

Economic Impact of Iran Conflict on Oil, Gold and More

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With \$100/bbl crude, commodities markets are repricing risk in real time — with some surprising results.

The U.S.-Iran ceasefire agreement, signed on June 17, 2026, led to a partial reopening of the Strait of Hormuz and a temporary suspension of hostilities. Since then, negotiations for a long-term peace deal have been suspended, while a memorandum of understanding has lapsed. Here's a look at how the conflict has affected commodity markets so far this year — and what might lie ahead.

The price of crude oil — and the way the world has reacted — continue to surprise

At the beginning of the conflict, crude oil prices soared past \$100 per barrel (bbl) for the first time since 2022, dropping nearly as precipitously after the ceasefire was announced, to a low of \$71.57 on July 1. With the conflict intensifying both militarily and economically, and little movement occurring at the negotiating table, the price of oil climbed back above \$100/bbl in early September.

Despite the scale and duration of the disruption, the price of crude has remained relatively contained, a phenomenon Natasha Kaneva, head of Global Commodities Research at J.P. Morgan, attributes to three factors.

“First, 2022 showed just how fungible oil is: barrels find a way to flow,” said Kaneva, citing the example of Russia moving oil successfully despite the war. “Workaround pipelines and covert flows from Middle East producers have helped to avert a full-blown oil crisis in 2026.”

“Second, inventories have drawn far more slowly than we forecast earlier,” said Kaneva. Outside the U.S., China and Japan, the rest of the world has drawn surprisingly little from stocks, according to data from Bloomberg. One explanation for this could be policymakers saving inventories for a potentially more difficult moment.

“[Lastly], the burden of rebalancing has fallen on consumers, as companies and households responded by economizing on oil,” Kaneva said. Airlines canceling unprofitable routes, businesses shifting more work online and manufacturers redesigning packaging to reduce petrochemical use are just a few examples of demand replacement.

These adjustment mechanisms could persist, even in a drawn-out conflict scenario — one which, in Kaneva's view, seems possible.

Meanwhile, an uptick in production from countries such as Brazil, Venezuela, Canada, the U.S. and Guyana could help mitigate an increase in oil prices as more production comes online that won't be reliant on passage through the Strait.

“If Hormuz remains constrained, we expect incremental barrels to continue emerging through 2027, as producers respond to the strong price incentive to maximize output and revenues,” said Kaneva. “The

result is counterintuitive: in a ‘forever conflict’ scenario, Brent could average just \$87/bbl in 2027, compared with \$64/bbl in our baseline scenario, in which the world enters 2027 at peace.”

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Head of Global Commodities Strategy, J.P. Morgan

Gold’s safe haven status wobbles

After historic price movements to start the year, gold’s spot price traded sideways for much of the first quarter, continuing to wobble with the onset of hostilities between Israel, Iran and the U.S. An intra-year price floor was reached in June as fears over an energy-driven spike in inflation and the threat of global interest rate hikes strengthened the U.S. dollar as an investor safe haven.

Since then, the price of gold has started to recover. Gregory Shearer, head of Base and Precious Metals Strategy at J.P. Morgan, maintains a constructive long-term view on gold, citing structural drivers like continued central bank buying and the wider trend of de-dollarization.

“We do not think the debasement theme is dead, just currently significantly overshadowed,” said Shearer. “We ultimately see further recovery in prices coming in 2027 as structural central bank and physical buying eventually re-strengthens. However, the intensity of the rebound has been reined in as gold needs a more material dovish pivot from the Fed for demand to once again fire on all cylinders — a needed mechanism to re-accelerate momentum in its longer-term uptrend.”

Is the aluminum market facing an “invisible” shortage?

The conflict in Iran triggered a major supply shock in the aluminum market, as attacks on key Middle East smelters, including two facilities that produced around 4% of global aluminum supply, resulted in prolonged production outages. A sharp spike in aluminum prices followed, with spot prices on the London Metal Exchange (LME) surging from around \$3,007 per metric ton (mt) to a high of \$3,707/mt in early June — the largest price rally since the onset of the Russia–Ukraine conflict.

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Head of Base and Precious Metals Strategy, J.P. Morgan

Since the announcement of the ceasefire, key Middle Eastern smelters have restarted production quicker than expected. But concerns remain about an “invisible” aluminum shortage that is still working its way through the supply chain.

“Given the magnitude of the supply shortage facing the market, the aluminum market outside of China needs China to continue to backfill for lost Middle East tons via boosted levels of aluminum product exports,” said Shearer. “We still forecast a more than two million metric ton aluminum deficit globally between the second and fourth quarter of 2026.”

The effect of the Iran conflict on global growth

As much as any commodity, global growth seemed poised for disruption as the Iran conflict unfolded. Energy markets and price spikes have led to sticky inflation, and as the conflict wears on, interest rates have turned hawkish.

Yet, while the energy shock may still be reverberating through markets, the effects may prove less

extreme in the second half of the year.

“The Middle East conflict has not dampened our conviction that a cyclical upturn is taking hold,” said Bruce Kasman, chief global economist at J.P. Morgan. “Incoming economic reports point to a broadening base of tech spending during the first half of 2026. While the application of new technologies should boost productivity growth, it is also boosting demand and contributing to goods price pressures.”

In addition, there’s evidence of a pickup in non-tech activity as business sentiment rebounds from last year’s depressed levels. This rebound is predicted to be concentrated in Western Europe, which experienced the most significant drop when the Strait closed. There are also signs that labor demand is starting to firm.

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Still, the prospect of central banks raising rates could increase the risk of financial stress. “Past experience suggests that an unexpected reset of monetary policy expectations tends to generate financial stress in an otherwise healthy expansion,” said Kasman. “The threat that more action will be required to contain inflation in an environment of above-potential growth is material, particularly as labor markets tighten.”

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