



GOLD & OIL:

# NAVIGATING GEOPOLITICAL RISK, STRUCTURAL DEMAND, AND PORTFOLIO RESILIENCE

March 2026 Global Macro Update



### EXECUTIVE SUMMARY

The US–Israel–Iran conflict and the de facto closure of the Strait of Hormuz have produced the most severe **oil** supply disruption since the 1970s, removing approximately 20 million barrels per day of crude and product flows from the market, sending Brent crude from \$73 to a peak of \$126 per barrel in under two weeks and triggering the IEA's largest-ever emergency stockpile release of 400 million barrels. **Gold**, which had already rallied nearly 190% since early 2022 on the back of persistent central bank accumulation, negative real yields, and structural de-dollarization flows, reached an all-time high above \$5,500 per ounce before pulling back on margin-call liquidation and temporary dollar strength which is a pattern consistent with the safe-haven paradox we have documented in prior cycles.

These two commodities are now the primary transmission mechanism through which geopolitical risk is repricing the broader investment landscape: equities have entered correction territory as sustained \$100+ oil compresses margins and raises recession probabilities, bond markets have erased expectations for further Fed rate cuts as the inflation impulse from energy prices splits the dual mandate, and the US Dollar is caught between competing safe-haven and current-account dynamics. While this volatility has left minor imprints on our portfolios, our structural positioning, built around disciplined diversification, viable margins of safety, and a clear distinction between event-driven noise and fundamental value, means our **Global Equity Special Fund** and **Multi-Asset Strategy Special Fund** are well positioned to capture the dislocations and discounted opportunities that periods of heightened uncertainty invariably produce.

**In this report, we do a deep dive of these two commodities, their drivers and effects to other asset classes, and our outlook as well in the current operating environment.**

# GEOPOLITICAL CONTEXT & MARKET TRANSMISSION

## 2.1 Conflict Overview and Escalation Risks

The geopolitical environment confronting commodity markets in 2026 is characterized by multiple, overlapping sources of tension rather than a single dominant crisis, with the United States-Israel-Iran conflict charging the way. Effects to the surrounding Gulf states such as Saudi Arabia, United Arab Emirates, Bahrain and Kuwait, just to mention a few, through damages to critical energy infrastructure points and the blockage threats around the sensitive catalyst that is the Strait of Hormuz continues to be the driver of the markets.

Our internal view within the first week was that any attack escalation towards energy infrastructure such as Oil in Saudi Arabia and Liquefied Natural Gas (LNG) production in Qatar would add on global contagion, as we are currently experiencing.



Figure 1: The Strait of Hormuz (Source: the Kobeissi Letter, X)



Crucially, we distinguish between event risk and structural regime shift. Event risk such as a missile strike on a tanker, a temporary closure of a chokepoint or a diplomatic breakdown produces sharp but typically mean-reverting price spikes. A structural regime shift, by contrast, would involve a sustained disruption to the physical flow of energy through the strait of Hormuz or a fundamental reordering of alliance structures that permanently reprices supply security. Our base case assigns low but non-trivial probability to the latter, while acknowledging that the former is a recurring feature of the current cycle.

## 2.2 Channels to Markets (How Geopolitical Events Transmit into Commodity Markets)

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- 1. Energy supply disruption:** The most direct channel operates through physical supply constraints. Approximately 20–21 million barrels per day of crude oil transit the strait of Hormuz, representing roughly one-fifth of global consumption. Even temporary disruptions to this flow or credible threats produce an immediate supply-risk premium in front-month crude pricing. The Bab El Mandeb strait, through which red sea traffic passes enroute to the Suez Canal, has been subject to repeated Houthi attacks, forcing rerouting around the Cape of Good Hope and adding both time and cost to global energy logistics. These disruptions are partially priced into current levels but remain a source of upside shift in the oil price distribution.
- 2. Risk sentiment and safe-haven flows:** Escalation in geopolitical tensions triggers a well-documented flight to quality, benefiting gold, US Treasuries, and the US Dollar. However, the relationship is not linear. In the initial phase of a crisis, Gold and the US Dollar tend to rally in tandem. As the crisis matures and the market assesses the probability of a sustained disruption, the correlation structure shifts: gold continues to benefit from persistent uncertainty, while the dollar's strength becomes contingent on relative economic resilience and federal reserve policy expectations, **although this thesis has been broken in the current geopolitical environment**. For oil, sentiment effects are secondary to physical supply impacts but can amplify moves through speculative positioning and margin-driven liquidation.
- 3. USD and rates dynamics:** The dollar is the denominating currency for both gold and oil, creating an inherent mechanical linkage. A stronger dollar, all else equal, exerts downward pressure on dollar-denominated commodity prices. In a geopolitical shock scenario, the initial safe-haven bid for the dollar can paradoxically cap commodity upside before the supply premium fully asserts itself. Conversely, the federal reserve's response to an energy supply shock — whether it prioritises inflation containment or financial stability — determines the duration and direction of real yield movements, which in turn drive the opportunity cost of holding gold. This feedback loop between geopolitics, monetary policy, and commodity pricing is the central analytical challenge of the current cycle.

