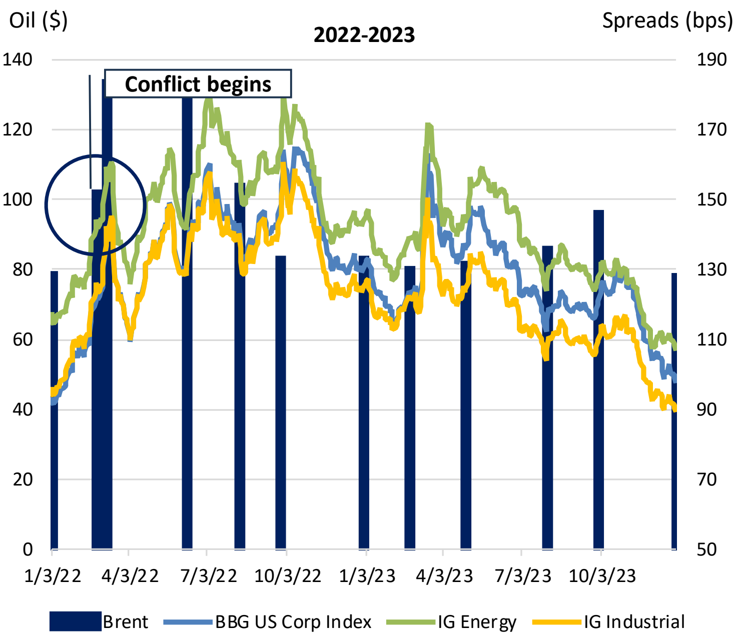
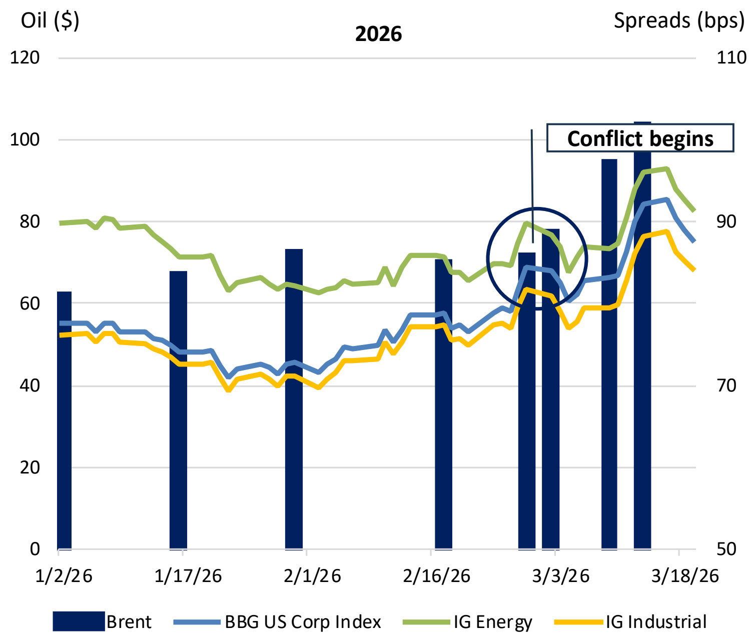
Timely Insight

Oil Prices and Corporate Spreads: It's a Sign of the Times

When conflict disrupts, markets stay volatile. Geopolitical conflicts can inflict short-term pain across equities and fixed income markets, but supply disruptions can cause sustained volatility despite coordinated efforts to contain the impact. When the Russia-Ukraine conflict started in February 2022, spreads widened and oil reached the highest levels since 2014. Despite the International Energy Agency's (IEA) immediate release of reserves aimed to stabilize the markets, elevated oil prices and spreads persisted into the second half of the year.



1/3/2022 – 12/29/2023



1/2/26 – 3/20/2026

We've been here before. Since the start of the Iranian conflict, oil prices have jumped to the highest level since 2022. Credit spreads have widened and equities have fallen on fears that the conflict could cause another supply disruption. The IEA announced the largest release of reserves in the agency's history to combat price spikes; however, oil prices remain elevated as the conflict continues.

Understanding the risks is paramount. Navigating a volatile market driven by a supply shock requires flexibility, nimbleness, and prudence with security selection. At LIM, we remain defensively positioned amid tight credit spreads and continue to look for attractively priced opportunities with favorable fundamentals that we believe can provide compelling risk-adjusted returns. We will continue to monitor the situation as it unfolds.