a crisis — are also consistent with an inflation regime.

Because these banks are moving at different speeds, the yield curves are going to look very different:

- **EMU: Bear-Flattening.** The ECB hikes the short end to stabilize long-term inflation expectations. This keeps the long end in check, but watch out for spreads between high-debt and low-debt countries—they're going to widen from these low levels.
- **US: Bear-Steepening.** This is the big one. Because the Fed is going to drag its feet on hikes while inflation rips, long-term expectations and yields are going to move higher. The long end of the curve is where the pain will be.
- **UK: The Parallel Shift.** Since the BoE is stuck in the middle, their curve will likely just shift upward or show a limited steepening.

Scenario B: The GFC Path

The second scenario deserves more weight than consensus appears to give it. Oil spiked from 2006 to 2008 period, that forced monetary tightening. Tightening caused credit markets to implode. Credit spreads blew out catastrophically. The result was not an inflation crisis — it was the Global Financial Crisis, the largest deflationary crash since the 1930s.

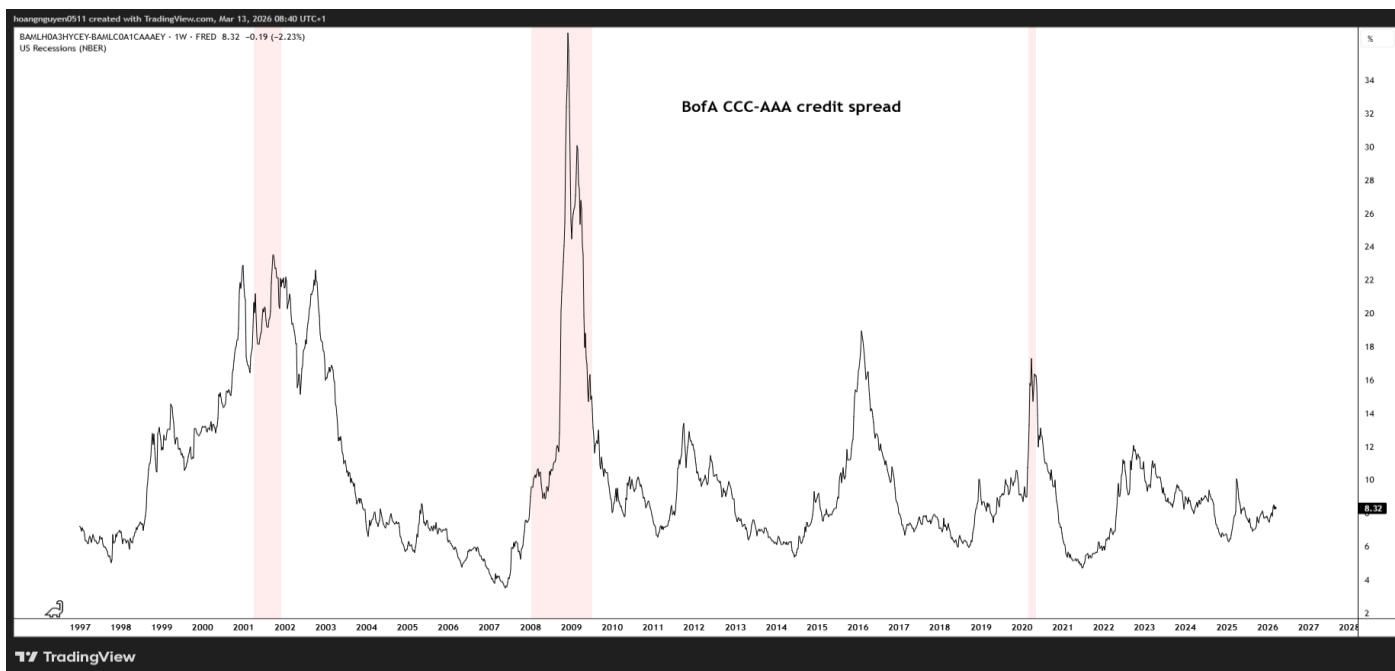
The concern is that the current oil spike recreates that exact sequence. That is the risk here. A sustained oil shock pushes rates and term premia higher, expose every over-leveraged institution in a financial system that has been running on near-zero rates for fifteen years. Credit spreads blow out. What starts as an energy disruption becomes a credit crisis. A deflationary crash follows.

