

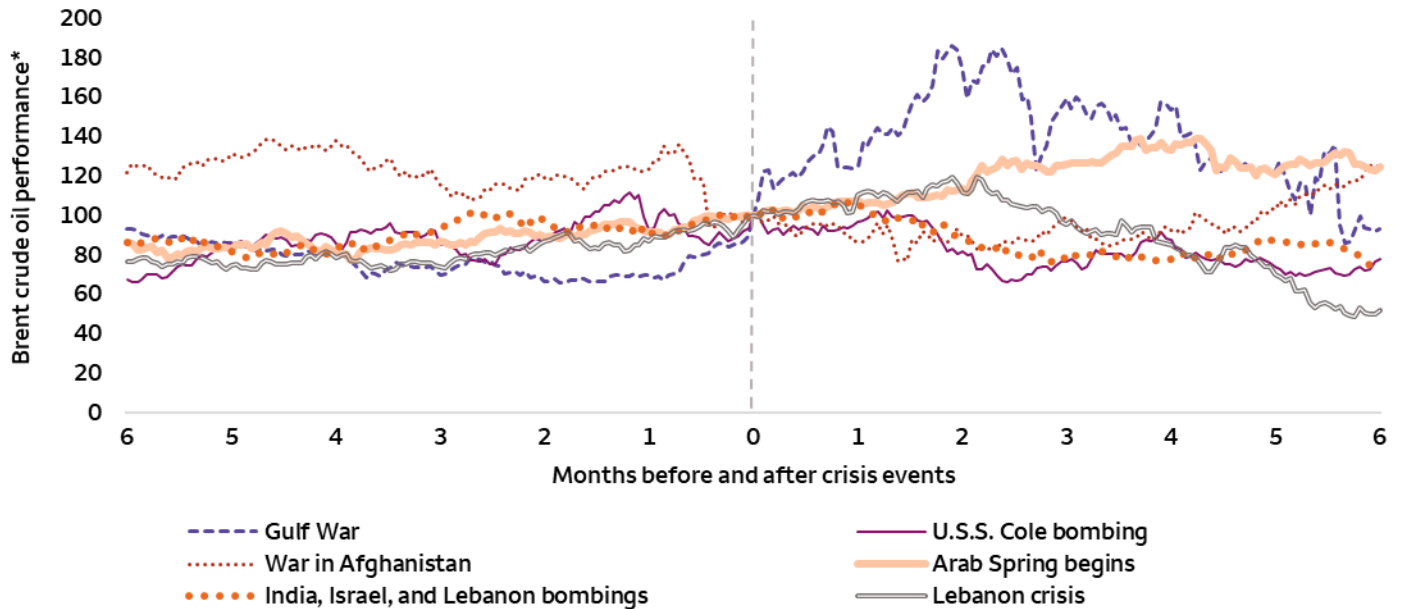


Chart of the Week

Weekly market analysis on key market indexes

April 30, 2024

What geopolitical conflict could mean for oil prices



Sources: Bloomberg and Wells Fargo Investment Institute. Daily data is from February 2, 1990 - June 22, 2011. *Price performance, indexed to 100 as of crisis event. Please see the end of the report for the dates of the crisis events. **Past performance is no guarantee of future results.**

Movement of crude oil prices highly variable in months surrounding Middle East crisis events

Rising tensions in the Middle East have investors concerned about how high crude oil prices could go. It is a legitimate concern as roughly 20 million barrels of crude oil per day — that is, 20% of daily global demand — move through the Strait of Hormuz (located between Iran and Oman), making it a crucial choke point for global oil trade.

In the days following Iran’s attack on Israel, crude oil prices barely budged as markets had already priced in much of this anticipated risk leading up to the strike. However, as seen in the chart above, no two crisis events have been the same — prices spiked 75% in the two months after the Gulf War but fell 18.5% in the two months after the U.S.S. Cole bombing. We have noticed, though, that events posing a direct risk to oil supply have typically had the biggest effect on prices.

What it may mean for investors

So far, oil prices have been tame. However, given Iran’s proximity to the Strait of Hormuz, risks of supply disruptions remain along with the risk of prices moving higher if the conflict escalates. This uncertainty and risk premium is one reason we remain favorable on commodities and energy.

Mason Mendez, Investment Strategy Analyst

John LaForge, Head of Real Asset Strategy

Excerpted from *Investment Strategy* (April 22)

Investment and Insurance Products: > NOT FDIC Insured > NO Bank Guarantee > MAY Lose Value

Dates of the crisis events

- Gulf War
 - 8/2/1990
 - 2/2/1990 – 1/29/1991
- War in Afghanistan
 - 10/7/2001
 - 4/11/2001 – 4/4/2002
- India, Israel, and Lebanon bombings
 - 7/11/2006
 - 1/12/2006 – 1/8/2007
- U.S.S. Cole bombing
 - 10/12/2000
 - 4/13/2000 – 4/11/2001
- Arab Spring
 - 12/18/2010
 - 6/21/2010 – 6/22/2011
- Lebanon crisis
 - 5/7/2008
 - 11/2/2007 – 11/4/2008

Risk Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets** are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. The **commodities markets** are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility.

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