

Daily: Brent tops 100: A milestone, not a turning point

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Thought of the day

Brent crude has climbed back above USD 100 a barrel, its highest level since late July, as US-Iran military exchanges continue to threaten energy supplies. US forces said they destroyed five Iranian oil tankers following attempted attacks on a US Navy ship, while Iran reported retaliatory strikes on a US base in Jordan. Houthi missile and drone strikes caused fires at Saudi energy facilities this week, with officials reporting temporary operational halts. Washington also announced further economic sanctions targeting Iran's aviation sector.

The surge in crude prices is consistent with tightening physical supply. Oil inventories stored at sea have fallen by 150 million barrels over two months, while Gulf exports remain below pre-conflict levels. Chinese crude imports recovered to nearly 9 million barrels per day in August, from 7.15 million in June, suggesting demand is firming despite higher prices. Against this backdrop, we have raised our Brent forecasts to USD 95/bbl for year-end and USD 90/bbl for March 2027, from USD 85/bbl and USD 80/bbl, respectively. Although below the current spot price, both forecasts remain above corresponding futures prices.

The rise above USD 100/bbl could prove psychologically important for markets. But we believe earnings growth and structural investment remain the more important drivers for the investment outlook:

Earnings, AI investment can withstand higher energy price. We expect US earnings growth of 25% in 2026 and 14% in 2027, providing a strong foundation despite higher energy costs. Recent results from NVIDIA and Broadcom—whose managements guided for strong revenue growth into 2027—offer further evidence of sustained AI infrastructure demand. The earnings recovery also extends beyond technology and the US: We recently raised our European earnings growth forecast to 15% for 2026 and continue to expect 15% growth in 2027.

Higher crude prices unlikely to prompt aggressive tightening. The oil price rise comes ahead of US CPI data and a European Central Bank (ECB) decision this week, keeping inflationary pressure in focus. We now expect two Federal Reserve hikes this year—one in September and another in December—with resilient employment and income supporting growth. Europe's energy sensitivity warrants attention, but August's rise in headline inflation to 3.3% coincided with easing core and services inflation, and we expect an ECB hike followed by an extended pause. It would likely take a sustained broadening of inflation, and not just oil crossing USD 100 alone, to raise the risk of more aggressive tightening from both central banks.

Broader portfolio exposure can strengthen resilience to energy costs. If rising energy costs were to lift inflation and pressure equity and bond returns, broad commodity exposure would likely help diversify that risk. Higher oil also highlights the importance of investment in energy security, complementing the demand for power infrastructure, industrial equipment, copper, and aluminum driven by AI and electrification. Investors should consider broadening their AI and tech exposure into adjacent areas like

power and resources, which can still capture structural growth while reducing reliance on a single market driver.

So we think global equity markets can continue to rise despite higher energy costs. We continue to favor our Transformational Innovation Opportunities of AI, Power and resources, and Longevity, all of which should benefit from stronger investment, productivity gains, and structural growth. If the impact of higher energy worsens, we would like both US and European health care sectors for their defensive characteristics alongside structural growth opportunities. In Europe, we also favor industrials, banks, and IT. We retain our Neutral views on US and European energy, given already strong performance in line with the rise in oil prices, favoring select oilfield services exposure within the sector. In Asia, Taiwan would face a drag from higher energy prices, but we think its outsized exposure to the structural AI theme should cushion the impact.

We recommend exposure to broad commodities, as we believe they can provide both a structural source of return and diversification in scenarios where energy disruption or renewed inflation challenges equities and bonds. Electrification, rising power demand, AI infrastructure investment, and constrained supply support the longer-term outlook for the asset class.

Source: <https://www.ubs.com/global/en/wealthmanagement/insights/chief-investment-office/house-view/daily/2026/latest-09092026.html>