What makes this scenario especially dangerous is that the current macro regime differs materially from the one that preceded the GFC. The earlier crisis was not driven by oil and rates alone; it unfolded in a world still shaped by structurally disinflationary forces, including the broad expansion of global trade, the freer movement of capital, goods, and labor, and a policy backdrop that, in many jurisdictions, was ultimately anchored by fiscal restraint. Today, however, the macro backdrop is materially different. Since COVID, fiscal policy has been more persistently expansionary, public deficits have remained large, and the policy response function has become more explicitly oriented toward nominal support and domestic resilience. In that sense, the system now carries a stronger structural inflation bias than it did in the pre-GFC period.

That is precisely why this scenario is more dangerous than a standard deflation shock. In earlier deflationary episodes, government bonds provided a reliable source of protection: investors moved into Treasuries, yields declined, and duration offset losses in risk assets. That framework held in 2008, 2015, and 2020. In a GFC-style downturn today, however, sovereign bonds may not rally as cleanly as they did in prior cycles, particularly if the policy response is perceived as fiscally expansionary or inflationary. The traditional safe-haven trade becomes less reliable if the safe haven itself is increasingly sensitive to inflation risk. The central question, in our view, is whether this cycle is different in precisely that respect.

The answer is: possibly yes, and the implications are severe. The old playbook of 'long bonds, short equities' in a deflationary event may be broken. Which means there is currently no obvious safe harbor.

The key signal to watch: credit spreads. If this oil spike forces monetary tightening and credit spreads begin blowing out the way they did from 2006 to 2008, that is your early warning that we are on the GFC path, not the inflation path. **Watch credit spreads.**



WHAT IF THE MARKET IS WRONG?

The S&P 500 is down only 4-5% from all-time highs. The market is pricing in what you might call the Venezuela scenario: a quick negotiated settlement, a short-term oil spike, a rapid return to normal. That assumption may prove correct. It may also prove catastrophically wrong.

Oil futures are telling the same optimistic story: spot prices have moved sharply higher, but prices further out the curve have barely moved. The market is betting this ends soon. If it doesn't, the repricing along the whole curve will be violent and fast. But historically speaking, an extreme backwardation situation often marks the top in an oil move.

But the market is missing something even more important than the oil price itself. It is missing the sovereign wealth fund problem.

The Abu Dhabi Investment Authority, Mubadala, and the Qatar Investment Authority have been among the largest net buyers of Western equities and US Treasuries for decades. These funds have accumulated trillions of dollars in Western assets. They are, in a very real sense, part of what holds Western financial markets together from the demand side. Now consider what happens if this war drags on for months. Their domestic economies seize up. Food logistics become a genuine crisis. They need cash to fund domestic obligations — social stability programs, food subsidies, emergency infrastructure. They begin selling Western assets to raise that cash. They flip from net buyers to net sellers. That is a serious shock to both equity and bond markets simultaneously. This is one potential risk.

The flight-to-safety trade is also misfiring. The dollar is up — consistent with a risk-off move. But Treasuries are not seeing the large inflows that would normally accompany a flight to safety. Inflation fears and the safety bid are competing. This is not a normal geopolitical trade. The rules are different this time.

And the 60/40 portfolio — 60% equities, 40% bonds, the bedrock of institutional and retail asset allocation for four decades — is broken. Bonds no longer provide diversification from equity risk. This has been true since 2021. Every passing event makes it more true, not less. Owning long-duration government bonds at current yields in a structurally inflationary world is not safe. It is a slow, guaranteed loss of purchasing power.

SO WHAT TO DO?

The point of this framework is not to make a single heroic forecast. It is to understand which regime the market is in, what that regime implies for portfolio construction, and which signals would force a change in posture.

Our base case remains that the current shock is more likely to be absorbed as an inflationary macro event than to evolve immediately into a self-sustaining credit accident. That argues against panic-driven de-risking in equities, but it does not argue for complacency. It argues for selectivity, regime awareness, and a portfolio structure built for inflation persistence rather than for a rapid return to the pre-2021 playbook.

First, avoid reflexive equity liquidation.

Geopolitical shocks are often poor primary drivers of long-horizon allocation decisions unless they validate through recession, credit deterioration, or prolonged policy tightening. Absent that validation, fear tends to operate more as a pricing mechanism than as a durable thesis. Our bias, therefore, is not to panic-sell equities, but to distinguish between assets that remain structurally supported and those that are most exposed to higher funding costs, imported inflation, or disrupted supply chains.

From an OrigoX Research portfolio management perspective, we have maintained our positions and have not exited or materially scaled down any trades since the firm's inception, with the sole exception of the long oil futures trade. Our positioning remains aligned with the views expressed in our 2026 outlook and related published work.

In practice, we continue to favor Emerging Market equities, the Energy sector, Gold, and selected low-volatility value stocks.

Second, treat inflation as the dominant backdrop until proven otherwise.

