

The New Global Economic Order

Geopolitical, Monetary, Energy & Maritime Transformations Shaping Long-Term Capital Allocation

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Strategic Research Report

This report examines the evolving structure of the global economic system through the interconnected lenses of geopolitics, monetary policy, energy security, maritime trade, banking systems, industrial realignment, and emerging market developments.

The purpose of this document is to provide a long-term strategic framework for understanding structural shifts affecting capital allocation, business ownership, financial stability, and the control of critical economic infrastructure across global markets.

The analysis is designed from the perspective of long-duration ownership, capital preservation, and disciplined investment stewardship within an increasingly fragmented and multipolar global environment.

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All analysis, interpretations, projections, and opinions expressed are based on publicly available information, historical observations, and independent assessments believed to be reliable as of the publication date. However, no representation or warranty, express or implied, is made regarding the accuracy, completeness, or future reliability of the information contained in this report.

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Readers are strongly encouraged to conduct independent due diligence and consult appropriately licensed professional advisers before making financial, legal, strategic, or investment decisions.

This document reflects a long-term strategic ownership perspective emphasizing:

1. Capital preservation
2. Ownership of productive economic assets
3. Political economy awareness
4. Balance sheet resilience
5. Long-duration compounding of intrinsic value

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Executive Summary

Over the past six months (roughly Nov 2025–May 2026), the global economy has faced heightened **geopolitical turmoil** and persistent macroeconomic imbalances. A **new Middle East war** (US/Israel vs Iran from late Feb–Apr 2026) sent oil and insurance costs sharply higher, disrupted key shipping chokepoints (Strait of Hormuz) and rattled financial markets. The long-running **Russia–Ukraine war** and related sanctions continued to strain energy flows (especially gas to Europe) and trade. **US–China trade and technology tensions** eased somewhat (tariff reductions, trade deals), but supply chains remain re-oriented regionally. At the same time, **global growth** has decelerated to roughly 3–3.5% (IMF), inflation is slowly receding in most economies, and central banks are beginning to pivot from outright tightening (the US Fed cut rates by 25 bps in Dec 2025, while the ECB held rates steady as inflation neared 2%). Commodity prices remain volatile: oil is above pre-war levels on Middle East risks, yet an IEA forecast still sees a large 2026 surplus (~3.8 mbpd).

Sectoral Impacts: Shipping has seen volatile freight rates and record insurance premia – for example, Gulf war-risk premiums surged over 1000%. Energy markets are in flux: crude briefly spiked (+5%) and European gas jumped (+40%) on the Iran war, even as OPEC+ paused new output cuts for Q1 2026 and LNG supply is expanding (~+7% in 2026). Financial markets have turned risk-off with equities down and bond yields up on conflict and higher energy costs. Credit spreads widened modestly (US high-yield up ~0.5% total Q1) and USD demand (a “safe-haven”) has strengthened, pressuring EM assets (capital outflows and weaker currencies in energy-importing economies). Emerging markets (EM) face diverse pressures: commodity exporters (Mexico, Brazil, Gulf states) have benefited from higher prices, while importers (India, Turkey, Egypt, etc.) see strain on inflation and reserves. Many EMs entered late 2025 with elevated debt levels and limited FX buffers, making them vulnerable to further shocks.

Outlook & Risks: We outline three scenarios for the year ahead: a baseline (conflict contained, inflation slowly easing, moderate growth ~3%), an upside (ceasefire holds, rapid disinflation, stronger 4%+ growth) and a downside (war escalates, energy shock, global recession). We assign approximate probabilities (Baseline ~55%, Downside ~25%, Upside ~20%), noting key triggers such as renewed fighting or swift peace. Policymakers are responding with **emergency measures** (releasing strategic reserves, boosting port security, liquidity backstops for banks, IMF/ADB swap lines), and private firms are hedging risks (freight insurance, supply diversification). **Key indicators to watch** include shipping indexes (FBX/SCFI freight rates, war-risk premiums), oil/gas prices and inventories (IEA data), central bank forward guidance (Fed/ECB minutes), and capital flow trackers (IIF or CPIS data on EM inflows). Tables below compare how major events and macro factors are affecting each sector and region.

