

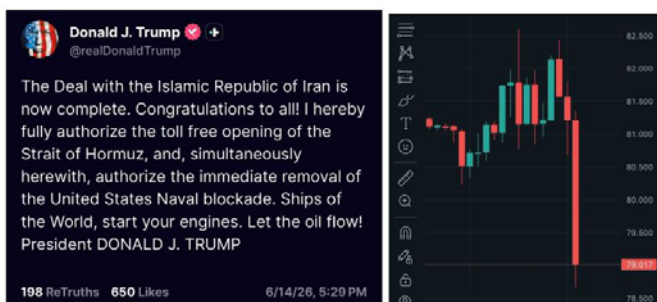
# When the oil flows: positioning portfolios for a US–Iran peace deal



Image source: iStockphoto.com/adventr

**Charles-Henry Monchau**, CFA, CAIA, CMT  
Chief Investment Officer  
[charles-henry.monchau@syzgroup.com](mailto:charles-henry.monchau@syzgroup.com)

After more than three months of war and a global energy shock, the United States and Iran have reached a peace deal. For markets, the immediate reflex has been textbook: oil plummets, bond yields drop, and risk assets soar.



The harder question is what comes next: whether the deal holds, and how to position portfolios for a world in which the single largest tail risk of 2026 is being removed rather than realised.

## 1. The deal: the facts and what's next

**What has happened.** After roughly 107 days of conflict triggered by US and Israeli strikes on Iran in late February and the subsequent closure of the Strait of Hormuz in early March, Washington and Tehran announced over the weekend that a peace deal has been reached. Pakistan's prime minister, who together with Qatar mediated the talks (with Saudi and Turkish support), confirmed that both sides have declared the immediate and permanent termination of military operations on all fronts, including Lebanon. President Trump called the deal "complete" and authorised the toll-free reopening of the Strait of Hormuz and the removal of the US naval blockade. The agreement is structured as a memorandum of understanding, to be signed in Switzerland on Friday, 19 June. Crucially, Tehran has said it will not begin implementation until the signing, and negotiations on a final agreement are deferred to a 60-day window that begins only once the US has demonstrably fulfilled its initial obligations, ending hostilities, lifting the blockade, opening Hormuz, and releasing frozen assets. The nuclear file, the hardest issue, has been pushed into that second-stage negotiation.

**Why both sides want it to work.** The incentives are unusually aligned. For the US administration, the political calculus is pressing: approval ratings sit near all-time lows and prediction markets point to a likely House loss and rising Senate risk into the midterms. An energy shock that has pushed headline CPI to 4.2% is a direct threat to that outlook; bringing oil prices down and claiming a diplomatic victory others could not, is precisely the win the administration needs. For Iran, the naval blockade has been strangling oil exports and the wider economy; sanctions relief, the release of frozen assets, and an end to the blockade are existential priorities, and the regime has an interest in de-escalation after a costly war. Layer on a heavily invested set of mediators, Pakistan, Qatar, Saudi Arabia, Turkey, and the path of least resistance, for once, points toward de-escalation.

**What could still derail it.** We would not treat the deal as done until it is signed and, more importantly, implemented. Several things could prevent it:

- ▶ **The Israel wildcard.** Israel is not a signatory. Reports of Israeli strikes in Lebanon are already testing an agreement that explicitly covers "all fronts, including Lebanon." Continued action by a non-party is the most acute near-term threat.
- ▶ **Sequencing and trust.** The structure makes the final agreement contingent on the US delivering first. That sequencing protects Iran but creates ample room for stalling, disputed compliance, and collapse during the 60-day window.
- ▶ **Domestic spoilers.** Hardliners in Tehran and hawks in Washington each have reason and means to obstruct.
- ▶ **An unresolved nuclear file.** The genuinely difficult questions, enrichment, verification, and stockpiles have been deferred, not solved.
- ▶ **The implementation gap.** With Iran withholding implementation until Friday and full details not yet public, the window between now and signing is itself a source of headline risk.

**Next steps.** Preparatory meetings in Doha this week, electronic sign-off by each side, the formal ceremony in Switzerland on 19 June, US delivery of its commitments, and then the start of 60-day technical talks toward a permanent accord. Markets will trade each of these milestones.

## 2. The market backdrop: cooling, not breaking

The deal comes against the backdrop of a market that was already in good health. Throughout the conflict, our base case was that neither stagflation nor recession would materialise, with the duration of the war, rather than its mere existence, being the key variable for equities.

A durable de-escalation resolves that uncertainty in a favourable direction.

**Macro damage  $\approx \Delta\text{Oil} \times T^2$**

The market is focused on the size of the shock. The real risk is its persistence.

