









Source: Bloomberg, LLP | 5Y (green), 7Y (purple) & 10Y (light blue) SOFR SWAP RATES, PRIOR 10 DAYS

**CHART 3, 3A, 3B1 & 3B2: MARKETS NERVOUSLY MONITOR ENERGY MARKETS**

The market’s main fear at the moment is that sustained high oil prices will boost inflation and slow economic growth, making it challenging for central bankers to manage monetary policy. Bottom line, if this war is not resolved quickly and decisively, it threatens to deal a severe blow to a global economy still grappling with the impact of US tariffs. For Europe, sustained higher energy prices would likely lead the economy to the edge of recession. For the US, higher oil prices would muddy the monetary policy waters for the Federal Reserve and place them in a difficult situation to navigate.

**CHART 3: Inflation Outlook Hinges On Duration And Intensity Of Conflict**

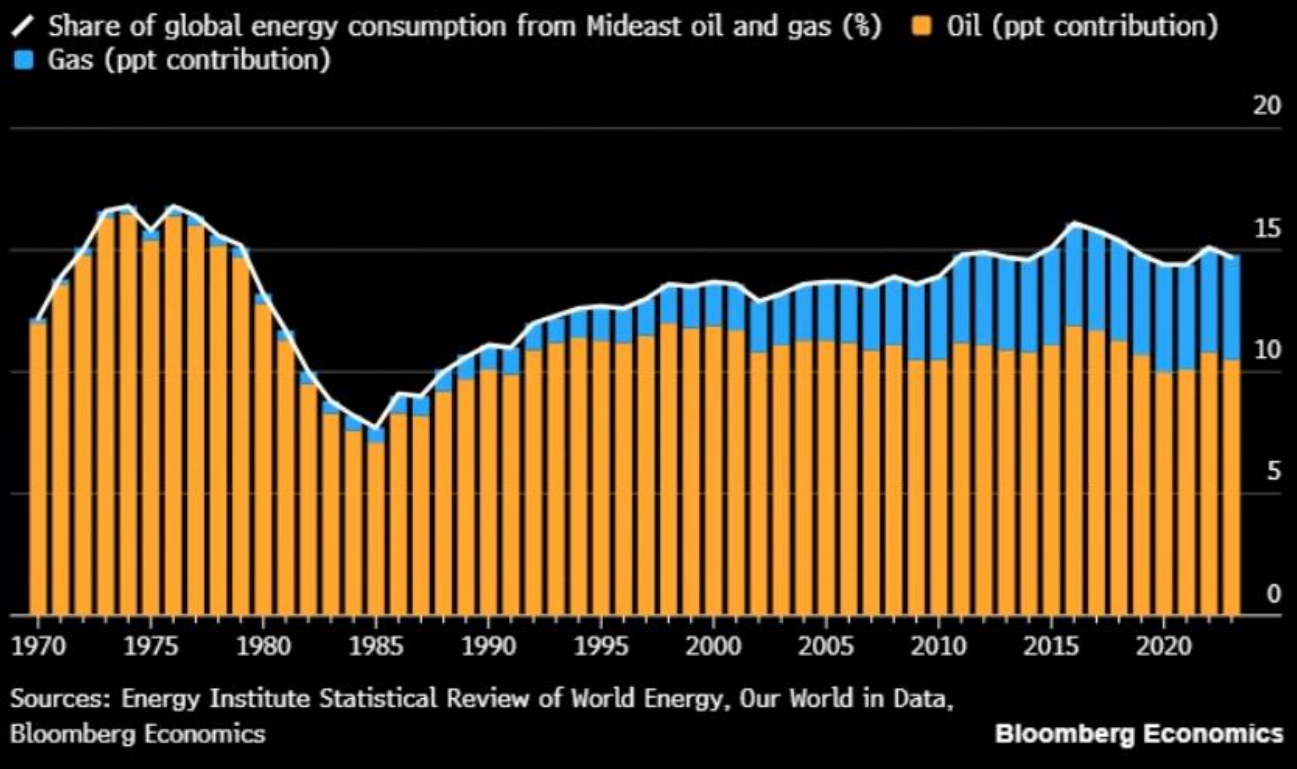
<b>Four Futures for the Middle East War</b>			
Scenario	Likelihood	Resulting oil price (per barrel)	Economic impact
War - intensified attacks on energy	Low to medium	\$108	Significant boost to inflation, blow to growth, central banks' reaction depends on inflation expectations
War - limited attacks on energy	Medium to high	\$80	Modest boost to inflation and blow to growth, limited central bank reaction
Ceasefire	Medium to high	\$65	Limited
Islamic Republic collapses	Low	\$65	Limited

