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Global Macro Insight

50 DAYS OF WAR:

Oil Shock, Inflation Risk,
and the Market's Next Big Trade



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A crisis no longer confined to the battlefield

Fifty days into the Iran conflict, the story is no longer just geopolitical. It has become a global macro event — one that is shaking the energy market, complicating central bank expectations, and forcing traders to rethink the path of oil, gold, bonds, and risk sentiment. More than 500 million barrels of crude oil and condensate have effectively disappeared from the market, with financial losses estimated at over \$50 billion. Production losses have at times reached roughly 12 million barrels per day, while Gulf output disruptions and logistical damage have turned what may have started as a regional war into a worldwide supply and pricing shock.

This is what makes the current moment so important for markets. Even if hostilities stopped tomorrow, the recovery would not be immediate. Some heavy oil fields in Kuwait and Iraq may need four to five months to normalise, while broader damage to energy infrastructure — including refining capacity and LNG facilities — could take years to restore. That fully means traders are not simply pricing war headlines anymore; they are pricing the possibility of a structurally tighter energy supply well into the second half of the year.

The oil market is no longer trading fear alone — it is trading scarcity.

50 Days of Disruption: The Global Energy and Economic Toll of the Iran Conflict

The Massive Scale of Energy Loss



500 Million Barrels "Disappeared"

This volume represents the largest energy supply interruption in modern history.

Equivalent to 11 Days of Global Road Traffic



The loss also equals 10 weeks of global aviation demand or 4 months of international shipping.

Market and Policy Consequences



The "Warsh Bomb" at the Fed

Markets are focused on nominee Kevin Warsh's stance on balancing energy inflation with rate cuts.

Interest Rate Uncertainty

Previous Expectation



Rate cuts

Markets expected two rate cuts

Current Probability



No Change

Shifted to a 50% chance of no change.



\$50 Billion Revenue Loss

Based on a \$100/barrel average, equivalent to 1% of Germany's annual GDP.

Comparing the 50-Day Loss

U.S. Military
6 years of total fuel consumption

U.S. National Demand
Nearly 1 full month of total oil usage

Major Oil Firms
Daily loss equals the combined output of ExxonMobil and Chevron



Multi-Year Recovery Timeline



Damaged infrastructure and heavy oil fields may take months or years to fully restore.

First, oil markets often react to war through a geopolitical risk premium: prices jump because traders fear what might happen next. But after 50 days, the conversation changes. The market begins to ask a more practical question: how much supply is missing, and how long will it stay offline?

That shift matters. Briefing frames the current shock as one of the most severe energy disruptions in modern history, with barrels lost equivalent to multiple days of global oil consumption and Gulf production losses on a

scale comparable to the combined output of major oil supermajors. In other words, this is not just a temporary headline spike. It is a supply event large enough to spill over into transport costs, manufacturing margins, inflation expectations, and central bank pricing.

For financial markets, oil is the transmission channel. If crude stays elevated, inflation fears can reaccelerate. If inflation fears reaccelerate, bond yields can stay sticky. And if yields stay elevated, risk assets may lose some of the optimism that recently came from hopes of rate cuts.



Gold's role is changing, too.

Gold usually benefits from a crisis, but this environment is more nuanced. If the conflict intensifies and broad risk aversion rises, gold gains from its traditional safe-haven appeal. But gold also trades against rates, yields, and the U.S. dollar. That means the yellow metal is caught between two competing macro forces: geopolitical fear on one side, and inflation-driven central bank caution on the other.

That is why gold may not move in a straight line. A deeper energy shock can support bullion through fear and uncertainty, but if that same oil shock forces markets to scale back expectations for rate cuts, higher real yields could slow or complicate the upside. In market terms, gold is not only a war trade — it is also a policy trade.