		CONFLICT DURATION		
		Short (<3 months)	Medium (towards 6 months)	Long (>12 months)
OIL SHOCK MAGNITUDE	Severe Avg. Oil price above \$120/b	STAGFLATION	RECESSION	RECESSION
	Significant Avg. Oil price between \$90-110/b	Non-event	STAGFLATION	RECESSION
	Oil price below \$90/b	Non-event	Non-event	STAGFLATION

**The bull market is intact and broadening.** The secular uptrend in US equities remains in force, and leadership is widening in a healthy way. Small- and mid-caps are leading: the S&P SmallCap 600 (+18.7% YTD), Russell 2000 (+18.4%) and S&P MidCap 400 (+14.7%) are well ahead of the S&P 500 (+8.6%) and Russell 1000 (+8.5%), even as the Nasdaq 100 (+17.0%) holds up. Breadth is robust, with roughly two-thirds of constituents above their 200-day average. This is the signature of a maturing, not exhausted, bull market.

NYSE Composite index remains in a secular bull market



Source: Bloomberg

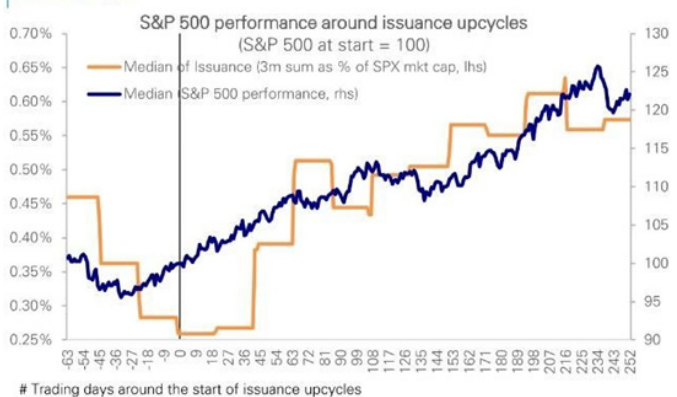
**Tech is taking a breather, not turning.** Semiconductors pulled back by about 12% after a near-parabolic run before partially recovering. The move reflected profit-taking rather than any deterioration in fundamentals. . Hyperscaler capex continues to ramp, the AI adoption trend remains intact, and the equal-weight S&P 500 is outperforming, underscoring the rotation into the “average” stock.



Source: Edward Jones

**IPO fever is the live test of risk appetite.** The SpaceX debut, up around 18–19% on day one, roughly \$75bn raised (the largest offering ever), a ~\$2.1tn valuation on under 5% free float and more than 100x trailing revenue, drew record single-day retail buying. It likely leads a mega-IPO wave, with OpenAI and Anthropic potentially to follow. For the first time in 23 years, net US equity supply could turn positive as Big Tech funds AI infrastructure through share sales and IPO giants add new paper. Historical experience offers some reassurance. Deutsche Bank’s analysis shows that issuance waves typically occur during periods of market strength rather than ahead of market downturns. Median returns after such waves were around 8% over three months and 20% over twelve months, with 2008 the notable exception. For now, demand remains sufficient to absorb the increase in supply.

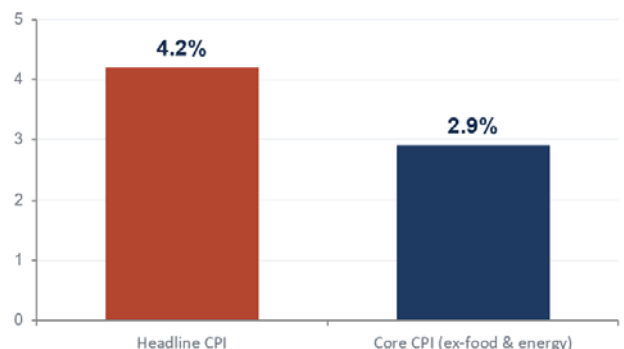
Figure 1: Equity market returns are typically very strong before and during an issuance wave



Source: Bloomberg Finance LP, Dealogic, Deutsche Bank Asset Allocation

**The Fed has room to be patient.** Headline CPI at 4.2% is the highest since early 2023 but is largely energy-driven; core at 2.9% came in slightly soft, goods prices fell for the first time in a year, and services show no meaningful reacceleration. A prolonged pause is the most likely path; the Fed is expected to drop its easing bias without chasing energy-led inflation. From here, the swing factor is oil: if the ceasefire holds and crude falls, CPI cools and hikes are postponed (or cuts return); if it escalates and oil spikes toward 4.5%+ headline, hikes come back into play. Last week, with growth firm, core inflation easing and WTI breaking below \$85, 2026 hike expectations had already cooled. A peace deal pushes this dynamic decisively toward the benign outcome.

