



FOUNDED IN

1988

EMPLOYEES

80+

LOCATED IN

10+
COUNTRIES

ASSETS DIRECTLY
UNDER MANAGEMENT

USD 1.4
BILLION

ASSETS HELD BY INVESTEE
& AFFILIATED COMPANIES

USD 44.5
BILLION



ICM Monthly Outlook

MARCH 2026

Market Review

The war in the Middle East is dominating financial markets, causing a significant shock to energy supplies and altering the macroeconomic outlook. Crude oil is trading at \$113 per barrel, up 60% since the end of February, its highest price since Q2 2022, as investors hedge against the risk of further supply disruptions stemming from the US-Iran conflict and production outages in key export regions.¹

Let us put some rough, quick figures on the problem caused by the closure of the Strait of Hormuz.

Daily global oil demand is estimated to range between 102 and 105 million barrels.² The Strait of Hormuz enables the transit of around 20 million barrels of oil each day, making it a crucial chokepoint.³ Various backup routes, such as trucks and pipelines, can facilitate around 6-7 million barrels per day, leaving a shortfall of approximately 13-14 million barrels when the Strait of Hormuz is closed.³ That shortfall could potentially be higher if Gulf countries continue with enforced production shutdowns; without wanting to sound flippant, no one wants to work in a Middle Eastern oil refinery right now, given that they are the target of Iranian missiles.

Strategic oil reserves can provide some mitigation, but their capacity is limited. The G7 countries have approximately 1.1-1.2 billion barrels of strategic reserves, according to the International Energy Agency.² Already, the IEA announced it would release 400 million barrels from its strategic oil reserves, enough to bridge a short-term shortfall of about a month but not enough for a prolonged conflict. (400m/13m = 31 days).² The IEA's announcement that it was releasing reserves had little or no positive impact on oil prices.⁴

As a result of the war and a jump in oil prices, global bonds sold off amid concerns that the war could reignite inflation. The U.S. 10-year bond yields had increased to 4.43% versus 3.93% on the 27th of February.⁵ The U.K. 10-year has increased to 5.1%, the highest since 2008.⁶

More broadly, we have not seen any significant risk-off behaviour by investors so far, based on our conversations with other market participants. Since the war began, investors have been unwinding leveraged positions, which has forced down asset prices. Bond prices fall as yields rise. Before the war started, investors were comfortable taking on leverage based on their expectation that Central Banks would cut interest rates. That assumption has now disappeared. The U.S. dollar, a safe-haven asset, has strengthened due to expectations of higher, longer-term interest rates in the U.S. and geopolitical risks.

If you think this war will be a short-lived thing, now would be a good time to add risk. We will bide our time for now. And here's why.

Market Outlook

Inflation versus growth

The economic outlook isn't promising for the next few months; we can't sugarcoat this. But let's not be overly negative from the start. The global economy has shown remarkable resilience over recent years despite the Russia-Ukraine conflict, significant rate hikes in 2022 to curb inflation, and last year's tariff disputes.⁷

We can draw parallels between this war and the 2022 war in Ukraine, given their effects on energy prices and supply chains. The world re-engineered before and will again. From peak to trough, the S&P fell 25% between 3 January 2022 and 12 October 2022. Year to date, the S&P has dropped less than 4%.⁸ So far, we've seen investors square positions and reduce risk, including from previously bullish exposures based on future rate cuts, just before the escalation in the Middle East. Experienced investors are well accustomed to geopolitical tensions in the Middle East, and are increasingly desensitised to U.S. political risk (TACO).

However, prolonged higher oil prices, due to the possibility of a protracted war in the Middle East, could be a more challenging test of investors' resilience. This is the backdrop against which we must consider global economic growth.

As mentioned earlier, we faced a similar situation in 2022 when Russia invaded Ukraine. As always, it will present opportunities. The same will apply this time as well. There will eventually be a point to reinvest at attractive yields, even if we haven't reached it yet.

Sadly, the beginning of this war feels more acute than the Ukraine war.

Unless the U.S. government has a larger endgame that it is not revealing, we believe that the U.S. has underestimated Iran. The U.S. is entangled in a war it cannot win or easily escape. We think the U.S. misjudged how long this sortie would last, emboldened by its "smash-and-grab" of the Venezuelan President earlier in 2026.

Iran differs greatly from Venezuela. To begin with, the Iranians are significantly better equipped militarily. However, this conflict is not about sophisticated weaponry; it is a guerrilla war that'll end when the Iranians decide.

