

Raghu: Resilient GCC markets offer opportunities amid short-term disruptions

KUWAIT CITY, April 8: While geopolitical tensions may trigger short-term market disruptions, resilient GCC economies and disciplined investment strategies continue to create selective opportunities for long-term investors. This is what **M.R. Raghu**, CEO of Marmore MENA Intelligence, the research arm of Kuwait Financial Centre "Markaz", said during one of a series of webinars launched by Markaz to shed light on key market developments, emerging risks, and evolving investment opportunities across the region.

The ongoing US-Israel conflict with Iran and the evolving geopolitical landscape in the Middle East have brought investment considerations firmly to the forefront. As global investors reassess how geopolitical developments influence capital markets, energy systems, and trade linkages, the focus is increasingly on understanding how risk is transmitted and where opportunities emerge. While such periods naturally introduce volatility, they also create an environment where strategic clarity and disciplined decision-making become more critical than ever.

The current conflict stands out due to its scale and interconnected impact, particularly across energy markets and global trade routes. Yet history remains instructive. From 9/11 to the Russia-Ukraine war and the ongoing Israel-Hamas conflict, geopolitical shocks have typically resulted in short-term drawdowns rather than lasting structural damage. Over the past two decades, global equity markets have continued to deliver stable returns, reinforcing the principle that markets reprice risk but rarely deviate from long-term growth trajectories.

Energy Markets

Energy markets remain central to the current environment, particularly given the strategic importance of the Strait of Hormuz, the world's most critical energy chokepoint. Approximately 38% of global crude oil, 29% of LPG, 19% of LNG and refined fuels and 13% of chemicals transit through this corridor.

At the peak of tensions, tanker traffic through the Strait declined by nearly 90%. This underscores how quickly geopolitical risk can disrupt physical trade flows. However, the disruption has been largely logistical and insurance-driven rather than indicative of a systemic supply collapse.

Oil prices have reflected this dynamic. Brent crude moved from the low USD 70s to nearly USD 120 per barrel at peak stress, highlighting that markets are pricing uncertainty rather than a structural shortage. Institutional forecasts reinforce this view. Estimates from major institutions, including Fitch Ratings, Bank of America, Standard Chartered, and Goldman Sachs, converge around a medium-term range of approximately USD 70-85 per barrel, even under disruption scenarios.

For investors, this suggests that energy volatility should be interpreted as a recalibration mechanism rather than a structural break, creating selective opportunities across upstream producers, integrated energy companies, and energy-linked credit instruments.

Resilient GCC economies

The Gulf Cooperation Council (GCC) continues to occupy a structurally strong position within the global investment landscape. However, the current environment also highlights



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important asymmetries across countries, particularly in exposure to Hormuz-related disruptions.

Saudi Arabia and the UAE maintain partial export flexibility through pipeline infrastructure, enabling them to bypass the Strait to some extent. In contrast, countries such as Kuwait and Qatar remain highly dependent on Hormuz transit, with limited alternative routes, particularly for LNG exports.

Despite these differences, higher oil prices provide a significant fiscal buffer. Even under scenarios where 15-20% of global oil supply is disrupted, elevated prices in the USD 100-120 range can offset revenue losses, supporting fiscal and current account balances across major exporters.

Crucially, periods of geopolitical stress have historically accelerated structural transforma-

tion across the GCC, including economic diversification, infrastructure development, and regional trade realignment. This reinforces long-term investment opportunities across logistics, infrastructure, financial services, and non-oil growth sectors.

Understanding Equity Market Trends

Equity markets have responded with dispersion rather than uniform decline. While global markets experienced initial drawdowns, these have remained within historical norms for geopolitical events.

Emerging markets have seen sharper corrections, with heightened volatility in Asia, particularly in economies heavily reliant on Middle Eastern energy imports such as China and India. In contrast, GCC markets have demonstrated relative resilience, supported by domestic liquidity, fiscal backstops, and earnings visibility.

Beyond financial hedges, real assets including infrastructure, logistics, and private market investments are positioned to benefit from longer-term structural shifts. Trade reconfiguration, supply chain diversification, and increased regional capital deployment are likely to drive sustained demand across these sectors.

Inflation Over Growth Risk

From a macroeconomic perspective, the current environment is more inflationary than recessionary. Global GDP growth is expected to moderate marginally, while inflationary pressures rise due to higher energy and transportation costs.

The impact is most pronounced in Asia, which remains the largest importer of Mid-

dle Eastern energy. Countries such as China, India, Japan, and South Korea face increased inflation, trade imbalances, and currency pressures. In contrast, energy-exporting economies benefit from improved pricing power and fiscal insulation.

Within the GCC, economic impact varies by country and sector. Qatar faces higher exposure due to LNG dependence, while the UAE is affected through trade, tourism, and logistics. Saudi Arabia remains relatively insulated due to export flexibility, and Oman may benefit from trade rerouting dynamics.

Markets Reward Discipline

Perhaps the most consistent lesson across geopolitical cycles is that such events test investor behaviour more than market fundamentals. Historical data shows that drawdowns tend to be limited, recovery timelines are relatively short, and long-term return trajectories remain intact.

Even amid increasing geopolitical complexity, markets continue to reward disciplined, long-term investment strategies grounded in diversification and risk management. For investors navigating today's environment, the imperative is clear: focus on fundamentals, differentiate across regions and asset classes, and avoid reactive decision-making.

At Markaz, we believe that informed investing is not about predicting geopolitical outcomes, but about building resilient portfolios that can withstand volatility while remaining aligned with long-term objectives. In doing so, investors can look beyond short-term disruption and position themselves for the next phase of market normalization, renewed growth and new opportunities.