Event / Factor	Shipping	Energy (Oil/Gas/Renewables)	Financial Markets	Emerging Markets
Middle East war (Mar–Apr 2026)	Major rerouting around Suez/Hormuz; war-risk insurance premiums soared (up >1000%), deterring vessels and raising freight costs.	Crude oil jumped ~5% and EU gas ~+40% on supply fears; LNG shipments re-routed (Europe sought U.S. LNG). Renewables interest rose as security hedge.	Global equities fell and bond yields rose (risk-off); USD strengthened as a safe haven. Inflation expectations ticked up.	Oil exporters (e.g. Gulf states) gained revenue; importers faced higher fuel bills, FX depreciation and outflows. Capital fled volatile markets; debt servicing costs rose.
Russia–Ukraine war & sanctions	Black Sea grain corridors remain closed; shipping rates on Europe-Asia routes volatile (UNCTAD notes rerouting lift ton-miles). Insurance/pricing risk on tanker routes via Turkey.	European gas prices stay high due to reduced Russian flows; OPEC+ output cuts have supported oil ~\$80–90/bbl. Sanctions keep parallel markets (e.g. shadow tanker fleets) active.	Western sanctions have frozen Russian assets, stress on European banks with Russian exposures. Credit cap on Russian oil persists, keeping a premium on Brent.	Russia’s war-exposed partners (e.g. Central Asia, some EM Europe) see indirect hit (trade, remittances). EM sovereigns face higher borrowing costs via global spillovers; reserves drawn down to defend currencies.
US–China tensions & trade policies	Trade route shifts modest; US tariffs eased in 2025 have eased (US effective tariff rate ~5pp lower, improving freight flow predictability. Tech export controls (e.g. GPUs) slightly disrupt high-tech supply chains.	Chinese demand remains a key driver of oil/gas growth. Any import restrictions on energy or minerals (critical minerals race) can shift trade flows. Renewables value chains (solar, batteries) under geopolitical scrutiny.	Tariff reductions and trade deal optimism have lifted sentiment. US tech stock volatility (e.g. chip firms) influences indices. Safe-haven moves can reverse on trade easing.	Diversification Effects: EM exporters (e.g. Vietnam, Mexico) gain market share. RCEP/ASEAN integration continues. China’s slower growth (off previous record pace) weakens commodity demand, impacting exporters; its property sector woes dampen Asia’s industrial cycle.

Event / Factor	Shipping	Energy (Oil/Gas/Renewables)	Financial Markets	Emerging Markets
Global macro (Growth, Inflation, Rates)	Shipping demand is flattening with slow global trade; container freight rates have been volatile but remain elevated (e.g. SCFI ~1,890 in Apr 2026, +35% YoY). Ports face congestion amid changing patterns.	Inflation: High inflation lifts fuel surcharges, raising shipping costs. Growth: IMF sees 2026 GDP ~3.1% (vs 3.4% in 2025) under baseline. Slower growth caps energy demand. Monetary policy: Fed/ECB pivot eases demand for crude; OPEC+ paused cuts for Q1 2026. Renewables growth is strong (global solar + record 600 TWh in 2025, coal use down).	Rates: Fed cuts began (Dec 2025), but war-driven inflation delays further easing; bond yields inched up with inflation fears. Credit: Corporate spreads widened modestly; USD debt refinancing costs high. Banks: Stress is contained (no new U.S. banking crisis), but monitoring sovereign debt/vulnerabilities.	Capital Flows: Net flows into EM slowed in late 2025 (BIS notes in Nov '25-Feb '26 flows reversed as risk spiked). Credit: Higher US rates earlier in 2025 drew yield-seeking flows, tightening EM spreads (e.g. EMBI). Reserves: Some countries (Turkey, Pakistan) have depleted FX buffers. Debt: Pre-existing vulnerabilities (high debt/GDP) worsen risk (IMF GFSR points to rollover risk with high sovereign debt).

