Fidelity Viewpoints®: Market Sense

Week 192 March 17, 2026

TRANSCRIPT

SPEAKERS:

Heather Hegedus Jurrien Timmer Ashley Fernandes

HEATHER HEGEDUS: Hello, and thank you so much for joining us for another episode of *Market Sense*. I'm Heather Hegedus with Fidelity. Today is March 17. The Fed's meeting right now as we speak to discuss the US economy.

This while there are plenty of questions about the global economic momentum right now, of course, due to the ongoing geopolitical tensions in the Middle East and the impact that it is having on oil. The pressure this is putting on energy markets and the ripple effects have been, by far, the number one question we have been getting from you, our listeners and our viewers, in the past few weeks.

And just as a reminder, you can ask questions when you register for our show on Fidelity.com/MarketSense. Today, I'm delighted to say we have two very senior leaders here at Fidelity to try to help us make sense of some of the questions that may be in your mind and some of the headlines and the potential ramifications of it all.

First, with his finger on the overall global growth outlook and macro trends, we are thrilled to be joined, as we often are, by Fidelity's Director of Global Macro, Jurrien Timmer. We also want to welcome a new face to the show today, Ashley Fernandes. So Ashley is a sector leader for natural resources in Fidelity's equities division. And he manages and co-manages several mutual funds, including the Fidelity natural resources fund.

And we asked him to come on the show today to talk about how the duration of this conflict is going to be key. And the resulting oil and supply chain disruptions will all be something that will be key in determining the potential damage to things like inflation, consumer costs, and the broader market.

Fidelity INVESTMENTS

He's also going to be talking about the energy sector's performance and outlook for this year. Ashley, welcome to the show. Thank you so much for making the time when I know you're in extremely high demand right now.

ASHLEY FERNANDES: Great, thank you, Heather. Thanks for having me. Pleasure to be here.

JURRIEN TIMMER: Yeah, great to be here. And Ashley is one of our energy OGs. So great to have him on the show.

HEATHER: Ashley's been here for a long time. We really are excited to get his perspective today. And I wanted to start things off here, Jurrien and Ashley, by saying, again, we know this topic is top of mind for our audience and for investors. And it continues to be a fast moving situation.

So I just want to jump right in and maybe start with a quick level set for our audience. I'm sure our audience has been paying attention to the headlines in the past couple of weeks, but I'd love to get Ashley's perspective, given how long you've been part of this sector for, Ashley, as you Jurrien mentioned.

So let's talk about the Strait of Hormuz quickly, and where tanker traffic remains largely at a standstill, what that means for this situation here, with oil prices still fluctuating around the $100 a barrel mark. Ashley, can you talk a little bit about the workaround options that we have seen in place so far? What may still be on the table? And how meaningful of a supplier the Strait is to global oil markets versus here in the US?

ASHLEY: Sure, let me start off with the second question first, actually. So how meaningful is the Middle East and Iran to global oil markets? Let's delineate that and unpack that a little bit. The media is absolutely focused on this issue. And it should be.

The Strait of Hormuz is a critical, critical choke point for global energy. Some statistics—about 15 million barrels, which is about 13% of global oil supply flows through the Strait of Hormuz. Of the seaborne oil market, which is not transported by pipeline, so oil on water, 35% goes through the Strait of Hormuz. So very, very critical to oil markets.

It's also very critical to gas markets. 20% of floating natural gas, which is gas floating on a ship, which is transported, comes through the Strait of Hormuz. There's a lot of lesser known materials and resources which flow. The most notable is fertilizers. There are three basic fertilizers which are used to feed the world. Those are nitrogen, phosphate, and finally potash.

About 30% of nitrogen urea flows through the Strait of Hormuz and 10% of phosphate. So this could end up impacting food prices. And finally, 10% of aluminum and about—it's also a lot of sulfur flows through. So the Strait of Hormuz is a critical choke point for not only oil but resources in general.