In such geopolitical environments, commodities take charge and lead in influencing the performance of other asset classes, to which our portfolios are invested in. Movements in Gold and oil, arguably the most impactful commodities, drive market sentiments and movement and an understanding of the two will help provide clarity and insights to the current operating environment and the opportunities we see in the midst of the noise.



## SECTION 3

# GOLD MARKET DYNAMICS

## 3.1 Price Action and Positioning

Gold has done something remarkable over the past four years, it has essentially refused to behave like the textbooks say it should. The metal ran from around **USD 1,800/oz in early 2022** all the way to current spot prices approaching **USD 5,300/oz in early March 2026**, a gain of nearly 190% across a period that included one of the most aggressive Federal Reserve tightening cycles in forty years.

Gold peaked above **USD 2,068/oz in August 2020** as COVID-era stimulus flooded global markets with liquidity and zero interest rates crushed the opportunity cost of holding the metal. Then came the 2022 correction as the Fed pivoted to the most aggressive tightening cycle since the Volcker era, as gold fell back to the \$1,620–\$1,800 range, which in hindsight proved to be the last time investors would see those prices. The re-rating that followed was gradual but relentless: \$2,000 breached in 2023, \$3,000 pierced in early 2025 on the shock of **Liberation Day tariff announcements**, \$4,000 taken out in October 2025 as the Fed entered a new easing cycle, and a new all-time high of **USD 4,530/oz in December 2025**. Into 2026, with real yields now negative, the USD at multi-year lows, and central bank buying showing no signs of abating, gold has continued its ascent. The price pullback noted in 2026 is consistent with the safe-haven paradox documented in Section 3.2: the recent escalation of Middle East tensions initially spiked gold to its all-time high, only for margin-call selling, dollar strength, and profit-taking to overwhelm the safe-haven bid within weeks



Figure 2: Gold spot price 2020–March 2026. Key macro events annotated. Source: Arvocap Research

## 3.2 Key Drivers

The honest answer to why gold is trading at \$4,420 is that almost everything that could go right for gold has gone right simultaneously. Real yields have collapsed. The dollar has weakened significantly. Central banks are buying at a pace not seen since the 1960s. Geopolitical risk is elevated and persistent. ETF investors are returning after years of outflows. And a deeper structural story around de-dollarization and sovereign debt sustainability is reshaping how institutional investors think about gold's role in a portfolio. Let's take each of these in turn.

### Central Bank Demand

If you want to understand why gold cannot find a sustained downtrend even when short-term conditions appear unfavorable, start here. Central banks globally have purchased more than **1,000 tonnes of gold per year for three consecutive years** — 2022, 2023, and 2024 — a level of demand not seen since the early 1960s when the gold standard was still intact.

The **People's Bank of China** has been among the most prominent buyers, extending its reported purchasing streak to 16 consecutive months with official holdings now declared at around 2,308 tonnes, though analysts widely believe the true figure is higher, as China has historically been opaque about its gold accumulation with other nations such as Poland, Uzbekistan, Malaysia, India, Korea and a number of Gulf states have all been consistent buyers. The common thread is sanctions risk and USD dependence. Russia's reserve freezing in 2022 was a wake-up call for every sovereign that holds significant US dollar-denominated assets with gold as the one major reserve asset that cannot be frozen, seized, or devalued by a foreign government's decision.

What makes this demand so significant is that **central banks are price insensitive**, not looking at charts and deciding whether to buy gold at \$4,000 versus \$5,000, but through strategic allocation targets, with purchases regardless of the price level.