Why the Federal Reserve suddenly matters even more

The conflict has not only distorted commodity markets; it has also complicated the rate outlook in the United States. Before the war, markets were leaning toward multiple rate cuts in 2026. Now, that path looks far less clear. The briefing highlights how the energy shock has reignited the inflation-versus-growth debate inside the bond market, with the U.S. two-year Treasury yield fluctuating near 3.74% as traders reassess how long rates may need to stay restrictive.

This is where Kevin Warsh becomes central to the narrative. His confirmation hearing as Fed Chair nominee is described in the briefing as the next major catalyst, because markets want to know whether he will treat war-driven inflation as temporary noise or as a reason to stay hawkish for longer. If he signals tolerance for cutting later this year despite energy inflation, risk assets could find relief, and gold could draw support. If he leans more hawkish, the dollar and front-end yields may strengthen, creating a more difficult backdrop for metals and equities.

So the market is now balancing two clocks at once: the clock of war damage in the Gulf, and the clock of monetary policy repricing in Washington.





What institutional investors are watching

The divide among major institutions shows just how uncertain the environment has become. The briefing notes that Morgan Stanley sees room for Warsh to stay open to cuts later this year if he views the energy shock as temporary. Brandywine Global argues the Fed may need to stay on hold unless employment weakens sharply. Wood Mackenzie emphasizes that the sheer size of the missing oil supply is historic, while Vanguard has been increasing exposure to intermediate Treasuries on the view that further Fed hikes remain unlikely even in a volatile environment.

This split is important for marketing copy and investment communication because it signals to readers that there is no single “obvious” macro conclusion. The story is powerful precisely because it sits at the intersection of conflicting forces: tighter energy supply, slower growth, inflation risk, and uncertain central bank reaction.

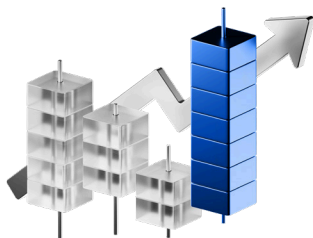
Trading Signal & Strategy



Market Bias

Oil: Bullish bias while supply disruption remains unresolved

Gold: Bullish-to-range bias, supported by geopolitical uncertainty but vulnerable to hawkish Fed repricing



Primary Trading Signal

Buy oil on pullbacks, not on panic spikes.

The underlying supply picture remains supportive as long as production outages, export bottlenecks, and infrastructure recovery delays persist. The briefing suggests the market is dealing with both lost output and a prolonged normalization timeline, which supports a structurally firmer oil backdrop rather than a one-day headline reaction.



Execution Strategy

A cleaner strategy for WTI or Brent is to wait for intraday or daily pullbacks after headline-driven rallies, then look for bullish continuation signals near technical support zones. This helps avoid buying the top of a geopolitical spike. A trend-following approach is more suitable than fading strength while the supply story remains unresolved.



Instrument:	WTI / Brent
Bias:	Buy dips
Trigger:	Pullback into key support after a sharp rally, followed by a bullish confirmation candle or a rebound from moving-average support
Invalidation:	Clear diplomatic breakthrough + reopening of disrupted supply routes + easing of infrastructure risk premium
Target Logic:	Retest of recent highs first, then extension if supply disruption headlines persist



Gold Strategy

For gold, the trade is more conditional.

Bullish scenario: Escalation in conflict, softer USD, falling real yields, or Warsh sounding willing to look through war inflation.

Neutral/range scenario: Gold holds firm but struggles to break out if oil-driven inflation keeps Treasury yields elevated.

Bearish short-term scenario: War headlines cool and Fed pricing turns more hawkish, lifting the dollar and capping safe-haven demand.



Instrument:	XAU/USD
Bias:	Buy on dips only if price structure remains above key support
Trigger:	Pullback into support zone with confirmation from softer yields or renewed risk-off headlines
Invalidation:	Strong hawkish shift from Fed expectations or decisive risk-on mood with cooling oil prices
Target Logic:	First aim for recent resistance, then reassess based on yield and USD reaction

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