Geopolitics and Sectoral Effects

Middle East conflict (Feb–Apr 2026): A sudden war launched by US/Israel against Iran (including strikes on Tehran and killing Iran’s supreme leader) sharply disrupted shipping and energy. The Strait of Hormuz – through which ~20% of world oil transits – was threatened (Iran even seized a merchant ship), causing oil prices to spike roughly 5% in early March and European gas prices to jump ~40%. Insurance premiums for tankers and cargo crossing Middle East waters exploded (often quoted +1000%). Shipowners rerouted via the Horn of Africa, raising voyage distances and costs. UNCTAD notes that such tensions (akin to the 2024 “Red Sea crisis”) have made freight rates highly volatile, and developing importers (islands, LDCs) are hardest hit by higher shipping costs.

In energy markets, the conflict caused a short-term oil supply crunch and fears of broader disruption. Although OPEC+ had signaled ample supply, the war’s “inflationary pressures” prompted revisions to forecasts: the IEA trimmed its 2026 supply surplus forecast (now ~3.84 mbd) due partly to sanctions on producers. The disruption may linger if new pipelines or supply sources are needed. By contrast, global LNG supply is projected to expand briskly (~+7% in 2026) as new U.S., Canadian and Qatari projects come online, which should help cap longer-term gas prices. Renewables got renewed policy focus as countries seek energy security – solar capacity has surged (global solar generation doubled from 2022 to 2025).

Financially, the Middle East war triggered a **risk-off** episode. IMF analysis notes equities fell and bond yields rose on the conflict, driven by higher energy costs and inflation expectations. U.S. Treasury yields climbed, and safe-haven flows into the dollar accelerated (the dollar index rose ~0.5% for the week to Apr 23). Sectors linked to energy also moved – oil companies outperformed even as broader markets sagged. Credit spreads widened marginally (U.S. high-yield up ~0.5% in Q1), reflecting uncertainty. Banks and insurers have raised provisions for potential losses (e.g. hull war risks). Crucially, the Federal Reserve hinted it may slow its rate cuts if the war stokes inflation – futures now assign only ~25% odds of a Fed cut in 2026.

Emerging markets (EM) have been sensitive. Commodity exporters (e.g. Gulf oil states, Brazil, Nigeria) benefited from higher oil, boosting their revenues. In contrast, oil-importing EM (e.g. India, South Korea, Turkey) faced higher import bills and inflation, straining budgets and currencies. Capital “flight to safety” weakened EM currencies across Asia and Latin America in March, though some flows partially reversed in April as diplomatic efforts raised hopes. The IMF warns that EMs with high debt and limited reserves (for example Pakistan, Egypt) are especially at risk of a negative shock in this environment. Indeed, BIS data show EM local-currency equity indices underperformed, and portfolio inflows stalled in Q1 2026 amid the conflict.

Russia–Ukraine and Sanctions (late 2025–2026): The protracted war in Ukraine and Western sanctions on Russia remain a drag. Militarily, Black Sea grain export corridors are constrained, forcing grain and fertilizer ships to avoid the Black Sea – raising freight costs for those routes. Sanctions have also limited Russia’s ability to sell oil and LNG (only partial waivers on Iranian exports, for example). The IEA notes Russian output cuts are among the reasons global oil supply growth was revised lower. In practice, Europe’s gas continues at low levels via Turkey/Ukraine pipelines and LNG. Shipping-wise, a “shadow fleet” of tankers has grown to evade restrictions, adding opacity to global trade.

Financially, the Ukraine war has kept a premium on energy-linked stocks and altered capital flows. EU banks with Russian linkages (Nord Stream Nord) have been restricted from new lending; conversely, Western defense spending has boosted some sectors. Credit insurers raise premiums on eastbound cargoes. Emerging economies dependent on Russia (some Caucasus and Central Asian states) have seen trade collapse and needed official support.