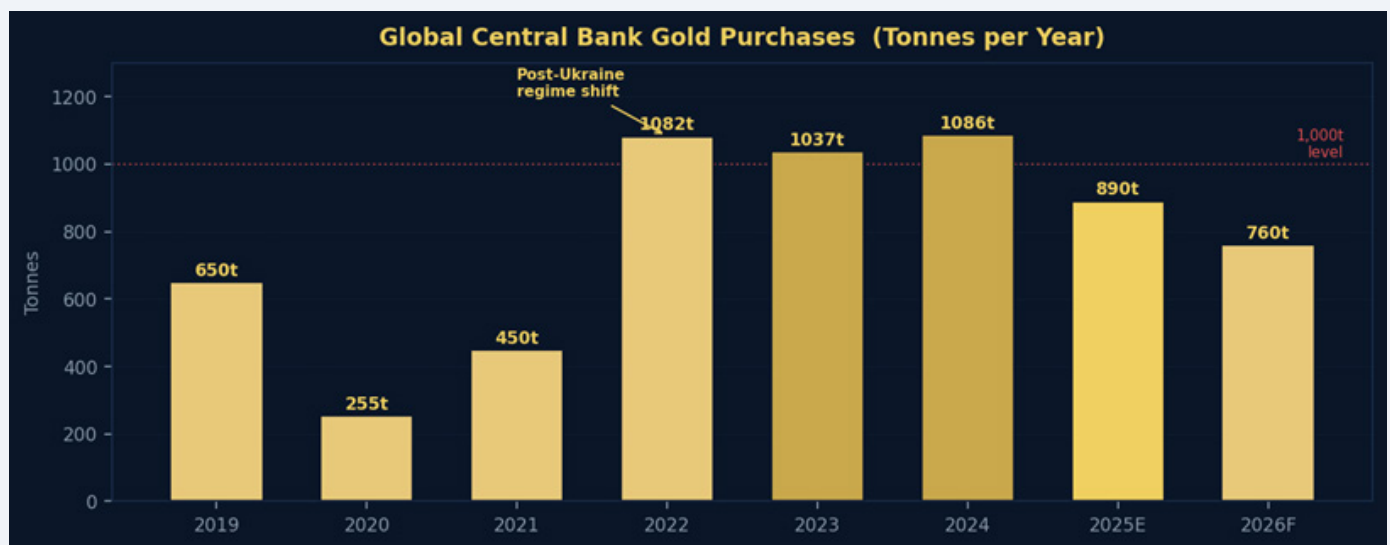


Figure 2: Global central bank gold purchases 2019–2026. The post-Ukraine regime shift to >1,000t p.a. is clearly visible. Source: Arvocap Research.

## Real Yields and Fed Policy

The orthodox view is that gold and real interest rates move inversely, when real yields are high, the opportunity cost of holding gold (which pays no income) is high, and investors sell. When real yields fall toward zero or negative, gold's relative attractiveness surges. This relationship has been one of the most robust in financial markets over the past three decades, and it is back in the driving seat.

US 10-year real yields peaked at around **+2.4% in late 2022**, the high point of the Fed tightening cycle and have since compressed dramatically to around **-0.5% in early 2026**. The Fed cut rates three times in 2025 and markets were pricing at least two additional cuts in 2026 before the start of the war, pushing the real fed funds rate further into negative territory.

But here is where the gold story gets genuinely interesting: between 2022 and mid-2023, gold actually rose despite real yields spiking to multi-decade highs. That divergence from the historical relationship tells us that the other drivers were powerful enough to override the yield mechanics. Fiscal concerns, geopolitical stress, central bank buying, and de-dollarization were contributing to a structural re-rating that the real yield model alone could not explain.