Despite the U.S. President's claims that the U.S. has destroyed the Iranian armed forces, it does not mean that Iranian attacks on ships through the Straits of Hormuz have stopped. We know Iran has extensive drone capabilities, as demonstrated by their supply of drones to Russia's war in Ukraine.¹³ Iran can disrupt the flow of oil through the Strait at will. Just one Iranian attack per week near the Strait of Hormuz would be enough to keep it closed or operate inefficiently and to keep energy prices high. A prolonged closure leading to sustained oil prices above \$100 would significantly hinder global economic growth.¹⁰

The U.S. may try to seize the straits by force, but that is easier said than done, considering modern warfare technology and the associated costs. Remember, one drone costs about USD 50k, while a Patriot missile costs around USD 3 million. Guerrilla warfare has lasted for fifty years in some countries and is only resolved through interpersonal relationships and dialogue.

President Trump lacks the luxury of fifty years, let alone friendship, unlike the new Iranian president. Modern democracies do not afford their leaders time and space when things go awry, especially if the issue was of their own making.

Inflation

The oil price is the most widely cited price increase since the start of the war. Higher oil prices are causing short-term inflation everywhere.¹² Refined oil products, like diesel and jet fuel, are rising in cost amid refinery outages and ongoing export disruptions. Diesel matters because it fuels global commerce, especially agriculture. Airline tickets will become more expensive the longer this situation persists.

European wholesale gas prices have surged because Iran has targeted LNG refineries in the Middle East, and LNG is already stranded in the Gulf.¹² Fertiliser prices are increasing because natural gas is a key input. Over time, food prices will increase due to higher fertiliser costs. Farmers typically feel this price shock after a delay of several months, so it remains something to monitor. Food inflation impacts everyone and is a result of an energy crisis.

Safe-haven cities such as Paris, London, and Amsterdam have seen increased demand for short-term rentals as people take temporary leave from the Gulf financial hubs. While the war in the Middle East has not yet directly impacted

property prices in most markets, it could influence the factors driving property prices, especially if inflation rises, which would push up mortgage rates and diminish buyer confidence.

The aluminium price has risen 13.49% since the beginning of the year, 10% since the start of the war, and by 50% over the past 12 months. Middle East smelters supply approximately 6% of global supplies.⁹ We could go on, but you get the point.

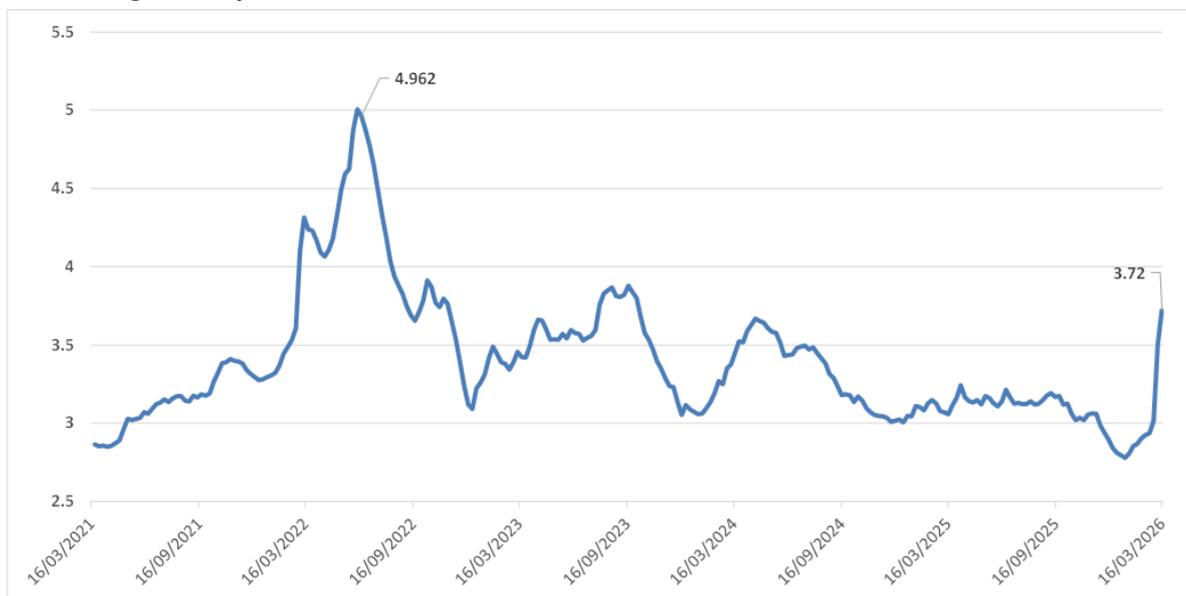
U.S. off-ramp

Notwithstanding the very high forecast error given the nature of wars, we see that the only solution for the U.S. appears to be a Chinese-brokered ceasefire, given China's friendly relations and economic ties with both nations. The U.S.'s NATO colleagues aren't rushing to assist, and who can blame them after the U.S. threatened annexation of Greenland and the tariff tantrum? President Trump's allies are becoming more adept at saying no.