In terms of your first question, what is the world really trying to do to alleviate such critical shortages in key materials and commodities? The first is inventory release. So the IEA, the US has strategic petroleum reserves. And they're releasing these into the market.

That would equate to approximately about 1.5 to 2 million barrels per day. So again, there's about 10 to 15 million barrels per day which are offline, and only 2 million barrels per day which are released from inventory. So that's one thing.

The second thing that's being done is there being sanctions on certain countries in the world, like Russia, which are being eased to try and get some more oil flowing to key markets. The third thing is pipelines. Saudi Arabia does have some other options to bypass the Strait of Hormuz. They can't bypass all of their shipments through other pipelines, but they're trying to do this.

And then there's some other arrangements, which are probably not going to be effective at the moment, based on the current political climate, which are trying to find reinsurance, and better insurance, and get tankers flowing, and potentially other policy options. But in my view, these policy options likely won't work until the situation deescalates.

HEATHER: Helpful statistics there, Ashley. Can you talk, though, about the impact here on the US? We are a net energy exporter here in the United States. And I'm sure there are a lot of folks out there wondering, why the jump in gas prices here in the US if we make enough oil in the United States for ourselves?

Just driving by one gas station that tends to be on the more expensive side this morning when I was going to work, gas was $3.89 a gallon. So that's ticking up closer and closer to $4 a gallon, Ashley. Can you talk about how, even though we pump a lot of our own oil here in the United States, it's the world that sets the price?

ASHLEY: Yeah, let's delineate that a little bit about the US. The US is indeed a net energy exporter, but we have to break that apart into three different groups. In terms of crude oil, the US is still an importer. Luckily, most of the imports come from Canada.

The US is a net product. So when I talk about products, I'm talking about gasoline, distillate, diesel, jet fuel, the US is a net exporter of those products. And finally, for natural gas, the US is a net exporter. So to answer your question on why, despite the fact, some of these products are—the US is a net exporter, is because at the end of the day, these gasoline prices that we see at the pump are based on global prices.

The US is still subject to global prices for these because for a lot of these markets, the US might import a little bit. And finally, a US company has the choice to export refined products or keep it in country. So ultimately, we're beholden to a global price for these products, including gasoline, which we see at the pump.

HEATHER: And then remind us, once prices go up, Ashley, do they tend to hang out there for a while and stay there if there's de-escalation? Or do they come back down quickly when that happens?

ASHLEY: So prices of gasoline were relatively low before this. So far, we've seen about a 17% to 20% jump. And that's been a bit delayed. And the reason for that is it takes about 90 days from the time the oil meets the refinery and the refinery refines that oil, transports it via truck to the gas station in your neighborhood, that process takes about 90 days.

So it takes a little bit of time for the prices to rise. And it will take time for prices to fall. But the administration is right. If the situation de-escalates, and oil prices fall, and refining margins come down, the price we see at the pump will follow those prices downward. And they will normalize to some of the prices closer to some of the prices we've been seeing. But it all depends on the duration of this military conflict.

HEATHER: All right, and Jurrien, I wanted to bring you in for a macro lens on all of this. So with the US being a net energy exporter, like Ashley was just talking about, again, not being dependent on energy imports, does that mean that the US economy is more insulated from some of the potential impacts of this conflict?

JURRIEN: Well, as Ashley said, the price of gasoline is set globally and not in the US. So there will be a pinch at the gas station. Fortunately, compared to the 1970s, when we had a one-two punch of oil embargoes and oil shocks, one in '73 when oil went from, get this, from $4 to $11, which in today's term, would be $25 to $75. And then in '79, during the Iranian revolution, of course, it went up again.

That was a high inflation period compounded by these energy shocks. But at that point in time, Americans were much more sensitive, their spending, to energy prices. So today, we spend a lot less of our disposable income on energy. And so in that sense, the US consumer, all else being equal, should be much better able to withstand at least a temporary oil shock as we're seeing right now.

