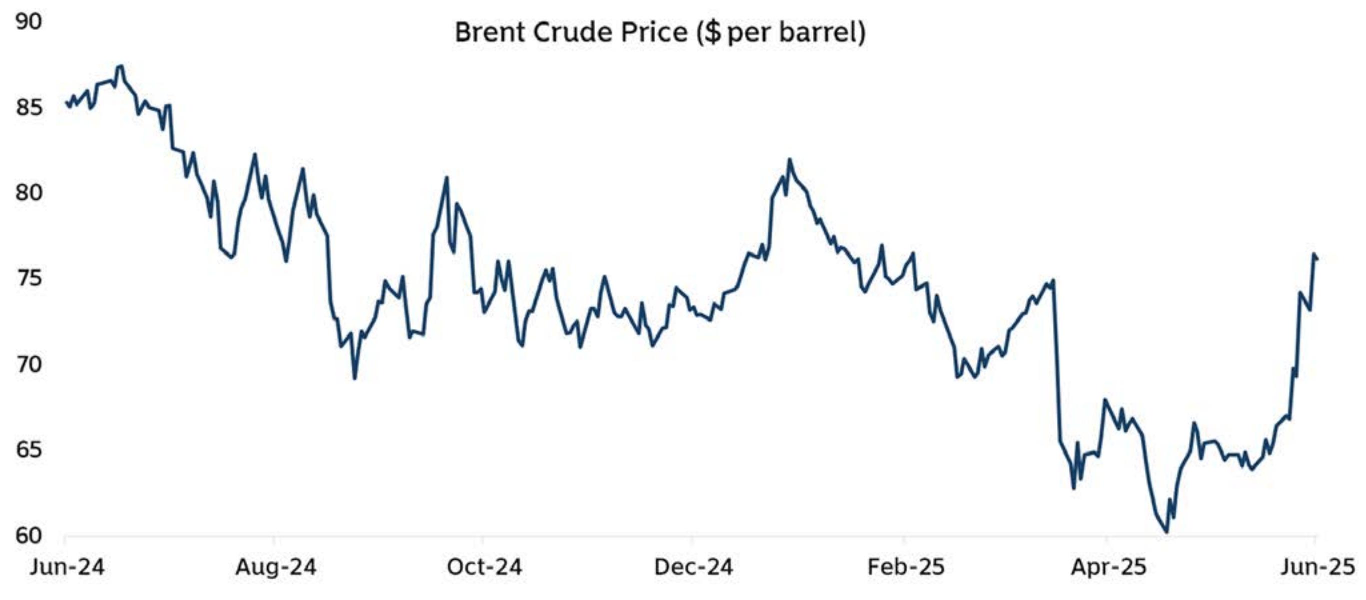
Chart of the Week

23 June 2025



Source: Momentum Global Investment Management, Bloomberg Finance L.P., data to 18 June 2025.

Rising Conflict, Rising Prices: Could Oil breach $100 amid Middle East Turmoil?

Grégoire Sharma, CFA
Senior Portfolio & Research Analyst

What this chart shows

The chart above shows the recent spike in oil price (Brent crude) following the June 13 Israel attack on Iran. Oil prices tend to be driven by several important factors such as supply, demand, and market sentiment & speculation:

The Organisation of the Petroleum Exporting Countries (OPEC) and its allies (OPEC+) control a significant portion of the global oil supply, and their decisions to cut or increase production heavily influence prices. Geopolitical events such as conflicts, sanctions, or instability are also key factors in oil-producing regions like the Middle East. Additionally, US shale and other producers can impact the global supply landscape.

On the demand side, economic expansion drives increased demand for oil across transportation, manufacturing, and energy sectors, which pushes prices higher. Industrial activity and seasonal factors also play a role in influencing oil demand.

Touching on speculation, traders' expectations about future supply and demand shape prices through futures contracts. Currency fluctuations also affect oil prices, since oil is priced in U.S. dollars; a stronger dollar typically makes oil more expensive for holders of other currencies, which can reduce demand and pressure prices downward. Finally, political and economic uncertainty significantly impacts market sentiment as well.

