

The Credit Market Lens: An Oil Shock (Mostly) Like No Other

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A full seven months into the conflict with Iran that catalyzed a global energy supply shock, energy markets remain the clearest source of uncertainty for risk assets. As shown in Figure 1, the six-month WTI contract is roughly 25% higher than it was at the end of February, following a trajectory broadly consistent with previous geopolitical oil shocks.

However, the performance of other asset classes has not followed the standard playbook of past supply shocks. Figure 2 shows that investment grade (IG) credit spreads remain effectively flat versus February levels. Figure 3 shows how U.S. Treasury yields have moved markedly higher in 2026, more closely tracking the 2022 Russia-Ukraine pattern than the one observed during the first Gulf War in 1991. Higher energy prices have led many investors to expect more central bank rate hikes – a key force behind higher real yields. For credit investors specifically, elevated Treasury yields are likely helping support demand via higher all-in yields despite tight spread levels.

Although the move in rates during the onset of the Russia-Ukraine conflict in 2022 may seem like a useful prism through which to frame the current conflict, conventional macroeconomic thinking would suggest otherwise. Historically, energy supply shocks have tended to morph from inflation scares into growth scares, with investors ultimately seeking perceived safety and pushing yields lower (again, Figure 3).

The reason 2022 is an exception is its unique starting point. During the 2020 pandemic, policy rates in most countries were effectively cut to zero, central banks embarked on large-scale asset purchases that pushed down long-dated yields to multi-decade lows, and large fiscal packages to support aggregate demand ultimately met constrained supply chains and led to spiking inflation.

None of these conditions were the same at the outset of the current Iran conflict.

For context, during the first Gulf War in 1991, the U.S. economy needed to use roughly twice the amount of oil compared with today for a commensurate level of GDP.

One way to conceptualize this is that over the past 50 years, the U.S. has transitioned from a manufacturing-based economy to a services-based one, which is mechanically less sensitive to oil as an input.

That isn't to say the U.S. is impervious to energy price spikes. Rather, it implies that it would likely take a larger and more sustained energy shock for growth to deteriorate the way it did during episodes such as the first Gulf War.

The second factor is the AI investment cycle. Over the past several months, capex spending expectations linked to the AI ecosystem have consistently increased. AI hyperscaler capex alone will likely surpass \$1 trillion in 2027, according to consensus analyst estimates compiled by Bloomberg.

This level of spending has helped stabilize growth expectations and also helps support risk appetite

while potentially limiting the spillover from higher energy prices into broader risk assets.

1 Source: Barclays Research, based on Kpler data. Net oil exports from the Middle East Gulf, including pipeline bypass, averaged 19.2 million barrels per day in the seven days ending 22 September, or 83% of pre-war levels. [Return to content](#)

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