US–China and Global Trade Shifts: US–China trade tensions softened in late 2025 after U.S. executive actions reduced tariffs (IMF notes U.S. effective tariffs ~5.3 pp lower than previously assumed). This has stabilized some trade volumes. However, U.S. export controls on technology (e.g. GPUs) remain, prompting China to boost domestic supply chains. Shipping flows have gradually diversified: more Asian exports route via alternate ports, and supply-chain “friend-shoring” policies (like USMCA, CPTPP expansion talks) are under negotiation. No single big trade war shock hit shipping, but uncertainty around future trade policy keeps demand forecasts cautious.

On **trade in critical materials**, competition over minerals (for batteries, semiconductors, renewables) is increasing. For example, the UNCTAD report notes “competition to secure supplies” of critical minerals is a new trade tension. These flows may redirect (e.g. Western firms sourcing cobalt from Australia instead of Congo), with knock-on shipping impacts (more movement on other routes).

Macroeconomic Trends

Growth & Inflation: Global growth has slowed from pandemic highs. The IMF forecasts ~3.1% in 2026 (down from ~3.4% in 2025) assuming the Middle East shock is short-lived. Risks are skewed to the downside: prolonged conflict or renewed fragmentation could shave off 0.5–1 point. China’s economy grew above expectations late 2025 (exports strong but property investment weak), while U.S. growth has remained moderate with cooling employment growth. Advanced economies are roughly on track with modest expansion, while many EMs see 2–4% growth depending on commodity cycles (IMF WEO).

Inflation has generally peaked in major economies. By late 2025 core inflation was easing in Europe and emerging markets, though still above target in the U.S. (Fed Chair Powell noted inflation “somewhat elevated”). The Middle East war briefly pushed energy and food inflation higher, but the Fed and ECB expect inflation to settle near 2% in 2026. Forecasts (IMF) assume oil at \$85–90/bbl and stabilized food prices. Still, food and fuel shocks could reignite headline inflation, especially in import-dependent countries.

Monetary Policy: After years of aggressive hikes, major central banks have begun to pivot. The Federal Reserve cut rates 25 bps in Dec 2025 to 3.50–3.75%, citing slowing job growth and elevated uncertainty. The ECB kept rates unchanged in Dec 2025, seeing inflation near its 2% target. Markets expect only gradual easing – Fed funds futures imply only modest cuts in 2026 due to inflation risks. Other central banks (BoE, RBA, etc.) are similarly cautious. Lower nominal rates would gradually ease credit conditions (supporting lending), but a strong dollar and sticky core inflation limit how far and fast cuts can go.

Fiscal Policy: Most countries have wound down pandemic stimulus. After war-driven revenue boosts (from oil taxes), some Gulf states are running surpluses, but higher spending (military, subsidies) is more common. IMF suggests many governments will run deficits to cushion any slowdown. In the US, the new budget (‘One Big Beautiful Bill Act’) keeps deficits high in 2026. Elevated debt levels mean fiscal space is limited, especially in vulnerable EMs.

Financial Conditions: Overall credit conditions tightened late 2025 (corporate bond spreads rose, loan standards tightened modestly) but remained far from 2023 crisis levels. The IMF’s Global Financial Stability Report warns war-driven market swings could amplify vulnerabilities (e.g. through rapid flight from EM bonds or equity). So far, bank lending surveys report normal activity, and BIS notes that flows into EM debt surged into late 2025 (as investors chased yield) but stalled in early 2026.

Sector-Specific Effects

Shipping: Freight markets are highly sensitive to these events. Container rates are down from pandemic peaks but volatile. As of April 2026, the Shanghai Containerized Freight Index (SCFI) was ~1,891, about +35% above year-earlier levels, reflecting tight capacity and rerouting costs. Trans-Pacific rates (Asia–US) remained elevated (e.g. Shanghai–LA ~\$2,900 per 40ft) due to robust U.S. demand, while Asia–Europe lanes have eased post-Lunar New Year. Bulk and tanker rates have also risen with energy demand: tanker rates off Fujairah doubled in early 2026 due to Hormuz risks. Insurance costs are a new wildcard: war-risk premiums spiked (>10×) for ships in Gulf waters. The result is that smaller shippers face much higher costs; UNCTAD warns these will “hit developing countries hardest.” **Chokepoints** like Suez and Panama remain crucial; Suez traffic slowed slightly amid Middle East tensions (some vessels sought Cape routes). **Container volumes** have plateaued (~3–4% annual growth), with inventory restocking done.

