

## Word on the IR+M Desk

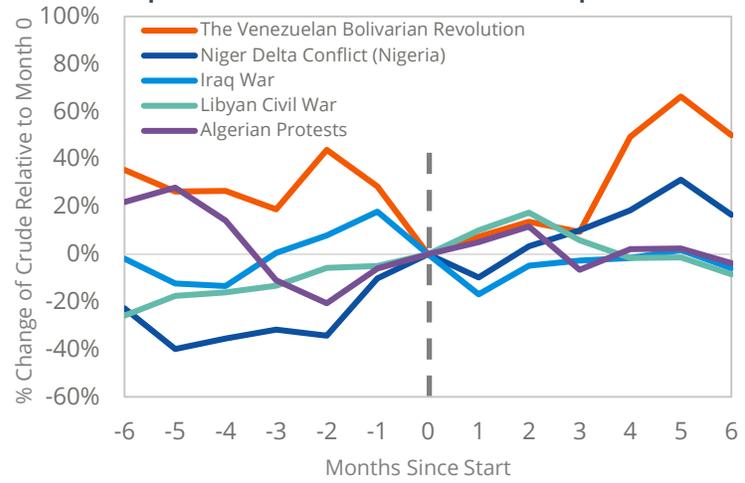


Thus far, the market reaction to the ongoing conflict between the US, Israel, and Iran has been relatively muted, suggesting the escalation was at least partly priced in last week. As expected, energy prices, such as oil and liquified natural gas (LNG), have increased as the Middle East remains a production and transportation hub for these commodities. While the short-term economic impact appears to be relatively benign, the longer-term consequences could be more significant if the conflict becomes prolonged and intensifies (higher inflation, increased deficits, strain on lower-end consumer...). We continue to monitor developments closely for potential portfolio impacts and opportunities.

## RECENT DEVELOPMENTS

- On Saturday, the US and Israel fired missiles at targets across Iran to eliminate "imminent threats," while urging local people to overthrow the Islamic regime.
- Tehran responded with strikes against Israel, as well as US bases and other targets in Saudi Arabia, Qatar, the United Arab Emirates, Kuwait and Bahrain.
- Iran's Supreme Leader, Ayatollah Ali Khamenei, was subsequently killed; a three-member council consisting of the president, head of judiciary and a rep from Iran's Guardian council will govern until a new leader is chosen.
- Shipments through the Strait of Hormuz — a conduit for 20% of the world's oil and gas — slowed sharply, with shipping suspended, insurers reassessing risk and some shipowners relying on war clauses to cancel voyages.

## Geopolitical Events Have Mixed Impacts on Oil



## MARKET REACTION

- Energy Prices** - After initially rising, prices quickly stabilized, with European natural gas experiencing the largest impact after Qatar halted production at facilities targeted during the attack.
- Rates** - US Treasury rates rose 5-12bps as the conflict pushed oil prices higher, fueling higher inflation concerns, especially after ISM input prices soared.
- Corporates** - The spread response was relatively muted across investment-grade (IG) and high-yield (HY), with spreads mostly tighter. HY energy issuers were the outlier, with spreads roughly 23bps tighter day-over-day.
- Securitized** - Most subsectors appear relatively insulated from the geopolitical events, as reflected in muted spreads moves.

|                       | 12/31/25  | 2/27/26   | 3/2/26*   | YTD Change | DoD Change |
|-----------------------|-----------|-----------|-----------|------------|------------|
| WTI                   | \$57.42   | \$67.02   | \$71.47   | 24.5%      | 6.6%       |
| Brent                 | \$60.85   | \$72.48   | \$78.38   | 28.8%      | 8.1%       |
| TTF Natural Gas       | \$9.91    | \$11.21   | \$14.84   | 49.8%      | 32.4%      |
| Henry Hub Natural Gas | \$3.15    | \$2.86    | \$2.98    | -5.4%      | 4.4%       |
| S&P 500 Index         | 6845.50   | 6878.88   | 6881.60   | 0.5%       | 0.0%       |
| Gold                  | \$4319.37 | \$5278.93 | \$5331.62 | 23.4%      | 1.0%       |
| 10-yr Treasury Rate   | 4.17%     | 3.94%     | 4.04%     | -12bps     | 10bps      |
| IG Corporate Spreads  | 78bps     | 84bps     | 83bps     | 5bps       | -1bp       |
| HY Corporate Spreads  | 266bps    | 291bps    | 286bps    | 20bps      | -5bps      |

## POTENTIAL IMPLICATIONS

- Energy Prices** - Iran is a relatively small oil producer (roughly 3% of global), but the country is strategically located along the Strait of Hormuz. A prolonged conflict or further escalation could result in even more upside potential for energy prices, with >\$100/barrel WTI not out of the question.
- Inflation** - These disruptions are generally stagflationary (higher oil, higher inflation, lower growth), but much depends on the conflict's duration. After today's higher ISM Prices Paid Index print, the market is lowering the probability of two rate cuts in 2026. We expect inflation to remain a central theme as developments unfold.

Source: Bloomberg as of 3/2/26 unless otherwise noted. \*The figures from the table are as of 4pm ET on 3/2/26 and are subject to change. DoD spread moves for IG and High-Yield spreads are estimates based on CDX IG and CDX HY. Past spreads are based on Bloomberg Corporate Index and Bloomberg US High Yield Index. The views contained in this report are those of IR+M and are based on information obtained by IR+M from sources that are believed to be reliable but IR+M makes no guarantee as to the accuracy or completeness of the underlying third-party data used to form IR+M's views and opinions. This report is for informational purposes only and is not intended to provide specific advice, recommendations, or projected returns for any particular IR+M product. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission from Income Research + Management. "Bloomberg®" and Bloomberg Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by IR+M. Bloomberg is not affiliated with IR+M, and Bloomberg does not approve, endorse, review, or recommend the products described herein. Bloomberg does not guarantee the timeliness, accuracy, or completeness of any data or information relating to any IR+M product. Securities mentioned above are for illustrative purposes only and are not a recommendation to purchase or sell any of the securities listed.