We anticipate that the Chinese government will become involved only when the Chinese economy begins to slow and when it is in China's interest to bolster the global economy. That could take weeks, depending on China's willingness to support President Trump. It does not look promising, and, regrettably, the U.S.-China summit was postponed for four to five weeks. Some commentators suggest that China may prefer to stay out of the conflict longer than the U.S. would like. For now, we estimate it will take a few weeks for China to engage, followed by a few weeks of negotiations before the Strait of Hormuz is reopened in a meaningful way, rather than remaining in its current state of facilitating dark-fleet vessels from certain Iran-friendly nations, including China.

President Trump will appear increasingly like a lame-duck President if oil prices stay high for months. A prolonged war would deplete global oil reserves and cause prices to rise significantly. We have already observed an immediate spike in U.S. petrol prices.

U.S. retail gasoline prices (\$)



Source: Bloomberg

President Trump cited regime change as part of his rationale for starting the war, which now seems further away than ever, except perhaps within the U.S. The President would need to be cautious about what he wishes for regarding regime change.

The President will want to resolve this war before the midterm elections. President Trump lacks the luxury of time to engage in a prolonged conflict. I dislike saying it, but wars are seldom short. The two world wars were expected to last only a few weeks, as were the Vietnam War and the war in Ukraine. President Putin, who enjoys playing the long game, remains stuck in a deeply entrenched war with Ukraine that he hoped would have ended long ago.

We always said that the bond market could intimidate President Trump if he stepped out of line. Now, we add the oil market to that list. The U.S. has lost control over oil prices, which could prove disastrous for President Trump. Desperate times call for desperate measures, which is why the U.S. will lift sanctions on Iranian seaborne oil, essentially funding the country it is fighting. That's a short-term solution. The U.S. may lift sanctions on Russia before long.¹⁴

The U.S. Federal Reserve Bank

For its part, the U.S. Federal Reserve Bank said it hopes for a short-lived conflict, with any resulting inflationary pressures expected to be temporary. So far, investors are not expecting a rate hike in the U.S., unlike in Europe and the U.K. A rate hike would act as a catalyst for a downturn in equities if it occurred, and the dollar would gain strength, yet another undesirable outcome for the U.S. President.

For their part, investors' expectations for a U.S. interest rate cut have shifted to September 2027 from July 2026, as expected a month ago. One counterbalance to a rate hike is weak U.S. employment data. The latest non-farm payroll report showed that the US economy lost 92K jobs in February 2026, the most in four months, following a downwardly revised 126K increase in January and significantly worse than forecasts of a 59K gain. The change in total non-farm payroll employment for December was revised down by 65K, from 48K to -17K, and the change for January was revised down by 4K from 130K to 126K. With these revisions, employment in December and January combined is 69K lower than previously reported. If the war is short-lived, the Fed can still prioritise easing, helping the labour market. If the war persists longer, the Fed faces higher inflation and thus rate hikes, which could weigh on consumer spending. The unemployment rate ticked up to 4.4%. Weaker job growth, but still-firm wage gains near 3.8% year-on-year, keep cuts on the table for later this year, while the simultaneous rise in oil-driven inflation risk complicates the outlook.¹¹ A lot can change before the next Fed meeting in six weeks.

Scenario analysis

The best-case scenario for the global economy is straightforward: end the fighting and reopen the Straits of Hormuz. However, this appears very unlikely as Israel continues to launch missiles into Iran and pursue Hezbollah in Lebanon. We must take seriously the Israeli Prime Minister's claim that Israel's campaign against Hezbollah will not be a brief operation in Lebanon. The Israeli Prime Minister is not known to chicken out.

Our base case remains that President Trump will advocate for de-escalation sooner rather than later, with China's assistance, because he cannot risk oil prices remaining at their current level for long.

Our worst-case scenario is that the Iranians continue attacking other countries in the Middle East and destroy vital infrastructure and economic assets, such as pipelines, data centres, water treatment plants, etc. Such a scenario would lead to significantly higher prices later in 2026 with detrimental economic consequences.

The oil futures market expects oil to remain above \$80 for the rest of 2026, consistent with our base case scenario. The oil price was between \$60 and \$70 in 2026 until the war started.¹⁰

And finally, uncertainty.