May CPI – headline vs. core (% yoy)



## Hormuz Reopened?

### Why it might be too soon for the oil shorts to celebrate.

Before we call the oil crisis over, two uncomfortable questions need to be asked.

First, there is no deal yet. An Iran-US agreement is still a work in progress, not a signature on paper. The market is pricing in an outcome that hasn't actually been delivered. Until something is signed, and until it holds, every transit through Hormuz happens on borrowed confidence. The strait isn't reopening because the conflict is resolved; it's reopening because everyone is betting it will be. Those are not the same thing.

Second, even a signed deal doesn't flip the switch back to normal. This is the part the celebration skips over. Those 300 ships finally free to move sound like a flood, but they represent barely two days of pre-war traffic, and another 500 are still waiting to dock and load. Transits collapsed from roughly 150 a day to near zero overnight. Getting back to normal doesn't happen immediately; it takes months. A reopening is an event. A recovery is a process. We are, at best, at the start of the process.

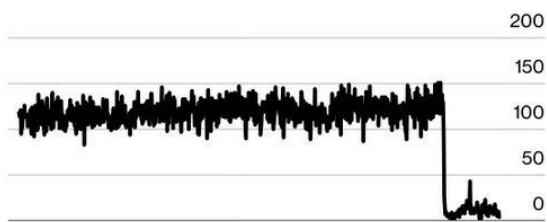
And the backdrop makes the margin for error thinner than people appreciate. The world has spent months running on fumes. We got lucky that the crisis hit when supply was high and reserves were still building, but global oil reserves are now drifting toward their lowest level in half a century. That cushion is gone just as we're being asked to trust that the worst is behind us

There's also a lesson here that no agreement can erase. Iran just demonstrated that it can bring the global economy to its knees by closing a single strait. That knowledge doesn't vanish when ink dries on a deal. The leverage is now permanent, even if the blockade is not.

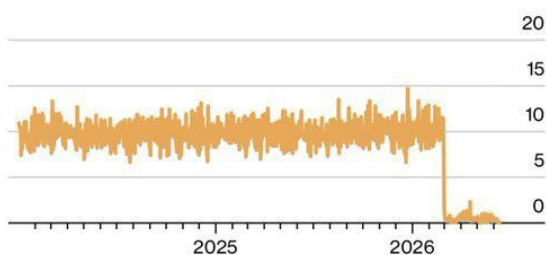
## Hormuz Traffic

Transits have plummeted from pre-war levels

Number of transits



Millions of deadweight tons

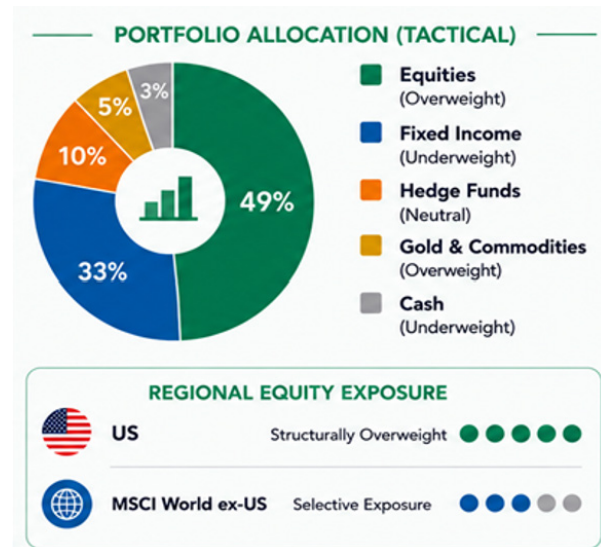


Source: Clarkson Research Services Ltd., Bloomberg  
**Bloomberg**

## 3. How we are positioned — and the short-term winners of a deal

Our compass. Our Strategic Asset Allocation remains an all-weather framework built on a strong US equity weight (US exceptionalism), a meaningful tech foothold, a substantial alternatives allocation anchored by hedge funds, a well-balanced fixed income bucket, and partial hedging of currency risk. That long-term compass is unchanged by the news flow.

Our tactical stance (since 21 May 2026). We are have been slightly overweight on equities, though market effects keep pushing the overweight higher, with all regions neutral and the US weight nudged up by drift. We are underweight fixed income overall, with government bonds trimmed. In alternatives we are overweight gold and overweight commodities and neutral hedge funds, and in FX we are neutral the dollar against all currencies. See below current positioning in a USD balanced account.



The throughline of our positioning is a market in transition, not breakdown: leadership broadening from narrow mega-cap tech toward cyclicals, value and small-caps; volatility normalising from suppressed levels; and momentum giving way to a more mature cycle underpinned by resilient growth and roughly 21% expected Q2 earnings growth.