Why this is important

Whilst oil prices have remained relatively contained compared to past geopolitical conflicts ($76.18 at time of writing), there is a risk escalation could send oil prices soaring past $100 per barrel. J.P. Morgan, for example, warns that in a worst-case scenario, Brent crude could rise to $120 per barrel. The last time oil prices reached those levels was in February 2022, following Russia's invasion of Ukraine. However, Russia is a significantly larger producer of both oil and gas compared to Iran, and the effect on market sentiment was considerable due to Europe's heavy reliance on Russian supplies, necessitating a major overhaul of supply chains. With the global economy currently projected to slow down, there is less support from the demand side of the equation. Additionally, it seems most likely that Iran would look for off-ramps to avoid involving the US directly, with a base case for oil prices to trade in the low-to-mid $60s*. However, a sharp escalation in geopolitical tensions could lead to a closure of the Strait of Hormuz (through which one fifth of global oil flows). The consequences being major supply disruptions and a sharp pick-up in inflation, posing a significant challenge for central banks, notably the U.S. Federal Reserve (Fed). Indeed, the Fed faces the difficult task of balancing support for slowing U.S. economic growth while maintaining its commitment to controlling inflation. This challenge is further complicated by the Trump administration's looser fiscal restraint alongside trade tariffs that are expected to contribute to rising inflation.

*Written on 18.06.2025. *J.P. Morgan base case oil price forecast for 2025.*

Weekly market update

week ending 20 June 2025

momentum
global investment management

While global markets are holding firm, they remain sensitive to oil price swings and geopolitical risk, with capital rotating toward emerging Asian economies.

US

» US stocks ended last week mixed: The S&P 500 fell 0.2%, the Nasdaq was flat, and the Dow posted a small gain amid Middle East concerns.

» May CPI rose by 0.1% monthly, 2.4% YoY; jobless claims continued at 1.95m.

» Energy stocks surged as rising oil prices and escalating geopolitical tensions fuel market rally.

» Retail turmoil: At Home filed for Chapter 11 bankruptcy on 16 June, citing tariffs and customer slump.

UK

» The FTSE 100 ended down 0.2% on Friday, marking its first weekly decline in six weeks amid geopolitical tensions and mixed UK economic data.

» Weak macro data: April saw sharpest contraction since 2023, slower wage growth, rising unemployment, boosting bets on BoE rate cuts by summer.

» M&A rebound: Citi reports surging UK dealmaking post-US tariff haze, fuelled by private equity and cross-border activity.

» Governments allocated £6 million for seafood sustainability projects for 2025-26.

Europe

» EC proposed overhauling securitisation frameworks: risk-weight halved, simplified rules to boost credit supply.

» EIB lending ceiling raised to €100bn in 2025, with €3.5bn directed to defence/dual-use projects.

» Bulgaria backed by EU ministers to formally adopt the euro on 1 January 2026, with the final conversion rate to be set in July.

» French financial institutions, alongside government-backed initiatives, have launched a European defence investment fund to align finance with security ambitions.

Rest of the World/Asia

» US-China trade truce fragile: May exports to the US down 34.5% YoY; trade deal reduced some tariffs.

» Bank of Japan held rates at 0.5%, announcing a slower taper of JGB purchases from next year.

» IMF flagged broader risks from Iran-related oil shock, cautioning on global growth spill overs.

» Global markets showed resilience, despite rising oil and geopolitical shocks; energy led performance.

Weekly market data

week ending 20 June 2025

momentum
global investment management

Asset Class / Region	Currency	Cumulative returns: Week ending 20 June	Month to date	YTD 2025	12 months
Developed Markets Equities					
United States	USD	-0.1%	1.0%	1.9%	10.1%
United Kingdom	GBP	-0.8%	0.1%	9.3%	9.6%
Continental Europe	EUR	-1.6%	-2.3%	8.3%	4.9%
Japan	JPY	0.5%	-1.1%	0.7%	4.2%
Asia Pacific (ex Japan)	USD	-0.1%	3.1%	11.3%	12.0%
Australia	AUD	-0.5%	0.8%	5.8%	13.3%
Global	USD	-0.5%	0.5%	5.5%	11.8%
Emerging Markets Equities					
Emerging Europe	USD	0.2%	1.0%	27.4%	16.9%
Emerging Asia	USD	0.2%	3.7%	11.2%	10.9%
Emerging Latin America	USD	-0.2%	2.6%	25.6%	9.8%
BRICs	USD	-0.6%	1.3%	11.2%	13.9%
China	USD	-1.3%	1.8%	15.1%	26.8%
MENA countries	USD	-2.1%	-2.9%	-4.3%	3.0%
South Africa	USD	-1.7%	1.5%	25.7%	26.1%
India	USD	1.0%	0.4%	5.6%	4.0%
Global emerging markets	USD	0.0%	3.0%	12.0%	11.2%
Bonds					
US Treasuries	USD	0.2%	0.3%	2.8%	3.6%
US Treasuries (inflation protected)	USD	0.6%	0.3%	3.8%	4.5%
US Corporate (investment grade)	USD	0.2%	0.7%	3.0%	5.2%
US High Yield	USD	0.3%	0.8%	3.4%	9.2%
UK Gilts	GBP	0.1%	1.3%	2.3%	0.6%
UK Corporate (investment grade)	GBP	0.1%	1.3%	2.9%	4.8%
Euro Government Bonds	EUR	0.1%	-0.1%	0.6%	4.0%
Euro Corporate (investment grade)	EUR	0.0%	0.2%	1.7%	6.0%
Euro High Yield	EUR	-0.1%	0.3%	2.6%	8.1%
Global Government Bonds	USD	-0.2%	0.5%	6.0%	6.7%
Global Bonds	USD	0.0%	0.7%	6.0%	6.8%
Global Convertible Bonds	USD	0.2%	1.2%	8.0%	16.6%
Emerging Market Bonds	USD	0.0%	0.9%	3.8%	7.5%

