

## HOW SURGING OIL PRICES AFFECT INVESTORS

*Oil prices have jumped due to the ongoing conflict in the Middle East. What impact does this have on the economy, markets, and portfolios?*

The ongoing conflict in Iran and the effective closure of the Strait of Hormuz have pushed oil prices sharply higher. Both Brent crude and WTI have jumped from around \$70 per barrel to around \$100 in just a few days, approaching levels last seen in 2022 when Russia invaded Ukraine. This has driven significant uncertainty across global markets, with headlines mentioning a “global economic downturn,” “stagflation,” and more. While each situation is unique, history reveals a clear pattern of oil prices surging in response to geopolitical conflict, the resulting market volatility, and the subsequent calm and recovery.

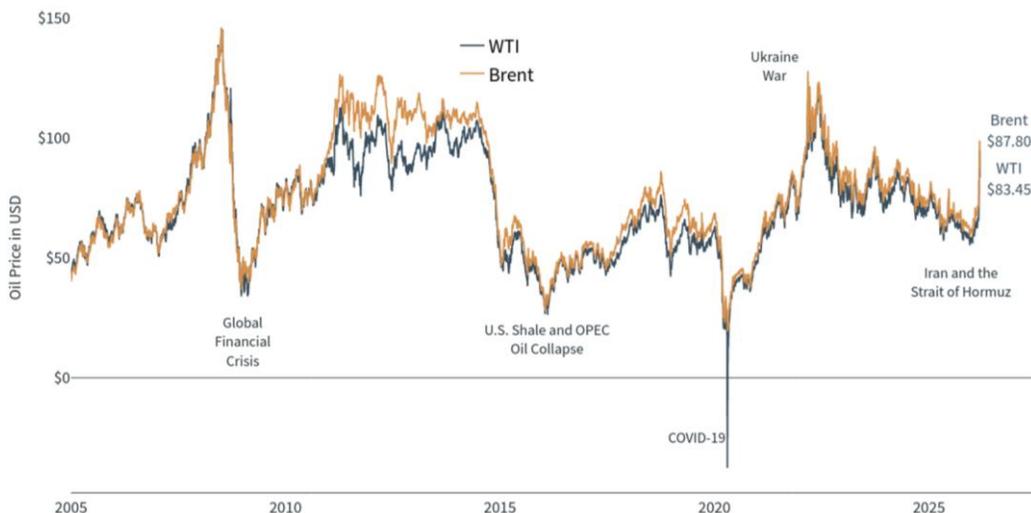
The current situation is unfolding in real time and there are no guarantees as to when there will be stability in the region or in financial markets. Events over the past few years including other Middle East conflicts, inflation, trade wars, and Venezuela earlier this year, all provide important context and perspective. What should investors keep in mind in the coming weeks?

### Why Oil Has Climbed to \$100

For investors, energy prices are primarily how geopolitical events affect the broader economy and financial markets. The impact of each conflict is different, depending on how it changes supply and demand. At the moment, higher oil prices are due to the transportation of oil, storage capacity, and production cuts by major oil producers across the Middle East. The potential duration of the war is also a factor as Iran appoints a new supreme leader.

The epicenter of the current spike in oil is the Strait of Hormuz, a narrow waterway that connects the Persian Gulf to the rest of the world. Roughly 20% of global oil shipments and a significant share of natural gas pass through this chokepoint each year. While Iran cannot technically close the strait, attacks on tankers and safety concerns have been enough to halt traffic. Major shipping and logistics companies have restricted or suspended bookings through the region, and hundreds of oil tankers are at a standstill inside the strait.

**Global Oil Prices**  
WTI and Brent Crude



Sources: Clearmomics, LSEG. Latest data point is March 10, 2026.

This has a domino effect on the energy market. Without tanker transportation through the Strait of Hormuz, large Middle East oil producers have had to store oil instead. As storage facilities fill up, countries including Saudi Arabia, Iraq, Kuwait, Qatar, and the UAE have been forced to cut production. Unlike typical OPEC production cuts to boost prices, these emergency measures are involuntary. This chain of events is why oil prices have risen so much in such a short amount of time.

