

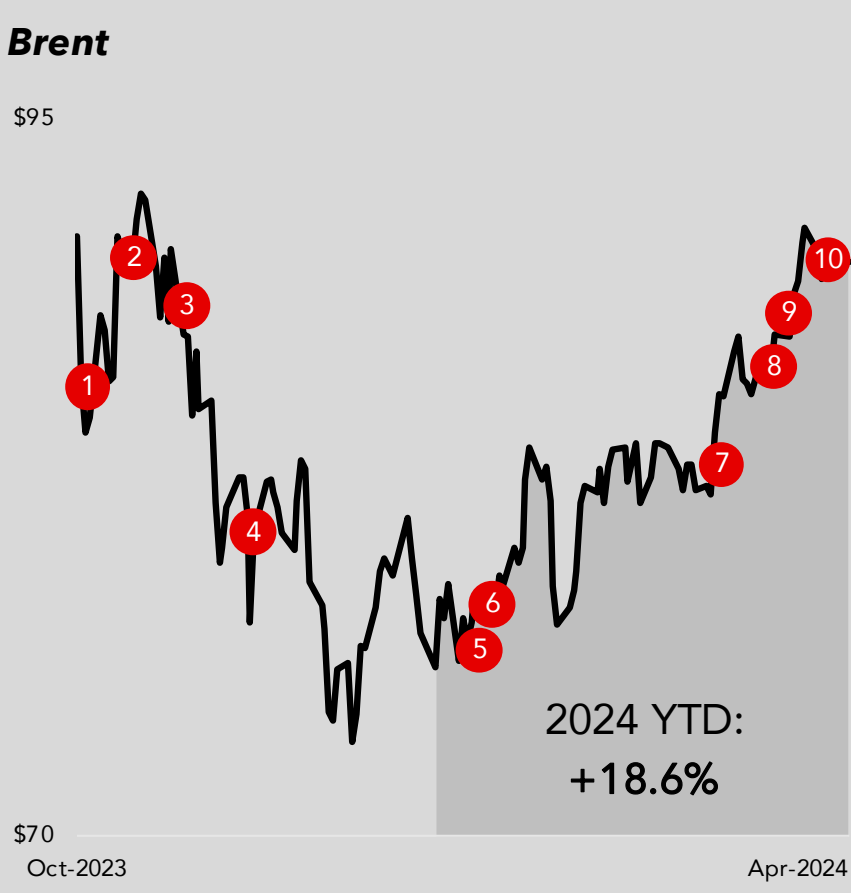
# Chart of the Day



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Oil markets remain the primary transmission mechanism from rising geopolitical risk to the global economy. Since late 2022, the geopolitical risk premium in global energy markets has been surprisingly low. However, over the last three months, against the backdrop of structurally tight global oil markets, a more decipherable \$5-10 per barrel of rising geopolitical risk premium has crept into Brent, as evidenced by the 10% price increase over the last month and 19% YTD.



Selected Events		
1	Oct 7	Hamas attacks Israel
2	Oct 19	Houthi missile attacks on Israel
3	Oct 27	Israel commences ground invasion of Gaza
4	Nov 19	Houthi hijack "Galaxy Leader" ship in first Red Sea attack
5	Jan 11	US & Allied counter-strikes on Houthi rebels
6	Jan 19	Ukrainian strike on Russian oil assets
7	Mar 12-23	Ukrainian strikes on numerous Russian refineries
8	Apr 1	Israeli strike on Iranian consulate in Damascus
9	Apr 2	Ukrainian strike on Russia's 3rd largest refinery
10	Apr 13	Iranian missile strikes on Israel

While Iran-Israeli escalation is not necessarily a baseline scenario, Bloomberg Economics has modeled the impact on oil prices, equity market volatility and the global economy for a range of escalation scenarios related to the Israeli-Gaza crisis. Notably, in the event of a "direct war" between Iran and Israel, Bloomberg is forecasting oil prices > \$150 per barrel, VIX > 30 and a global recession.