The war in Iran has torpedoed the 3/3/3 plan that Secretary Bessent championed as the route to salvation for the U.S. economy. The first '3' was to increase U.S. oil production by USD 3 million barrels and bring down the oil price. Instead, the U.S. has just cut off 10-15 million barrels of global energy supplies that it cannot quickly and easily replace.

President Trump has cited multiple rationales for starting the war on Iran, including Iran being two weeks away from having a nuclear weapon that could threaten Europe. Point of order, we were led to believe that the June 2025 attacks had decimated Iran's nuclear infrastructure for a generation. Since when has President Trump cared so much about Europe?

In our February letter, we wrote that any escalation in the Middle East would be short-lived, given the impact on energy prices and the potential impact of sustained higher energy prices on the global economy.⁷ We are right in the throes of this "short-lived" crisis now, so here's hoping. We set a two-month time frame before pressure on the U.S. balance sheet could lead the President to offer concessions in ceasefire negotiations, while at all times declaring an emphatic victory in the Middle East. Ultimately, like all crises, this will end, creating opportunities for investors along the way, to which we remain vigilant.

Kind regards,

Conor Spencer
26th March 2026

Source Data: ICM, Bloomberg as of 28 February, 2026.

- [1] Bloomberg - oil price, percent change, market reaction. <https://www.bloomberg.com/markets/commodities>
- [2] International Energy Agency - oil market and strategic reserves (Oil Market Report; strategic reserves notes). <https://www.iea.org/reports/oil-market-report> <https://www.iea.org/reports/strategic-oil-reserves>
- [3] U.S. Energy Information Administration - Persian Gulf transit volumes / Strait of Hormuz chokepoint briefing. <https://www.eia.gov/> (see "Today in Energy" / Persian Gulf briefs)
- [4] Reuters / Bloomberg coverage - IEA release and market reaction. <https://www.reuters.com/markets/commodities/> <https://www.bloomberg.com/markets>
- [5] Federal Reserve Economic Data (FRED) / U.S. Treasury - U.S. 10-year yield historical series. <https://fred.stlouisfed.org/series/DGS10> <https://home.treasury.gov/>
- [6] Bank of England / Bloomberg - U.K. gilt yields historical data. <https://www.bankofengland.co.uk/statistics> <https://www.bloomberg.com/markets/rates-bonds>
- [7] S&P Dow Jones Indices / Bloomberg - S&P 500 historical movements. <https://www.spglobal.com/spdji/en/> <https://www.bloomberg.com/markets/stocks>
- [8] World Bank / IMF - global economic outlook and resilience. <https://www.worldbank.org/en/publication/global-economic-prospects> <https://www.imf.org/en/Publications/WEO>
- [9] Reuters / Bloomberg - aluminium price moves and Middle East smelter share. <https://www.reuters.com/markets/commodities/> <https://www.bloomberg.com/markets/commodities>
- [10] ICE / CME / Platts / major futures data provider - Brent/WTI futures curve and historical 2026 price range. <https://www.theice.com/> <https://www.cmegroup.com/markets/energy.html> <https://www.spglobal.com/platts/>
- [11] U.S. Bureau of Labor Statistics - nonfarm payrolls, revisions, unemployment rate, wages. <https://www.bls.gov/news.release/empstn0.htm>
- [12] IEA / Reuters - European gas price moves, LNG disruptions and fertiliser/natural gas linkage. <https://www.iea.org/> <https://www.reuters.com/markets/commodities/>
- [13] Reuters / AP / IHS Jane's reporting - Iran drone exports and observed use in Ukraine. <https://www.reuters.com/world/> <https://apnews.com/>
- [14] Reuters / Bloomberg - sanctions reporting and policy coverage (U.S. sanction adjustments / possible lifts). <https://www.reuters.com/world/> <https://www.bloomberg.com/>

Risk Warning

This document is intended solely for use by professional investors and advisors. Opinions expressed, whether in general or both on the performance of individual securities or funds and in a wider economic context, represents the view of the fund manager at the time of preparation and may be subject to change without notice. This document may refer to past performance, which is not a guide to current or future results. All statements in this document, other than statements of past performance and historical fact, are "forward-looking statements". Forward-looking statements do not guarantee future performance. This document should not be interpreted as giving investment advice or an investment recommendation. It is produced solely for information purposes only and may not be copied or distributed without expressed permission. ICM is licensed to conduct business in Bermuda pursuant to S129A of the Companies Act 1981. Registered in Bermuda under the Investment Business Act 2003 to carry on investment business. The information in the title banner is as at 31 December, 2025. Issued and approved by ICM Limited.

ICM Limited | Head Office

34 Bermudiana Road | PO Box HM 1748 | Hamilton HM GX | Bermuda
www.icm.limited



Signatory of:



Subscribe to our newsletter on icm.limited