It is often thought that when oil prices rise above \$100, the economy starts to falter, affecting household budgets and inflation. Yet, it’s important to keep these moves in perspective. When Russia invaded Ukraine in early 2022, Brent crude surged to nearly \$128 per barrel, pushing average gasoline prices in the U.S. above \$5 per gallon. Before that, the mid-2000s saw oil reach record highs driven by rapid global economic growth ahead of the 2008 financial crisis. In each case, prices eventually settled as supply and demand adjusted.

# INSIGHTS

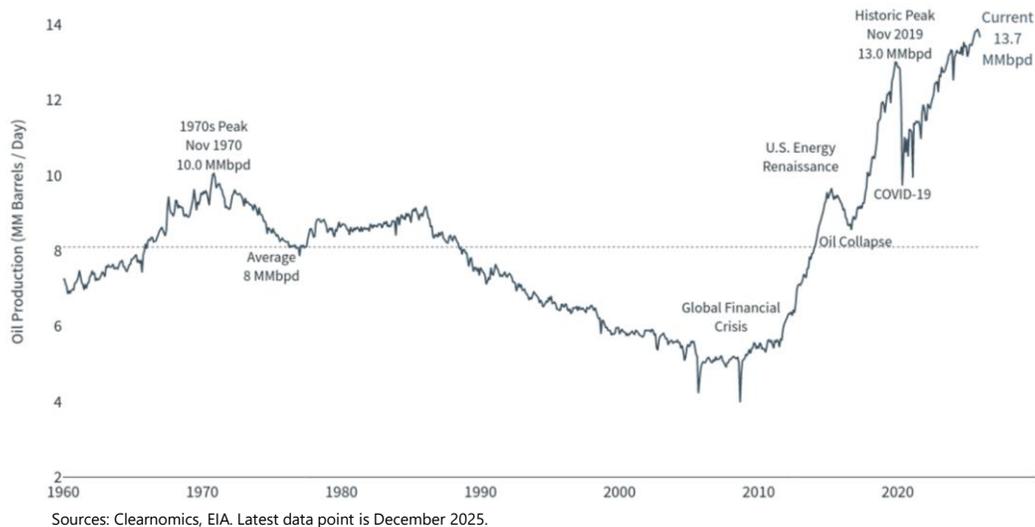
## How Higher Oil Prices Affect Consumers and Businesses

The U.S. is in a stronger position today than during previous oil crises due to the shale revolution. As the world's largest producer of both oil and natural gas, the U.S. benefits from energy independence that did not exist during other historical oil shocks. While oil is a globally-priced commodity and the U.S. still imports some crude, this helps to insulate the domestic economy more than others in Asia and Europe.

Still, higher oil prices affect every corner of economic activity. For consumers, the most visible impact is at the gasoline pump, since this directly eats into household budgets. At the moment, gasoline prices have risen back toward \$3.50 per gallon across the country and could climb further. Rising energy prices also increase the cost of transporting goods, manufacturing products, and powering businesses. In this way, higher oil prices function as a "tax" on the economy by raising the costs of all goods and services, reducing disposable incomes.

### U.S. Oil Production

Millions of barrels per day



It's also worth remembering that oil prices are hard to predict. When Russia invaded Ukraine, many expected prices to remain elevated indefinitely. Instead, prices stabilized and declined far sooner than projected. Similarly, the U.S. operation in Venezuela this past January led to a brief move in oil prices but had little longer-term effect.

## Markets Can Weather Higher Oil Prices

Despite uncertainty, the reality is that financial markets can react to oil price shocks in the short run. The S&P 500 is only down a couple of percentage points year-to-date, and not far from its all-time high. At the same time, the energy sector has gained 25% year-to-date and leads the market, just as it did in 2021 and 2022. This is not to say that investors should focus only on energy but is a reminder of the benefits that holding different asset classes and sectors can have on portfolios.

Recent events also create uncertainty about what the Fed may do next. If inflation rises due to higher oil prices, the Fed may keep rates higher than expected. At the moment, markets expect at least one rate cut this year in September, and possibly two by the end of the year. However, if supply disruptions prove to be temporary, its impact on monetary policy may be limited, just as it has been across history.

Of course, this doesn't mean markets won't continue to experience daily swings. Instead, it's a reminder that properly constructed portfolios and financial plans are designed precisely to handle these types of risks. Making dramatic portfolio changes in response to headlines is often counterproductive, and successful investing is often achieved by maintaining balanced portfolios and staying focused on long-term financial plans.



# INSIGHTS

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