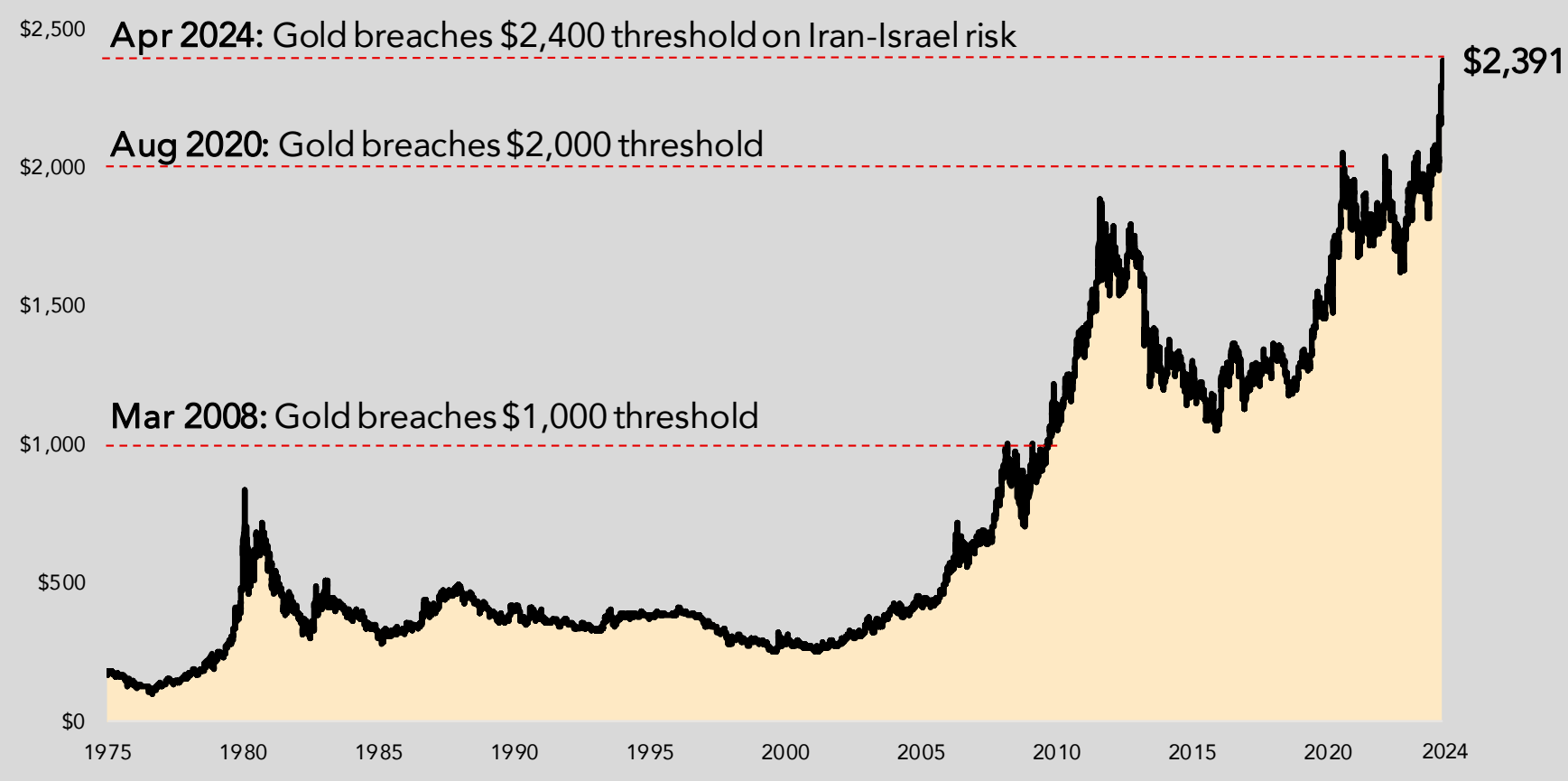
### Impact of an Iran-Israel Escalation

Scenario	Description	Global Markets	Global Economy
Contained war	Gaza ground invasion; limited regional contagion	Oil Markets: +\$4 VIX: No impact	GDP: (-0.1) ppts Inflation: +0.1 ppts
Proxy war	Multi-front war: Gaza, West Bank, Lebanon, Syria	Oil Markets: +\$8 (high \$90s) VIX: +8 pts (20-25)	GDP: (-0.3) ppts Inflation: +0.2 ppts
Direct war	Iran and Israel escalate into "direct war"	Oil Markets: +\$64 (> \$150) VIX: +16 pts (> 30)	GDP: (-1.0) ppts Inflation: +1.2 ppts

### Global Recession Scenario

Gold has risen more than 15% in 2024, breaching the \$2,400 threshold for the first time on Friday, April 12th, the eve of Iran's direct missile response on Israel. While numerous factors have contributed to the sharp rise in gold prices (central bank purchases, China's consumer), there is nonetheless a sizeable geopolitical risk premium in gold's recent surge.

### Gold price per ounce



Source: (1-3) Bloomberg. Data as of April 16, 2024. Peak gold price intraday on April 12, 2024.

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