Source: Getty UBS

World order in flux: Energy and food

28 August 2026, 08:52 UTC, written by Michael Bolliger

The ongoing war in the Middle East has sharply reduced oil shipments through the Strait of Hormuz, but has not yet triggered a severe recession. This status quo is not sustainable. Inventories have shrunk significantly in many regions, European gas reserves are well below prior-year levels, and rising fertilizer prices and El Niño are weighing on agricultural yields. For investors, energy and food prices therefore remain central drivers of inflation and economic growth. In addition to traditional exposure to energy and commodities, we see attractive long-term opportunities in energy infrastructure, agritech, and innovative solutions across the food value chain.

The war in the Middle East has now continued for more than 180 days. Although energy exports from the region have nearly come to a halt, there are still few signs of a serious crisis. Energy prices have risen, especially oil derivatives such as diesel, heating oil, and kerosene, but few indicators point to slower economic growth; in many places, we are even seeing an acceleration. This is notable because exports through the Strait of Hormuz have fallen by about 75%—from around 21 million barrels per day to around 5 million barrels per day now. According to the International Energy Agency (IEA), global oil supply stands at around 102 million barrels per day, so roughly one-fifth of global supply is affected.

This raises two questions: How can we explain the moderate reaction, and should we expect more serious consequences in the coming weeks or months if no near-term agreement between the warring parties appears likely?

To answer the first question, several factors matter. China was able to cut its purchases by around 4 million barrels per day because it had built large strategic oil reserves over many years. Many other countries are also drawing down inventories.

In addition, the US has increased output to export more oil to Europe. Unlike China, however, many other countries have already reduced their reserves substantially, and we believe these reserves may last only a few more weeks. Refineries have cut demand by around 5 million barrels per day compared with last year. This reduction explains why prices for diesel and gasoline have risen more than crude oil prices so far. Consumers—and therefore voters—feel this most directly, so price inflation in this area is likely to feature prominently in the US midterm elections. Still, ship-to-ship transfers and alternative pipeline routes have helped cushion some of the supply disruptions.

Does this mean further price increases loom in the coming weeks or months? The current status quo is clearly not sustainable. Outside China, the scope to tap strategic reserves appears largely exhausted, and building alternative infrastructure for production, processing, and transportation takes time. Such infrastructure would also be a relatively easy military target should Tehran's leadership seek escalation to secure better terms for an agreement. Such an escalation would be politically costly for President Trump. But the alternatives—effectively allowing Iran to control the Strait, lifting sanctions, or releasing frozen funds—would also carry political costs. The conflict could therefore last longer, and energy prices may continue to move markets.

The view into 2027 also matters. Although that may be hard to imagine given such hot temperatures this summer, the next winter will come. Gas storage levels for the cold season are also low. In Germany, gas storage levels currently stand at only 48%, versus 65% a year ago and 75% at the same point in 2022. These deficits cannot be closed quickly and raise the risk that higher energy costs remain relevant even after the conflict ends. Beyond energy, many other goods exports are affected by the blockade, including raw materials for agricultural fertilizers. The Ukraine war and sanctions against Russia had already weighed on supply and prices for nitrogen, phosphate, and potash fertilizers; the war in Iran is likely to push prices higher. Higher prices lead to less fertilizer use, especially in emerging markets, which should weigh on yields in the years ahead. The current El Niño year adds to the risk, as it is likely to reduce harvests in many regions.

The implications for investors are broad. They include macroeconomic developments such as inflation and growth risks—with scope for higher equity prices if conditions normalize, but also for a correction should energy prices rise again. In addition to investments in the energy sector and commodities, we believe energy infrastructure and the food value chain offer interesting opportunities.

The war in the Middle East will hopefully end soon, but the way food is produced, processed, and consumed is changing structurally. New technologies are emerging across the entire value chain—from agriculture to waste management. These include connected devices, autonomous tractors, plant-based meat alternatives, and indoor farms. They also include nitrogen-fixing grains that require less fertilizer, animal feed made from insects and algae, and lab-grown meat and fish.

Digitalization has shaped the sector for years, and AI is likely to accelerate this development further. Relevant themes include digital traceability, logistics and planning platforms that reduce food waste, food delivery apps, and personalized nutrition recommendations that can change consumption habits and raise awareness of health and environmental issues. These structural developments could also create longer-term opportunities for investors.

Disclaimer

Hong Kong / Singapore: For Global Wealth Management clients of UBS AG Singapore / Hong Kong branch, please refer to the HK/SG Marketing Material Disclaimer .

This document is prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland), its subsidiaries or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. In the USA, UBS Financial Services Inc. is a subsidiary of UBS AG and a member of FINRA/SIPC.

This document and the information contained herein are provided solely for your information and UBS marketing purposes. Nothing in this document constitutes investment research, investment advice, a sales prospectus, or an offer or solicitation to engage in any investment activities. This document is not a recommendation to buy or sell any security, investment instrument, or product, and does not recommend any specific investment program or service.

Information contained in this document has not been tailored to the specific investment objectives, personal and financial circumstances, or particular needs of any individual client. Certain investments referred to in this document may not be suitable or appropriate for all investors. In addition, certain services and products referred to in the document may be subject to legal restrictions and/or license or permission requirements and cannot therefore be offered worldwide on an unrestricted basis. No offer of any product will be made in any jurisdiction in which the offer, solicitation, or sale is not permitted, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

Although all information and opinions expressed in this document were obtained in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made as to the document's accuracy, sufficiency, completeness or reliability. All information and opinions expressed in this document are subject to change without notice and may differ from opinions expressed by other business areas or divisions of UBS Group. UBS is under no obligation to update or keep current the information contained herein. **The views and opinions expressed in this material by third parties are not those of UBS**. Accordingly, UBS does not accept any liability over the content shared by third parties or any claims, losses or damages arising from the use or reliance of all or any part thereof.

All pictures or images ("images") herein are for illustrative, informative or documentary purposes only and may depict objects or elements which are protected by third party copyright, trademarks and other intellectual property rights. Unless expressly stated, no relationship, association, sponsorship or endorsement is suggested or implied between UBS and these third parties.

Any charts and scenarios contained in the document are for illustrative purposes only. Some charts and/or performance figures may not be based on complete 12-month periods which may reduce their comparability and significance. Historical performance is no guarantee for, and is not an indication of future performance.

Nothing in this document constitutes legal or tax advice. UBS and its employees do not provide legal or tax advice. This document may not be redistributed or reproduced in whole or in part without the prior written permission of UBS. To the extent permitted by the law, neither UBS, nor any of it its directors, officers, employees or agents accepts or assumes any liability, responsibility or duty of care for any consequences, including any loss or damage, of you or anyone else acting, or refraining to act, in reliance on the information contained in this document or for any decision based on it.

Important Information About Sustainable Investing Strategies: This terminology refers to definitions in the UBS Sustainable Investing Framework and does not refer or relate to any product-specific regulatory labelling regime or naming conventions. Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or sustainable investing considerations may inhibit UBS's ability to participate in or to advise on certain investment opportunities that otherwise would be consistent with the Client's investment objectives. The returns on a portfolio incorporating ESG factors or sustainable investing considerations may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by UBS, and the investment opportunities available to such portfolios may differ.

Except as otherwise specified herein and/or depending on the local entity from which you are receiving this document, this document is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).

Please visit https://secure.ubs.com/global/en/wealthmanagement/insights/chief-investment-office/disclaimers/marketing-material-disclaimer.html to read the full legal disclaimer applicable to this document.