Energy: Oil/Gas Prices: Oil traded mostly in a \$70–90 range, with episodic jumps. Brent averaged ~\$80–85/bbl in early 2026. The IEA sees an oil surplus in 2026 (4% of demand), reflecting strong non-OPEC output. OPEC+ (led by Saudi/Russia) paused planned output hikes for Q1 2026, citing balanced market conditions. Any further cuts or new sanctions (e.g. EU’s 20th Russia sanctions package includes a future oil ban) could tighten oil. **LNG:** Global LNG supply is expanding rapidly. IEA Q1 Gas Report forecasts >7% growth in LNG output for 2026, mainly from the US, Canada and Qatar. This expansion should cap European gas prices, despite reduced pipeline flows from Russia. EU gas inventories are ample (above multi-year norms), so near-term gas price spikes are less likely than oil shocks.

Renewables & Storage: Renewable generation hit new highs in 2025. Solar PV output grew ~30% globally, coal power fell (first decline since 2019). These displace some fossil demand. Many countries are accelerating battery/storage and renewables projects (e.g. US tax credits, EU green deal, Middle East solar). Storage levels (e.g. US SPR) were drawn down earlier but stabilized by 2026. Spare refining capacity remains limited (especially in Europe), so “parallel markets” (crude glut vs fuel tightness) likely persist.

Financials: Banking: Systemic banking stress has eased since the 2023 regional US bank failures. By 2025 banks’ capital ratios were healthy and loan delinquencies remained low. The Fed’s stability report notes lending growth steady and liquidity ample. However, any sharp downturn could stress regional banks. **Credit Spreads:** High-yield bond spreads widened modestly in Q1 2026 (reflecting war risk), but remain historically moderate. The VIX equity volatility index rose with oil jumps, signaling anxiety. **Capital Flows:** A benign macro backdrop (pre-war) had prompted large flows into EM and high-yield debt; the conflict has reversed some of that. BIS data show EM sovereign spreads tightening in late 2025 then reversing in early 2026. **Regulations:** New rules (Basel III endgame, climate disclosures) are phasing in, but did not drive short-run volatility. Financial authorities are monitoring war-risk concentrations (e.g. commodity prices on bank portfolios) and cross-border spillovers.

Emerging Markets: EMs are split by commodity profile and policy space. Oil exporters (Russia, Nigeria, GCC, Brazil) have seen reserves rebuild on windfalls. Some are using windfall taxes or sovereign funds to stabilize budgets. Major EM (China, India, Brazil) retained ample reserves, but smaller EM have drawn on them. Debt-servicing burdens are rising in countries with high external debt (e.g. Ghana, Pakistan); credit ratings agencies are vigilant. FX reserves are generally above minimums, but any further USD strength (see below) could pressure those. Cross-border financing remains available for many EM, but at higher cost. The IMF notes “carry trade unwinds and capital outflows” can amplify currency pressure in vulnerable EM.

Outlook & Risk Scenarios

We sketch three scenarios for mid-2026 onward:

Baseline (≈55% probability): The Middle East conflict de-escalates (a ceasefire holds), and oil/gas supply eventually normalizes. Global growth moderates (~3.1% in 2026) as inflation and rates gradually ease. Oil settles in \$70–85 range, gas in line with stronger LNG supply. Shipping costs and insurance pressures recede but remain above pre-war levels. Central banks are cautious but pivot gradually (e.g. Fed cuts one more 25 bps by late 2026). EM asset flows stabilize, with steady inflows into sound economies. Inflation drifts toward target: in US ~2.5%, Europe ~2%. **Key Triggers:** Durable ceasefire, China demand recovery, US debt relief.

