



By: *Emre Alkin*

# The side effects of a new war



The conflict between the United States, Israel, and Iran has rapidly moved beyond the category of a “regional tension.” It has evolved into a shock that strikes at the very core of the global economy.

The reason is simple: every move in this geography connects directly to the choke points of global energy supply and trade routes.

But what has truly unsettled markets is not merely the initial strikes – it is Iran’s retaliatory capability. Tehran has shown that it does not need to defeat its adversaries militarily to create economic disruption. It only needs to increase the cost of stability.

And in that sense, its asymmetric responses are turning into a strategic nightmare for the US, Israel, and countries providing support.

Markets are no longer asking “who hit whom?” The real question is, “Will flows be disrupted?”

Disruption does not always come from missiles. Sometimes it comes from insurance premiums. Sometimes from **airspace closures**. Sometimes from extended tanker routes. Sometimes from a new “war risk surcharge” added to freight contracts.

This is why the economic consequences cannot be measured in a single line item. The shock spreads through oil prices, inflation, growth, stock markets, tourism, and global trade in a cascading chain.

## The real pressure point: Hormuz

At the centre of the storm stands the **Strait of Hormuz**. Roughly one-fifth of global oil flows through this narrow passage. Iran does not need to fully close it to create systemic pressure.

Even a partial slowdown – tanker hesitations, higher insurance rates, naval tensions – effectively restricts supply.

In modern energy markets, the decisive factor is rarely total closure. It is the cost of transit.

**The longer the tension persists, the more the shock transforms from temporary fear into structural cost**

If tankers slow down, if war-risk insurance premiums spike, if shipping companies reroute, the **cost per barrel** rises before physical supply is even cut. That increase then spreads across the global cost structure.

In a limited conflict scenario, oil might absorb a \$5–\$10 geopolitical premium. But if tanker traffic or energy infrastructure faces sustained risk, a \$20+ increase becomes plausible.

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## Two scenarios: short vs. prolonged conflict

Markets respond not only to intensity but also to duration.

### Short scenario (0–3 months)

Hormuz does not fully close, but risk premiums rise. Insurance and freight costs increase. Airspace restrictions continue. Brent crude could shift into the \$80–95 range, possibly testing \$95–110 briefly if infrastructure risks intensify – though not as a lasting equilibrium.

The global inflation impact could be +0.6 to +1.0 percentage points. Global growth might slow by 0.4–0.8 points. Not a collapse – but enough to unsettle central bank easing plans.

In this environment, precious metals rally under uncertainty.

Gold could move towards the \$5,450–\$5,800 band, and silver into a wide range of \$70–\$111.

Platinum and palladium would follow, though with more volatility.

Equity markets would experience risk-off behaviour: a 10–15% correction in global indices and deeper declines in emerging markets. Energy and defence stocks outperform. Banking, aviation, tourism, and industrial sectors face pressure.

The dollar strengthens in this phase for two main reasons:

1. Flight to safety – Global investors retreat to dollar-denominated assets.
2. Energy invoicing dynamics – Oil is priced in dollars. As oil prices rise, dollar demand rises.

Prolonged scenario (3+ months)

Here the narrative shifts entirely.

If Hormuz experiences persistent disruption – even without full closure – Brent could settle in the \$110–160 range. In a severe blockage scenario, spikes beyond that cannot be ruled out. At that level, this is no longer an oil story. It becomes a structural inflation shock.

The global inflation impact could widen to +1.8 to +3.0 percentage points. Global growth could fall by 1.5–2.5 points. With baseline global growth around 3%, that implies a drop towards 0.5–1.5%. That is stagflation territory. Central banks would face an impossible trade-off: cut rates and risk inflation or stay tight and choke growth.

## Precious metals: from hedge to insurance

In a prolonged conflict, gold and silver cease to be simple hedges – they become inflation insurance.

Gold could migrate into the \$5,900–\$6,700 range. Silver into \$113–\$136. Platinum may test

\$2,720–\$3,190.

Silver, however, remains unstable because it has dual demand: safe haven and industrial usage. If global growth weakens significantly, industrial demand softens, creating sharp volatility. This is why silver's moves are often more aggressive – both upward and downward – than gold.

## Geopolitical risk often strengthens the dollar even when the US is directly involved

The dollar would likely remain firm despite US involvement in the conflict. Why?

Because in global crises, capital seeks liquidity and depth – and the US Treasury market remains the deepest pool of liquidity in the world. Additionally, energy exporters accumulating petrodollars recycle capital back into dollar assets.

Thus paradoxically, geopolitical risk often strengthens the dollar even when the US is directly involved.

## The insurance factor: the hidden central bank

In prolonged conflict, insurance markets become the silent regulator of global trade. War-risk premiums in maritime shipping could rise more than 50%. Aviation insurance could jump 30–60%.

When insurance becomes expensive, trade slows. When trade slows, growth weakens.

Thus, the true question is not simply “Is Hormuz closed?” but also “What are insurers pricing?”

## Who suffers most?

Energy-importing externally financed

economies bear the heaviest burden. Countries like Turkey, India, Pakistan, Germany, Italy, and South Korea become highly exposed.



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Energy exporters – the US, Canada, Norway, and Brazil – absorb the first shock more easily, though none are immune to global demand destruction.

The economy does not price war itself. It prices cost and duration. In the short scenario, the shock is sharp but reversible. In the long scenario, the shock becomes structural and rewrites macro balances.

If Brent stabilises above \$110 and Hormuz disruptions appear persistent, the narrative shifts from “headline shock” to “macro shock.”

At that point, gold and silver demand will no longer reflect fear alone – but entrenched inflation expectations.

And that is when temporary volatility turns into systemic repricing.