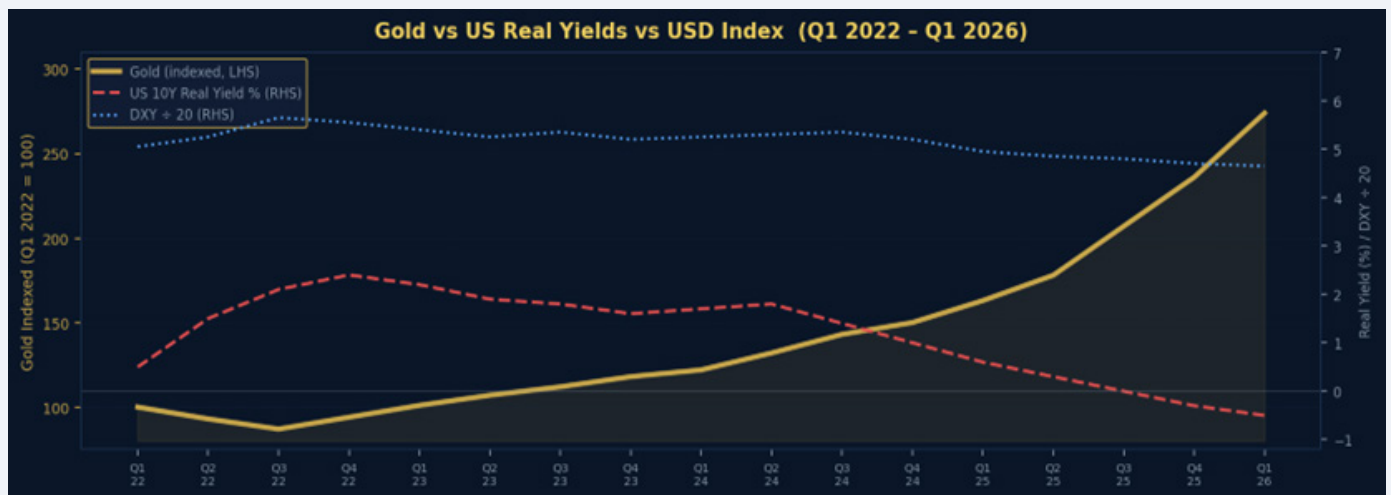


Figure 3: Gold vs US 10Y real yields vs USD Index (Q1 2022–Q1 2026). The inverse yield relationship reasserted powerfully from Q3 2024. Source: Arvocap Research.



## Geopolitical Risk

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Safe-haven demand is the driver most people mention first when they talk about gold, and while it is real and material, it is also the one most often misunderstood. Geopolitical risk does not send gold on a sustained multi-year bull run, it creates sharp, event-driven spikes that then often partially reverse once the immediate fear subsides. What is different about the current cycle is that geopolitical risk has been persistent and multi-front rather than episodic. Europe, the Middle East, US–China strategic tensions, and the fracturing of post-WWII multilateral trade architecture have all been running simultaneously for years.

One particularly important behavioral observation: gold has attracted persistent *inflows on days when equity markets are making record highs*. In previous cycles, gold and equities typically traded as substitutes, investors moved between them based on risk appetite. Today, many institutional allocators are holding both, treating gold as portfolio insurance rather than as a risk-off trade. That is a structural change in how the asset is being used, and it has important implications for how we should think about position sizing and correlations.

## ETF Flows and Institutional Re-Allocation

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Between 2020 and 2023, gold ETFs experienced sustained net outflows as investors preferred the yield on offer in money markets and short-duration fixed income. That era now appears to be over. Global physically backed gold ETFs recorded **\$18.7 billion in net inflows in January 2026 alone**, one of the largest single months on record, led by North American and Asian buyers. The pivot reflects a simple arithmetic: as the Fed cuts rates, the yield advantage of holding a 4–5% money market fund narrows, and the relative attractiveness of gold increases.

## De-Dollarisation and Debt-Driven Currency Debasement

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Step back from the quarterly positioning data and the Fed dot plots for a moment, and look at the 20-year picture. Global sovereign debt has risen to approximately **\$340 trillion as of mid-2025**, with government debt at a record 30% share of that total. Fiscal deficits in developed markets including the United States appear structurally difficult to reduce without either economic contraction or inflation. The political economy in most Western democracies makes spending cuts deeply unpopular and growth-dependent revenue increases uncertain. The path of least resistance, historically, has been to allow inflation to gradually erode the real value of debt burdens, which is, of course, exactly what gold is designed to protect against.

The correlation between US stocks and bonds spiked to 30-year highs during the 2021–2023 inflation episode, fundamentally undermining the diversification logic of the traditional 60/40 portfolio. If that elevated correlation regime persists, possible given persistently higher structural inflation, then gold's role as an uncorrelated diversifier becomes structurally more valuable, not just as insurance against tail risks but as a core portfolio construction tool.

### 3.4 Key Risks to the View

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The bull case for gold is well-supported, but intellectual honesty requires acknowledging where the view can break down. The risks are real even if they are currently not the central scenario.

- Fed policy reversal: A surprise hawkish pivot, driven by a re-acceleration of inflation, perhaps from energy supply shock or tariff pass-through, is the single most significant near-term risk. Real yields rising back above 1% would be a significant headwind for gold even with other supportive factors in place.
- ETF outflows / profit-taking: At these price levels, the temptation for institutional holders to rotate profits back into equities or fixed income is real, particularly if equity market returns remain strong. The pace and scale of any ETF outflows would be the key technical indicator to watch.

- Margin call selling: In a broad, sudden market sell-off, gold can be liquidated to meet margin calls elsewhere — as happened briefly in March 2020 and recently after the start of the US/Israel- Iran conflict. These episodes create sharp short-term dislocations but have historically been buying opportunities rather than trend reversals, provided the structural drivers remain intact.
- Jewelry demand destruction: Consumer demand from India and China, which together represent over 50% of global jewelry consumption, has already compressed materially at \$4,000+ prices. At \$5,000+, further compression is inevitable, removing a traditional demand pillar. This has been more than offset by investment demand, but it creates a vulnerability if investment flows also soften simultaneously.