HEATHER: Hard to imagine a time when oil was $11 a barrel and that was a huge increase. Ashley, we got to talk about liquefied natural gas to LNG. A lot of that gets shipped through the Strait of Hormuz. And it's used to make electricity. Can you talk about who gets hit the hardest when LNG supply is cut off for a long period of time?

ASHLEY: Yeah, and 20% of liquefied natural gas flows through the Strait of Hormuz. And most of that is coming from a small country called Qatar. Who is hit the hardest? It's very clear it's Asia. Most of those LNG volumes, about 90% go to Asia.

And again, the usage of this is to create power. It's for heating. It's for industrial uses. But it's also Europe that's very impacted because what will happen is Europe and Asia will start to fight for global LNG assets and shipments. And so this will drive up the price in Europe too.

And most of these countries throughout the world, particularly in Asia, have very low storage of natural gas. So they're very beholden to whatever shipments they can get on a short-term basis. The US, again, is completely self reliant for natural gas. We are a net exporter of natural gas. The natural gas price in this country has not moved at all almost since this conflict began. But right now, I think the market's concerns is really focused on Asia and Europe. And that's where I think reactions have been a little bit more pronounced.

HEATHER: Jurrien, what could be the international market impact to the LNG impact on China and Europe?

JURRIEN: Well, we see this already in the market indices. So as of last Friday, the S&P was down 5.2% from its recent highs because of this situation. And 5% is really not bad at all. It's kind of a rounding error in the grand scheme of things. The odds of a 5% decline in the S&P are about 64%.

So that is not really a problem for the average investor here. And also remember, in the US, earnings are very, very strong. So that is holding back what otherwise might be a bigger decline. So the PE ratio in the US is down 11%. But the price is down 5%. And that's because price is at the intersection of evaluation and earnings. And earnings are growing 14%. And PEs are coming down 11%. So in between, you have the price decline.

But for non-US developed markets and emerging markets, the drawdowns are more. So emerging markets are down 17%. And developed markets are down about 10%. And to Ashley's point, part of that reason is because they really are more vulnerable.

And especially you think about Europe, like Germany, they had a nuclear program. They got rid of that. And almost the next day, Russia invaded the Ukraine. And now, you have this with the Straits of Hormuz. So they really can't catch a break over there. But that's why these markets are down by more than the US.

HEATHER: Jurrien, do you want to add some thoughts on the supply chain impact?

JURRIEN: Well, it reminds me a little bit of those bad, old COVID days when we all realized, after a period of complacency, that we are in just-in-time economy where supply chains are very delicate and very tight. And it's the just-in-time economy. And we saw that then.

And again, the Straits of Hormuz is one area. But it does show you how delicately balanced that whole process is. And this is why it is disruptive. And again, I look at the forward curve of the crude oil market. And Ashley knows a lot more about this than I do.

But oil for immediate delivery is at about $95. Oil for delivery six or nine months from now is at about $70. And that shows you that this is a supply disruption. Sometimes, you have a demand disruption, where the curve actually steepens as you go forward.

So this isn't that. This is a supply disruption. And the markets are looking past it. They're saying, OK, this is going to be short lived. We got to somehow figure this out. But that spread between the forward and the distant contract is something that we all watch very carefully, because that gives you an indication of how short or long lived this process is going to be.

HEATHER: For investors who don't know the way that the energy markets work. Can you unpack a little bit more, an explanation of the forward curve and how a barrel of oil is bought? Can you talk about that?

JURRIEN: Yeah, so you have just like with stocks, with bonds, or any other commodity, aluminum, gold, you have a spot market where the physical goods are trading. And then you have a forward market, where you can buy oil futures. So an airline would buy futures for later delivery because it knows it needs to fly those airplanes later on.

And so there's a whole derivatives market, a futures market. And I think for the oil market, there are probably several years, if not more years out, where you can buy crude for delivery three years from now. And so that's how the market operates. Commodities are, of course, things that operators, airlines, whatever companies will need to operate.

And so it's a very robust liquid market. And the shape of that curve, meaning if it's in contango, it goes up over time, or in backwardation, which means it goes down over time, tells you a lot about whether this is a supply issue or a demand issue.