Downside (≈25% probability): The conflict widens (e.g. involving other regional powers) or fails to resolve quickly. Oil spikes above \$100/bbl and gas spikes recur. Global growth stalls (<2%), inflation re-accelerates. A debt crisis could ignite in a stressed EM (e.g. default by an already-distressed country contagion). Equity markets crash ~20% from mid-2026 levels, credit spreads blow out. Shipping faces new chokepoint disruptions (e.g. further attacks). Central banks revert to tightening (Fed pauses cuts or even hikes). **Key Triggers:** Major escalation (e.g. Iran blockade, regional war), new sanctions (including on Gulf states), global recession, or financial crisis.

Upside (≈20% probability): A swift diplomatic resolution (or a decided one-sided victory) ends the crisis in a few months. Global inflation surprises on the downside as energy prices fall below expectations. Growth picks up (4%+ if business confidence rebounds). Commodity exporters calm fiscal concerns. Central banks cut more aggressively to support growth (e.g. multiple Fed cuts). Shipping returns to routine, easing costs. **Key Triggers:** Ceasefire agreement, coordinated OPEC+ easing, broad fiscal stimulus (e.g. US/EU infrastructure), unexpected surge in technology-driven productivity.

Policy Responses & Monitoring

Policy/Mitigation: Governments have taken emergency actions. **Trade & Supply:** NATO navies have been deployed to secure key sea lanes (e.g. Strait of Hormuz missions) and some firms avoid high-risk routes entirely. Countries released oil from strategic reserves to tame prices. **Monetary/Fiscal:** Central banks stand ready with swap lines and liquidity facilities to counter a market squeeze. The IMF and regional lenders offer financing and technical support to vulnerable EM. **Insurance & Shipping:** Lloyd's and insurers have expanded war-risk reinsurance capacity, though at steep premiums. **Energy:** OPEC and allies have indicated readiness to adjust production if price volatility hurts demand. Renewable investment is being fast-tracked (e.g. more auctions for solar/wind) to diversify away from volatile fuels.

Key Indicators to Watch:

- *Freight & Shipping:* The Freightos Baltic Index (FBX) or Shanghai Containerized Freight Index (SCFI) give real-time freight rates. Port congestion indices and vessel tracker data (e.g. AIS) signal chokepoint bottlenecks. War-risk insurance quotes (for tanker hull and cargo) indicate stress.
- *Energy:* Global oil inventories (IEA weekly reports) and OPEC spare capacity gauge slack. Brent and Dubai futures (including contango/backwardation) and LNG shipping rates (e.g. Platts JKM) show demand/supply balances. Renewable rollout metrics (IEA renewable capacity update) reveal longer-term trends.
- *Financial:* Credit spreads (EMBI, CDX/IG indices), implied volatility (VIX), and corporate bond issuance volumes track risk appetite. Bank lending surveys and ST loan growth indicate real-economy conditions. USD index and major FX (EUR, JPY, EM currencies) reflect safe-haven flows.
- *Macro:* PMI surveys and commodity price indexes signal cyclical turning points. Central bank minutes (Fed, ECB) and inflation expectations (breakevens, surveys) gauge policy shifts. Trade data (container throughput, trade balances) reveal supply-chain shifts.

In summary, geopolitical shocks have injected fresh uncertainty into trade, commodities, and capital markets. The near-term outlook will hinge critically on how these conflicts unfold. While official data (IMF, IEA, UNCTAD) show economies still moving forward, the risk of disruptive escalations remains high. Policymakers and firms should continue monitoring **shipping disruptions, energy prices, inflation momentum, and capital flow patterns** as early warning signs, and prepare contingency plans (diversified supply chains, hedging strategies, reserve buffers).

Sources: Authoritative analyses by the IMF, UNCTAD, IEA and others are used above (see citations for details).

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