Asset Class / Region	Currency	Cumulative returns: Week ending 20 June	Month to date	YTD 2025	12 months
Property					
US Property Securities	USD	-0.2%	-0.2%	-0.1%	9.8%
Australian Property Securities	AUD	0.2%	2.9%	6.6%	9.7%
Asia Property Securities	USD	-0.2%	2.1%	14.8%	17.3%
Global Property Securities	USD	0.1%	0.7%	6.0%	13.0%
Currencies					
Euro	USD	-0.2%	1.6%	11.5%	7.7%
UK Pound Sterling	USD	-0.9%	0.1%	7.6%	6.4%
Japanese Yen	USD	-1.2%	-1.3%	7.9%	8.9%
Australian Dollar	USD	-0.8%	0.5%	4.4%	-2.9%
South African Rand	USD	-0.4%	0.3%	5.2%	0.5%
Swiss Franc	USD	-0.6%	0.7%	11.2%	9.1%
Chinese Yuan	USD	0.0%	0.3%	1.7%	1.1%
Commodities & Alternatives					
Commodities	USD	1.9%	9.9%	7.7%	5.3%
Agricultural Commodities	USD	-0.3%	1.0%	-1.1%	0.3%
Oil	USD	3.7%	20.5%	3.2%	-10.2%
Gold	USD	-1.9%	2.4%	28.3%	42.9%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

For more information, please contact:
Distribution Services

E: distributionservices@momentum.co.uk
T: +44 (0)207 618 1829

momentum
global investment management

Important notes - This document is only intended for use by the original recipient, either a Momentum Global Investment Management Limited (MGIM) client or prospective client, and does not constitute investment advice or an offer or solicitation to buy or sell. This document is not intended for use or distribution by any person in any jurisdiction in which it is not authorised or permitted, or to anyone who would be an unlawful recipient. The original recipient is solely responsible for any actions in further distributing this document, and in doing so should be satisfied that there is no breach of local legislation or regulation. This document should not be reproduced or distributed except via original recipients acting as professional intermediaries. This document is not for distribution in the United States.

Prospective investors should take appropriate advice regarding applicable legal, taxation and exchange control regulations in countries of their citizenship, residence or domicile which may be relevant to the acquisition, holding, transfer, redemption or disposal of any investments herein solicited.

Any opinions expressed herein are those at the date this document is issued. Data, models and other statistics are sourced from our own records, unless otherwise stated. We believe that the information contained is from reliable sources, but we do not guarantee the relevance, accuracy or completeness thereof. Unless otherwise provided under UK law, MGIM does not accept liability for irrelevant, inaccurate or incomplete information contained, or for the correctness of opinions expressed.

The value of investments in discretionary accounts, and the income derived, may fluctuate and it is possible that an investor may incur losses, including a loss of the principal invested. Past performance is not generally indicative of future performance. Investors whose reference currency differs from that in which the underlying assets are invested may be subject to exchange rate movements that alter the value of their investments.

Under our multi-management arrangements, we selectively appoint underlying sub-investment managers and funds to actively manage underlying asset holdings in the pursuit of achieving mandated performance objectives. Annual investment management fees are payable both to the multi-manager and the manager of the underlying assets at rates contained in the offering documents of the relevant portfolios (and may involve performance fees where expressly indicated therein).

MGIM (Company Registration No. 3733094) has its registered office at The Rex Building, 62 Queen Street, London EC4R 1EB. MGIM is authorised and regulated by the Financial Conduct Authority in the United Kingdom (registration no.232357), and is exempt from the requirements of section 7(1) of the Financial Advisory and Intermediary Services Act 37 of 2002 (FAIS) in South Africa, in terms of the FSCA FAIS Notice 9 of 2025 (published 9 January 2025). For complaints relating to MGIM's financial services, please contact distributionservices@momentum.co.uk.