HEATHER: So as I mentioned at the top of the show, you have been following the energy sector closely for years and years. If this does drag on and on, can you talk about how it might end up unfolding for the energy sector medium term to longer term? I know you've been doing some research on this and how much damage it could do. What are you and your team forecasting?

ASHLEY: Yeah, let me start off with level set where we started the year. So we started the year with the perception that energy markets were going to oversupply, most notably oil. We necessarily, our team didn't necessarily see it that way.

We thought that based on OPEC volumes peaking, shale against US supply kind of peaking and shale no longer growing, and then just continued demand resiliency, and the predictability of 1 million barrels per day of demand growth.

We saw energy markets as quite attractive. Now, what this situation does is it really drains inventory in the short term. So whether it's China or the United States, I referenced the IEA as a whole, are really going to start to take down inventories. And at some point, the world is going to have to rebuild those inventories. That'll take at least 12 to 24 months, which on the other side of this, almost regardless of what it looks like, will create increased demand.

I think the other implication that we have to think about is this highlights, again, in a world which has been relatively well supplied the last decade because of US shale, it highlights political risk. So there could be, again, depending on the way this conflict evolves, there could be, again, an increased political risk profile, which translates into increased price.

And I'd say the last thing that I would highlight is whether or not you're a company, or an investor, or you're in government, the one thing that's almost inarguable is low-risk assets in places like the United States, and Canada, and parts of Europe are absolutely valuable. So I think those are some of the implications we see. Does that answer your question, Heather?

HEATHER: Yeah, and I think perhaps could a silver lining to all of this mean be that there might be less reliance on just the Strait of Hormuz? There might be more resilient energy supply chains in the future?

ASHLEY: I think that really depends on what a lot of the key suppliers in the Middle East decide to do with their future. Will they begin to invest in energy infrastructure and build pipelines to ports, which could potentially bypass the Strait of Hormuz? That is something which makes abundant amount of sense. But we'll have to wait and see how, again, this evolves.

But I think right now, a lot of the US-based energy companies are in a very, very fantastic position which have redomiciled a lot of their assets into the United States, into Texas, and have diversified supply chains, and very, very good long duration assets which generate free cash flow with very good capital allocation that supports dividends and buybacks. And really emphasize that these companies are really working for shareholders. They're working for you.

HEATHER: Finally, Ashley, before we let you go, I wanted to talk to you quickly about energy sector performance this year thus far. What's remarkable, and what might not have even been on investors' radar, perhaps, is that even before the conflict in Iran and the surge in oil prices, the energy sector was actually up over 24% year to date.

We'd love to hear from you what you think the underlying drivers of strength for the energy market have been. And what do you see as being some of the key drivers in the short term in the next couple of years?

ASHLEY: Yeah, I think what was happening, Heather, in the energy market is that energy equities were really starting to look through any short-term risks. And I referenced that the IEA and other agencies were talking about an oversupply, temporary oversupply of two to three quarters.

But I think that energy equities were looking to the other side of that and saying demand is going to be resilient. US shale is no longer growing. OPEC supplies are peaking. And that would lead to a better oil market one or two years out. And that's what the equities were beginning to discount.

And certainly, with this unfortunate event that's unfolded, it's really put emphasis on that supply picture going forward. It's placed increased risk on Middle East supply at a time when US shale is no longer growing. And that leads to the question, are we in a supply short market? And it's increasingly beginning to look that way. And some of the—again, some of the US companies should really benefit from this situation.

HEATHER: All right, well, I appreciate your insights. And for investors interested in the energy sector, you've given them a lot of things to think about, Ashley. Before we go, we'd like to end with Jurrien and his take on things.

And today, Jurrien I think that we would like to talk about the Fed, of course, which I mentioned at the top of the show, and how much of an impact all of what we just talked about today, Jurrien, could have on inflation, which of course, the Fed's been trying to tamp down for years. How much of a wrench does this put in the Fed's plans and their ability to cut rates both now and looking ahead to May, which is right around the corner now, Jurrien, when we have a new Fed Chair coming in? What do you think?