## SECTION 4

# OIL MARKET DYNAMICS

## 4.1 Price Action and Positioning

The oil market is experiencing the most severe supply disruption since the 1970s energy crisis. The de facto closure of the Strait of Hormuz following the outbreak of the US–Iran conflict on 28 February has removed approximately 20 million barrels per day of crude and product flows from the market, triggering an unprecedented price response, a record IEA emergency stockpile release, and a fundamental repricing of geopolitical risk across the entire energy complex.

The price trajectory of Brent crude in 2026 divides cleanly into two regimes. In the first eight weeks of the year, the market traded in a subdued range around \$65–\$73 per barrel, reflecting a broadly oversupplied global balance. OPEC+ production discipline was being tested by rising non-OPEC output from the United States, Canada, Brazil, and Guyana, while Chinese demand remained underwhelming relative to consensus expectations.

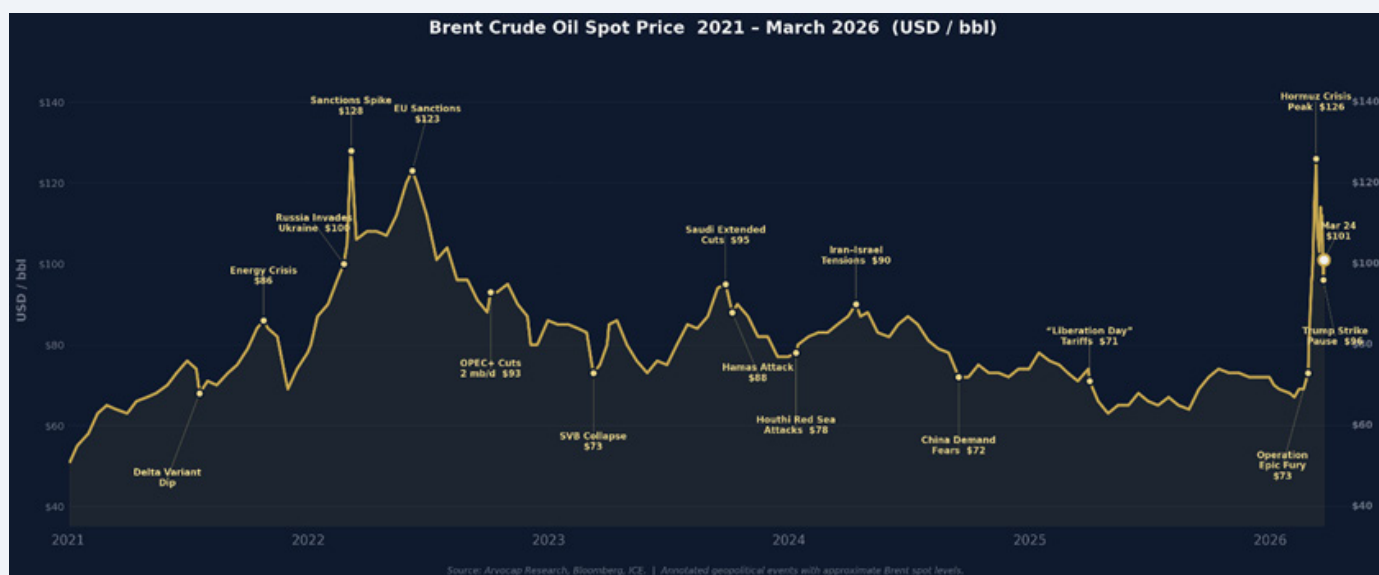


Figure 4: Brent Crude Oil Spot Price. Source: Arvocap Research.

That regime ended abruptly on 28 February. The launch of **Operation Epic Fury**, a joint US–Israeli air and maritime campaign targeting Iranian military infrastructure, and Iran’s retaliatory closure of the Strait of Hormuz produced the fastest and largest supply disruption in the modern history of the oil market. Brent surged past \$100 per barrel within eight days, a velocity of price appreciation exceeded only by the 1990 Iraqi invasion of Kuwait. At its intraday peak, Brent touched approximately \$126 per barrel before retreating to the \$90–\$115 range as the IEA’s record 400-million-barrel emergency release and partial pipeline rerouting provided a modicum of relief. The volatility since has been extraordinary.

## 4.1 Price Action and Positioning

The Hormuz closure affects the entire export capacity of multiple major producers simultaneously, while also stranding the majority of OPEC's spare production capacity behind the same chokepoint.

The Persian Gulf states i.e. Saudi Arabia, Iraq, the UAE, Kuwait, Qatar, and Iran account for approximately 30% of global crude oil production and an even larger share of seaborne trade. In 2025, roughly 20 million barrels per day of crude oil and petroleum products transited the Strait of Hormuz, representing approximately one-fifth of global oil consumption and around 25% of all seaborne crude trade. The onset of hostilities on 28 February immediately disrupted these flows. With local storage capacity filling rapidly and no viable export route for the majority of their production, Gulf producers have been forced to shut in at least 10 million barrels per day of output, a figure that may increase if the disruption persists. Iraq and Kuwait were among the first to curtail production, followed by reductions across the Gulf. OPEC+'s response to the crisis has been measured and, thus far, largely symbolic. The group pledged to increase output by 206,000 barrels per day to mitigate shortages.