The Israeli stock market at all-time highs, the resilience of the S&P 500 and other major equity markets, and sustained central bank gold buying are all broadly consistent with that view. Inflation is not necessarily catastrophic for equities in aggregate.

It is more problematic for duration-heavy portfolios built on the assumption that bond yields will reliably compress in risk-off episodes.

Third, remain cautious on long-duration sovereign bonds.

Both the skeptical view and the inflation view converge on this point from different directions. Long-duration government bonds are difficult to justify at 4.7% in an inflationary world. The traditional 60/40 portfolio may be less robust in this regime than investors have historically assumed.

Fourth, consider a different allocation framework.

In our view, something closer to **60% equities, 30% energy exposure, and 10% gold** has been better aligned with the macro regime of the past five years. The underlying thesis is reinforced, not weakened, by persistent geopolitical fragmentation. This is not a radical reallocation. It is a recognition that the macro regime has changed, and that portfolios built around growth-plus-duration may no longer be the most robust way to compound capital. It may also argue for diversifying away from excessive concentration in US equities and toward regions with different valuation, positioning, and **energy-sensitivity** profiles.

Fifth, gold deserves serious consideration.

Not simply as a legacy inflation hedge, but as a hedge against reserve politicization, fiscal debasement, and declining confidence in the neutrality of the old reserve system. Central banks that used to sell gold became net buyers the day the West seized Russian reserves. Every non-Western central bank now asks itself whether it can access its US Treasury holdings in a crisis. The answer is clearly 'maybe not.' Gold buyers so far have been almost entirely Eastern — Chinese, Korean, and Japanese retail investors who have already understood this. Western institutional investors have not meaningfully participated yet. When US short rates fall, that wave begins. Gold moves significantly higher in that environment.

Sixth, AI infrastructure remains a strategic long-duration theme.

Recent weakness in AI- and software-related equities reflects a combination of concentration unwind, geopolitical anxiety, and broader factor rotation. That is different from saying that the underlying strategic theme has broken. In our view, these companies are building the infrastructure of the next twenty years of the global economy. If one were to look out to 2035, it is difficult to imagine not wanting exposure to AI hyperscalers and the software infrastructure surrounding them. Fear is letting you buy them cheaper than you could three months ago.

Seventh, China warrants a more institutional reassessment.

China combines low relative valuation, improving price momentum, low Western ownership, and a cost structure that remains competitive across capital, electricity, and manufacturing. That low level of Western investor positioning also reduces the risk of a crowded trade. Compare this to US equities: the United States represents roughly 22% of global GDP but approximately 70% of the MSCI World Index. Everyone is already massively overweight in the US. That is a risk, not a comfort. The four pillars of investment — fundamentals, momentum, valuation, and positioning — point the same direction on China. That rarely happens simultaneously.

Eighth, watch credit spreads above all.

If oil remains elevated but credit stays broadly contained, the inflation path remains the more likely regime. If tighter financial conditions begin to validate through a rapid widening in credit spreads, deteriorating liquidity, and broader strain in risk intermediation, the playbook changes. The normal instinct to add bonds as a hedge may not work. Cash, gold, and balance-sheet quality may prove more durable forms of protection than traditional duration exposure. The key is to be watching before the market forces you to react.

THE LONG VIEW

The 1970s OPEC shock demonstrated the decisive power of Middle Eastern energy producers. It reshaped global politics, broke the Bretton Woods system, and forced the world to confront its dependence on a small group of states sitting on a geological accident.

The 2020s shocks may prove the exact opposite. Every disruption of Middle Eastern energy supply accelerates the buildout of alternatives: non-carbon energy, non-Middle Eastern corridors, battery storage, vehicle electrification, and strategic redundancy across supply chains. Every time Iran or its proxies close a shipping lane, they make it more economically rational to build a world that doesn't need that shipping lane. The strategic bargaining power they believe they are demonstrating is, on a long enough time horizon, the power they are destroying.

That is one reason the current conflict matters beyond oil itself. Every shipping disruption strengthens the case for a world that depends less on that shipping route. Every supply shock increases the return on resilience. Every spike in oil and insurance costs makes electrification, storage, and alternative infrastructure more economically rational.

The war will end. The insurance problem will resolve, one way or another. Oil will eventually settle into a new equilibrium. But the structural shifts being accelerated in the process — toward non-Western energy, toward alternative supply chains, toward gold over Treasuries, and toward AI infrastructure over pure commodity dependence — are not temporary. They are among the lasting investment themes of this decade.

The question is whether your portfolio reflects the world as it is, or the world as it was five years ago.

The gap between those two answers has gotten significantly more expensive the last couple of weeks.