Source: Bloomberg Economics **Bloomberg Economics**

Source: Bloomberg, LLP | POSSIBLE US/IRAN WAR OUTCOMES AND IMPACT ON INFLATION – BLOOMBERG ECONOMICS

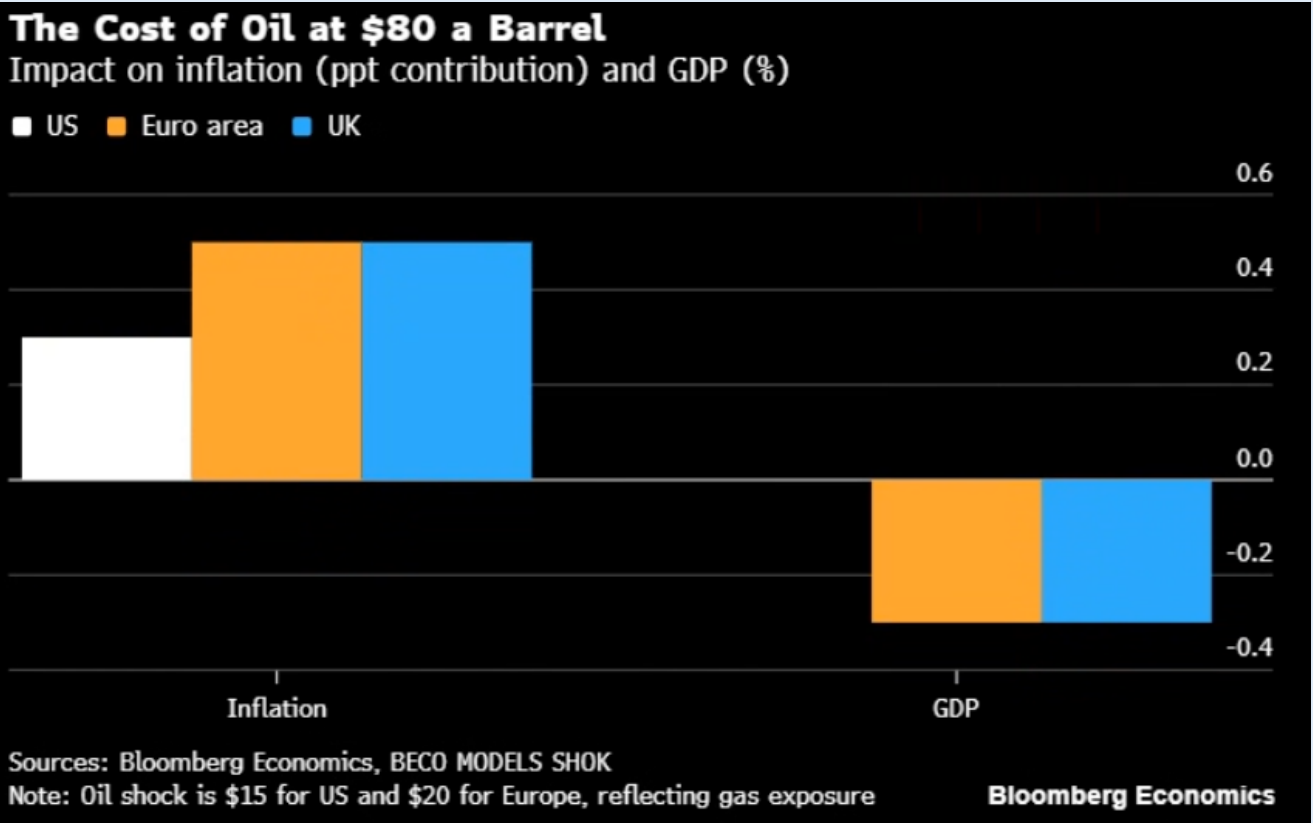
**CHART 3A: Middle East Still Has Key Role In Global Energy Markets**

### Middle East Energy Still Fuels the World



Source: Bloomberg, LLP | MIDDLE EAST – SHARE OF GLOBAL OIL AND GAS MARKETS

**CHART 3B1:** *Disruption In Energy Markets Can Increase Inflation, Decrease GDP*



Source: Bloomberg, LLP | POTENTIAL IMPACT ON INFLATION WITH OIL AT \$80.00 PER BARREL

**CHART 3B2:** *Disruption In Energy Markets Can Increase Inflation, Decrease GDP*