This said, the oil market is pricing three distinct but overlapping components, each with its own time horizon and resolution path.

1. A physical supply disruption. Approximately 10–15 million barrels per day of net supply have been lost since early March, after accounting for pipeline bypass capacity and demand destruction. The prompt price premium reflects the genuine difficulty of replacing these volumes in the near term. This component of the price is fundamentally justified by the physical market balance and will persist for as long as the Strait remains effectively closed to commercial shipping.
2. A logistics and insurance premium. Even if military operations cease, the resumption of normal shipping traffic through the Strait requires not just a cessation of hostilities but the restoration of commercial insurance coverage, the withdrawal of maritime risk advisories, and the re-establishment of port and terminal operations. This process took weeks after the Red Sea disruptions in 2024 and will likely take longer in the Hormuz context given the greater severity of the crisis. The logistics premium could persist well beyond any ceasefire, creating a gap between the geopolitical headline and the physical market reality.
3. An escalation risk premium. The market is assigning non-trivial probability to scenarios in which the conflict escalates further specifically, to direct targeting of energy export infrastructure on either side. Iran has warned that it would target Gulf energy facilities if its own oil infrastructure is attacked; the United States struck military targets on Kharg Island while explicitly sparing oil facilities, but this restraint may not hold indefinitely. This tail-risk premium is difficult to quantify but is visible in the elevated implied volatility and the persistent upside skew in options pricing. Below is a scenario framework of Brent Crude prices under various scenarios.

Scenario	Probability	Brent Range	Key Drivers & Conditions
Base Case	45%	\$80–\$95/bbl	Hormuz flows gradually resume through Q2 as ceasefire/de-escalation takes hold. Insurance reinstated by mid-Q2. Pipeline bypass maintains partial flow. Emergency stocks bridge the gap. Demand growth moderates to ~600 kb/d. Brent settles into an elevated but manageable range by Q3.
Bear Case	30%	\$100–\$130/bbl	Conflict persists through Q2 with no ceasefire. Strait remains closed or barely functional. Escalation to energy infrastructure targeting. Emergency stocks depleted by end of Q2. Demand destruction is the only equilibrating mechanism. Prolonged disruption forces structural repricing of deferred contracts.
Bull Case	25%	\$65–\$80/bbl	Rapid diplomatic resolution. Strait reopens to commercial traffic within weeks. Gulf production restarts. Emergency stocks replenished. Demand destruction from elevated prices proves sticky, creating temporary oversupply. Deferred curve already pricing this outcome; realisation would collapse the backwardation.

## SECTION 5

# Cross-Asset Implications and Key Risks

## 5.1 Gold vs. Oil Behavior in Conflict Periods

Gold and oil respond to geopolitical conflict through fundamentally different mechanisms, a distinction that has important implications for portfolio construction. **Oil is a supply-sensitive commodity**: its price responds directly to the physical or perceived disruption of production and transportation infrastructure. **Gold is a demand-sensitive asset**: its price responds to shifts in risk appetite, monetary expectations, and reserve allocation preferences. This asymmetry means that the two commodities can diverge meaningfully during the same geopolitical episode.

A conflict that disrupts oil supply without triggering broader financial contagion would be bullish for oil and moderately supportive for gold. A broader financial crisis triggered by geopolitical escalation, one that drives a flight to quality but also triggers liquidity contraction, would favour gold over the medium term but subject both assets to short-term volatility, especially in instances where investors will prefer to hold cash assets. This is the scenario at play, as long-term bond yields are rising (implying investors are selling due to duration risk), the US Dollar strengthening, and gold losing its momentum. An unexpected de-escalation would be bearish for the geopolitical risk premium in both markets, but more damaging for oil (where the premium is larger) than for gold (where structural demand provides a higher floor), which is a risk that we are pricing into investment portfolios.