We remain constructive and treat pullbacks as buying opportunities, while staying mindful of concentration in crowded IPO names, among the 30 largest IPOs in the Russell 3000 over the past two decades, the median one-year return was -31% with a median maximum drawdown of -53%.



#### Tech is cooling, not breaking

The semiconductor pullback reflects profit-taking after a too-far, too-fast rally. Improving breadth points to a healthier backdrop.



#### IPO demand tests risk appetite

The SpaceX debut is a real-time gauge of investor willingness to fund high-growth, capital-intensive businesses at elevated valuations.



#### The Fed remains on hold

Elevated headline inflation is largely energy-driven, while underlying pressures stay contained — giving policymakers room to be patient.



#### Stay invested through volatility

Leadership is broadening and volatility normalising. We expect pullbacks to be corrective rather than trend-ending.

**Where a deal helps most.** A successful agreement removes the conflict-duration tail risk that could have forced the Fed's hand, and it reinforces, rather than contradicts, our transition thesis. The short-term winners cluster around the oil channel and the risk-premium unwind:

- ▶ **International developed value** is, in our view, the cleanest beneficiary. A reopened Strait of Hormuz and easing crude relieve the energy import bill for Europe and Japan, where value and cyclical exposure is concentrated and where we see the most direct upside from lower oil.
- ▶ **Cyclicals, US mid-caps and equal-weight exposure:** the broadening leadership we already favour should be carried further by a risk-on, lower-oil backdrop. Transport, airlines, and energy-sensitive consumer names sit in the direct path of cheaper crude.
- ▶ **Duration and rate-sensitive equities** gain a tailwind as lower oil cools headline CPI and reinforces a patient

Fed; yields have already dropped on the news. We would expect the belly of the curve to benefit more than the long end if growth stays resilient.

- ▶ **Pro-cyclical and EM currencies** tend to outperform in a risk-on, softer-dollar setting, while oil-exporter currencies face the opposite pressure.

**The honest tension in our own book.** A deal cuts against two of our active overweights. Lower oil and a deflating geopolitical risk premium are a near-term headwind to our overweight commodities, and a risk-on, lower-fear environment is typically unfriendly to our overweight gold. We do not view this as a reason to exit those positions. Both remain structural, all-weather holdings, and gold continues to serve a purpose in an environment characterised by higher-for-longer rates and elevated debt burdens. Instead, the deal points to a rotation in the marginal opportunity set, away from the oil-and-fear trade and toward international developed-market value and cyclical equities. That is the rotation we would lean into.

**Bottom line.** We remain constructive on equities and would use the deal as confirmation, not as a signal to chase. The compass stays fixed; the tactical tilt is to add to broadening leadership and international developed value on any volatility, to let the commodity and gold overweights work as ballast rather than as the lead, and to judge the mega-IPO wave on fundamentals and portfolio fit rather than headlines. The largest risk to this view is not the market, it is the deal itself failing to survive contact with implementation. We will trade the milestones accordingly.



# Welcome to Syzerland®

## For further information

### **Banque Syz SA**

Quai des Bergues 1  
CH-1201 Geneva  
T. +41 58 799 10 00  
syzgroup.com

### **Charles-Henry Monchau, CFA, CAIA, CMT**

Chief Investment Officer  
charles-henry.monchau@syzgroup.com

This marketing document has been issued by Bank Syz Ltd. It is not intended for distribution to, publication, provision or use by individuals or legal entities that are citizens of or reside in a state, country or jurisdiction in which applicable laws and regulations prohibit its distribution, publication, provision or use. It is not directed to any person or entity to whom it would be illegal to send such marketing material.

This document is intended for informational purposes only and should not be construed as an offer, solicitation or recommendation for the subscription, purchase, sale or safekeeping of any security or financial instrument or for the engagement in any other transaction, as the provision of any investment advice or service, or as a contractual document. Nothing in this document constitutes an investment, legal, tax or accounting advice or a representation that any investment or strategy is suitable or appropriate for an investor's particular and individual circumstances, nor does it constitute a personalized investment advice for any investor.

This document reflects the information, opinions and comments of Bank Syz Ltd. as of the date of its publication, which are subject to change without notice. The opinions and comments of the authors in this document reflect their current views and may not coincide with those of other Syz Group entities or third parties, which may have reached different conclusions. The market valuations, terms and calculations contained herein are estimates only. The information provided comes from sources deemed reliable, but Bank Syz Ltd. does not guarantee its completeness, accuracy, reliability and actuality. Past performance gives no indication of nor guarantees current or future results. Bank Syz Ltd. accepts no liability for any loss arising from the use of this document.