JURRIEN: That's right. And so before this conflict began a few weeks ago, the market was pricing in two more rate cuts sometime later this year, second half of the year. So the Fed funds rate is at 3 and 5/8 now. It would go down to 3.

Those rate cuts have now disappeared from the expectations. They may happen next year, maybe, but for now, the market is saying the Fed is going to be on hold for a while. And that makes sense because those rate cuts were really kind of luxury rate cuts that would happen only if inflation would allow it to.

But the economy for the—the rest of the economy really is in decent shape. So the economy doesn't really need the rate cuts. But I think the administration wants rate cuts because it wants to fund all the debt that is out there.

So I think the Fed will be on hold for quite a while until it sees whether any repercussions from higher oil prices are temporary or transitory, to use a word from the COVID days, or whether they get entrenched. And I think the market assumes it's the former, that they are transitory. But the Fed needs to be prudent. And prudent means waiting until more information comes through.

HEATHER: Interesting way to describe it as luxury rate cuts, Jurrien. Thank you as always. We've got to leave it at that. But just a fantastic discussion today from both of our guests. And before we go, we always like to leave our audience with a resource. And with energy stocks performing so well right now, as Ashley was talking about, if you're interested in doing some more research on energy stock opportunities, you can go to Fidelity.com/PMInsights.

PM, of course, being for Portfolio Managers. And you can watch and read insights from other portfolio managers just like Ashley. I'm Heather Hegedus. We hope to see you back here next week. Remember, we are on Live Tuesdays at 2:00 Eastern. We're also on LinkedIn, YouTube, and wherever you get your podcasts. Take care, everybody.

Diversification and/or asset allocation do not ensure a profit or protect against loss.

Stock markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. Investing in stock involves risks, including the loss of principal.

Foreign markets can be more volatile than U.S. markets due to increased risks of adverse issuer, political, market, or economic developments, all of which are magnified in emerging markets. These risks are particularly significant for investments that focus on a single country or region.

Fixed income investments entail interest rate risk (as interest rates rise bond prices usually fall), the risk of issuer or counterparty default, issuer credit risk and inflation risk. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks all of which are magnified in emerging markets.

The energy industries can be significantly affected by fluctuations in energy prices and supply and demand of energy fuels, energy conservation, the success of exploration projects, and tax and other government regulations.

Fidelity does not provide legal or tax advice. The information herein is general and educational in nature and should not be considered legal or tax advice. Tax laws and regulations are complex and subject to change, which can materially impact investment results. Fidelity cannot guarantee that the information herein is accurate, complete, or timely. Fidelity makes no warranties with regard to such information or results obtained by its use and disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information. Consult an attorney or tax professional regarding your specific situation.

Information presented herein is for discussion and illustrative purposes only and is not a recommendation or an offer or solicitation to buy or sell any securities. Views expressed are as of the date indicated, based on the information available at that time, and may change based on market and other conditions.

Unless otherwise noted, the opinions provided are those of the speakers and not necessarily those of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information.

To the extent any investment information in this material is deemed to be a recommendation, it is not meant to be impartial investment advice or advice in a fiduciary capacity and is not intended to be used as a primary basis for you or your clients' investment decisions. Fidelity and its representatives may have a conflict of interest in the products or services mentioned in this material because they have a financial interest in them and receive compensation, directly or indirectly, in connection with the management, distribution, or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services.

This podcast is intended for U.S. persons only and is not a solicitation for any Fidelity product or service.

This podcast is provided for your personal noncommercial use and is the copyrighted work of FMR LLC. You may not reproduce this podcast, in whole or in part, in any form without the permission of FMR LLC..

Past performance is no guarantee of future results.

This information is intended to be educational and is not tailored to the investment needs of any specific investor.

Personal and workplace investment products are provided by Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

© 2026 FMR LLC. All rights reserved.

1252993.2.0