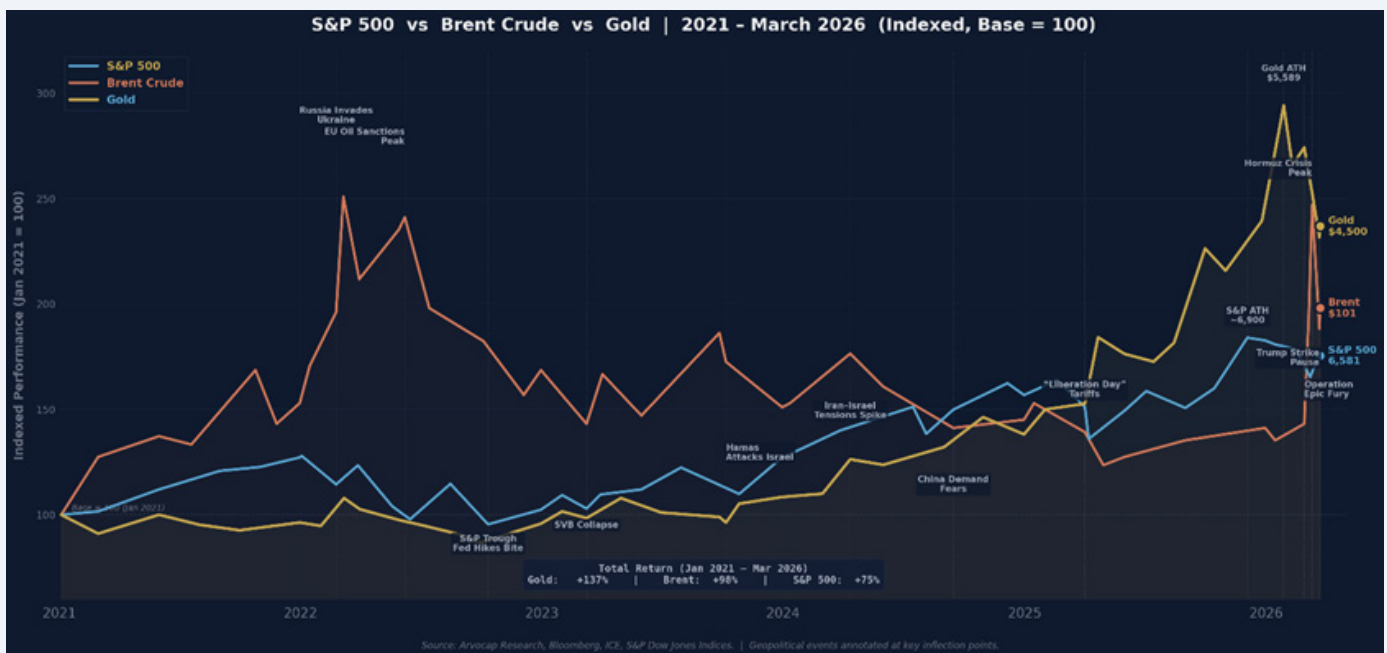


Figure 5: S&P 500 vs Brent Crude vs Gold. Source: Arvocap Research.

## 5.2 Broader Market & Asset Class Impact

### Equities

The equity market impact of commodity price movements operates primarily through margins and earnings expectations. Rising oil prices positively impacts energy producers, with margin compressions noted for energy-intensive sectors, with indirect impacts to other cyclical sectors as rising oil prices is captured through inflation growth. A sustained oil price of above \$100/bbl adds on to inflation, impacting purchasing power and reduced margins for a tougher business operating environment.

## Bonds & Real Yields

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An oil supply shock (as we have at the moment) raises headline inflation which creates a policy dilemma for central banks. This is noted by sentiments around the hiking of interest rates by the Federal Reserve Bank in the United States, with little or no expectations around additional rate cuts as was the sentiments before the conflict. **A rise in interest rates leads to a rise on real bond yields, in turn drawing more attention to fixed income instruments and away from high alpha asset classes such as equities.** If inflationary expectations materialize, further volatility may be expected in the equities and other risk-hungry assets such as cryptocurrencies, as investors rotate back to low risk havens for capital preservation.

## US Dollar

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The dollar's response to commodity shocks is non-trivial. A Middle Eastern supply disruption that drives oil higher tends to support the dollar initially (as energy importers sell reserves to pay for more expensive imports) but weaken it over the medium term if the US current account deteriorates or if the Fed is forced to ease aggressively. **For gold, a sustained dollar weakening is the single most powerful bullish catalyst,** as it reduces the cost of gold for non-dollar buyers and reinforces the diversification narrative.

## Agricultural Commodities

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The commodity disruption extends well beyond energy. The Gulf region supplies approximately 45% of global sulfur and 50% of global urea, and with LNG, a key feedstock for nitrogen fertilizers, under pressure, urea prices have risen roughly 30% over the past month. Agricultural markets are absorbing this shock at the worst possible time, as Northern Hemisphere spring planting commences and farmers face acute input cost inflation. For Kenya and East Africa, the risk is asymmetric: as a net energy and fertilizer importer, the region faces heightened inflationary pass-through through fuel, freight, and food production costs, with additional risks to regional air freight corridors across the Gulf.

