Omnis Middle East Scenarios

Conflict-Driven Market Outlook to Year-End

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Omnis View	Scenario	Expected Brent Crude Oil Price	Economic Impact	Preliminary Portfolio Allocation Considerations
Base Case	War drags on. More Middle Eastern products (oil/gas/urea etc) and infrastructure are blocked and damaged. Strait of Hormuz remains effectively closed for 6 weeks.	**US$80 - US$110**	The high price of oil, gas & related products continues to impact the global economy more directly via higher prices. These higher prices crimp economic activity. Higher inflation and slower growth sees central banks in wait-and-see mode for now.	Continue to reduce exposure to sectors that will suffer in a lower demand environment. Broadly this means selling equities, whilst looking to increase bonds on a diversified basis both geographically and across short, medium and long-term maturities.
Bear Case	Escalation of war into other regions and sustained impact to global energy supplies as a result of prolonged attacks on major energy infrastructure.	**US$120+**	Sustained inflationary impact across the globe, with UK/Europe hit hardest, seeing potential shift in policy response.	Look to meaningfully reduce global equity exposure - particularly European, UK and small caps - as the sustained inflationary impact poses the largest valuation risk in these areas. Add direct oil price exposure as portfolio hedge. Look to cautiously increase bond exposure, balancing the negative inflationary impact versus the eventual lower global growth and potentially even recessionary growth impact, which could lead to a beneficial impact on bond prices.
Bull Case	Iran, the US and Israel come to a peace agreement, or insurance premiums normalise enough to support shipping restarting on a normalised basis through the Strait of Hormuz.	**US$70 - US$80**	Oil prices and supply of related energy products revert back to pre-war levels	Maintain current portfolio exposure, whilst monitoring how quickly the legacy inflationary impulse eases and the potential opportunities to invest in cheap equity sectors.