## 5.3 Key Risks We Are Watching

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- 1. Policy error.** The most consequential risk for both gold and oil are a Federal Reserve policy mistake, either cutting too late (triggering a recession that destroys oil demand) or cutting too aggressively (re-igniting inflation and forcing a reversal). Gold would benefit from the former scenario but could face headwinds in the latter if real yields re-steepen sharply.
- 2. Demand shock.** A sharper-than-expected slowdown in China or a broader emerging-market downturn would weigh heavily on oil demand while providing only partial support for gold through risk-off sentiment. The net portfolio effect would depend on the relative sizing of commodity exposures.
- 3. De-escalation scenario.** A meaningful diplomatic breakthrough in the Middle East would remove a significant risk premium from oil prices and reduce the episodic safe-haven bid for gold. This scenario would favour a rotation from commodities towards risk assets and cyclical equities.
- 4. Liquidity-driven sell-offs.** As demonstrated in prior cycles, a sudden tightening of financial conditions — whether driven by a banking stress event, a sovereign credit scare, or a rapid unwind of leveraged positions can trigger indiscriminate selling across asset classes, including gold, as we have seen these past couple of weeks. While these episodes are typically transient, they can be severe enough to test asset allocation decisions.

## INVESTMENT IMPLICATIONS AND CONCLUSION

### 6.1 How Are We Positioned?

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Our view of the current commodity landscape is through the lens of *structural positioning* rather than *tactical trading*. What this means is that times of crises are times of opportunity. Our view is the catalysts that the markets needed to take profits is currently taking place, with notable effects being the AI sell-off in February and the March geopolitical environment. As the dust settles, opportunities in markets and asset-class-specific securities that carry fundamental, long-term value are discounted and more attractive than ever. Volatility in the markets is always a double-edged sword, to mean that there is not much that an asset manager can influence or control, apart from repositioning and active management decisions, to positions around *discounted, underpriced, undervalued* opportunities that have remained robust in these shakings, with viable margins of safety.

Our **Global Equity Special Fund** and **Multi-Asset Strategy Special Fund** are now well positioned and ready from a strategic and tactical allocation perspective to take up such opportunities. In the ever-famous words of Warren Buffet, “Be fearful when others are greedy – be greedy when others are fearful”. In as much as impacts of the volatility have left minor imprints to the funds, inherent resilience in the fund’s mandate and positioning provides an unmissable advantage.

### 6.2 Hedging Considerations Key Takeaways

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Gold and oil serve distinct functions in a hedging framework, and conflating the two can lead to suboptimal portfolio construction. Gold is a *hedge* against monetary regime uncertainty, geopolitical fragmentation, and tail risk events that degrade confidence in fiat currencies and sovereign credit. Its hedging value is highest in scenarios where the existing financial architecture comes under stress, precisely the scenarios where traditional fixed income hedges may underperform due to inflation or fiscal credibility concerns.

Oil, by contrast, is not a hedge in the traditional sense but rather an *inflation driver*: its price directly affects headline inflation, input costs, and consumer spending power. Owning oil exposure in a portfolio provides a natural offset to inflation-sensitive liabilities and reduces the net impact of energy price shocks on real purchasing power. However, this “hedge” is inherently one-directional. It protects against supply-driven inflation but exacerbates the impact of a demand-driven downturn.

The optimal portfolio construction incorporates both: gold for structural tail-risk hedging and long-duration uncertainty, oil for short-to-medium-term inflation protection and real asset diversification. The allocation weights should reflect the investor’s liability profile, liquidity needs, and risk tolerance, but as a general principle, gold should be treated as a strategic allocation and oil as a tactical one.

## 6.3 Key Takeaways

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1. The geopolitical crisis centred on the Strait of Hormuz is not merely a risk premium, but a real supply disruption and its effects on oil and gold are the primary channels through which volatility is transmitting into equities, bonds, and currencies across markets and portfolios.
2. Gold's structural foundation remains intact: central bank buying above 1,000 tonnes per annum, negative real yields, and accelerating de-dollarisation provide a floor well above pre-2024 levels, and any margin-call-driven pullbacks should be viewed as **temporary dislocations rather than trend reversals**.
3. Oil market normalisation depends not just on a ceasefire but on the slower process of insurance reinstatement, port clearance, and production restarts, meaning the supply premium will likely outlast the headlines, keeping inflation pressures and Fed policy uncertainty elevated through at least mid-year.
4. Volatility is a double-edged sword and we are positioned on the right side of it: **our funds carry the structural resilience to absorb near-term drawdowns and the strategic flexibility to deploy capital** into fundamentally sound, discounted opportunities that the current market dislocation is creating.

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