FROM THE DESK OF:

New York Life Investment Management's Global Market Strategy team

# From blockade to breakthrough?

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# From blockade to breakthrough?

As of 1:30pm ET, 15 June 2026

- The U.S. and Iran announced an interim agreement that restores navigation through the Strait of Hormuz, while broader negotiations continue. Significant risks remain around the scope and durability of the agreement.
- The agreement has eased immediate concerns about a prolonged disruption to global oil supplies, although energy prices are likely to remain above pre-conflict levels for some time as inventories and strategic reserves are replenished.
- Markets responded positively, with oil prices declining and policy rate expectations repricing in a more dovish direction. A sustained normalization of traffic through the Strait would further reduce concerns about energy-driven inflation and lessen the need for additional central bank tightening. This dynamic is likely to support a bull steepening in many global curves.
- The agreement supports a tactical risk-on rotation across global markets that is likely to favor non-U.S. equities, credit, and currencies that were disproportionately impacted by the energy shock.

**U.S. and Iran reach an interim agreement**

The U.S. and Iran announced an interim peace agreement that, according to initial reports, will allow commercial vessels to transit the Strait of Hormuz free of charge for 60 days while the U.S. lifts its blockade of Iran. A memorandum of understanding is scheduled to be signed Friday, 19 June.

Details remain limited, but the memorandum of understanding appears designed to restore freedom of navigation through the Strait while negotiators work toward a more comprehensive agreement. A longer-term deal is expected to address Iran's nuclear program and provide further sanctions relief to Iran.

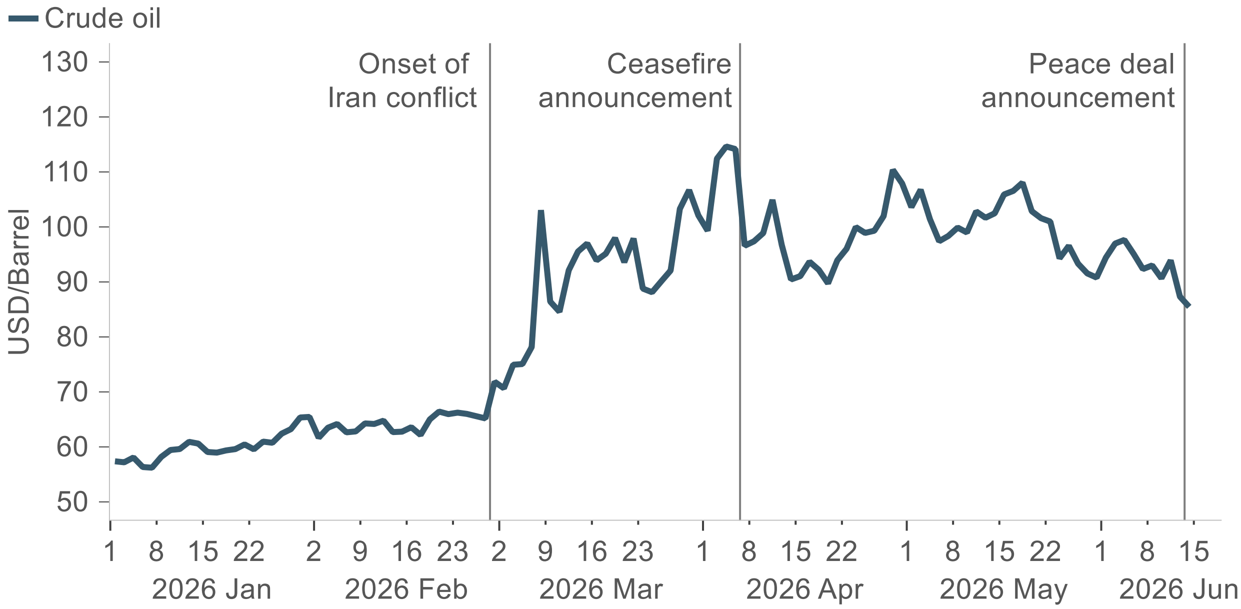
Several risks remain, including varied messaging on what is included in the agreement. Ongoing hostilities involving Israel and Hezbollah, as well as the need to clear mines and other navigational hazards from the Strait, could delay implementation. Ultimately, a return of shipping activity to pre-conflict levels will depend on how quickly commercial shippers regain confidence in the security of the route to resume normal operations.

**We expect several more months of elevated oil prices**

Markets reacted favorably to the announcement, with West Texas Intermediate crude prices falling approximately 5% on the day to approximately $80 per barrel. Crude oil prices are now more than 30% below the peak reached during the height of the conflict, although they remain roughly 30% above pre-conflict levels.

The key question for energy markets remains how quickly shipping activity and transit volumes through the Strait of Hormuz return to normal. The speed at which damaged energy infrastructure returns to operation will also influence how quickly energy markets can normalize.

**While oil prices have softened on a peace deal, we expect reserve refilling and supply chain normalization to keep prices elevated for several months**




Sources: New York Life Investment Management, Global Market Strategy, Macrobond, June 2026.

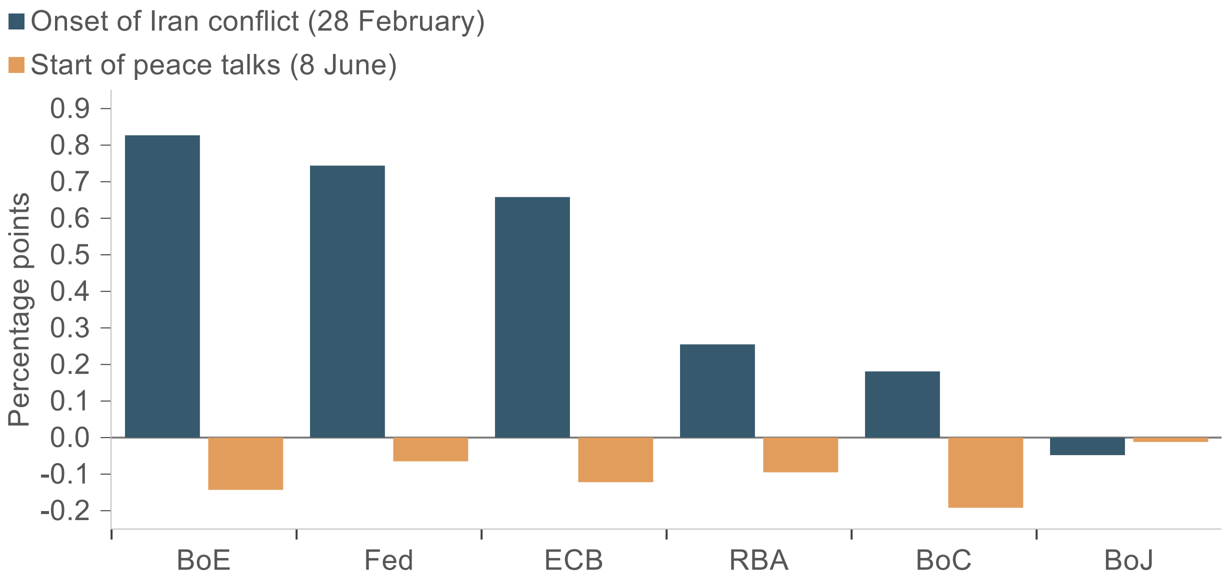
While crude oil futures curves have shifted lower, we expect prices to remain elevated over the coming several months as governments replenish their strategic petroleum reserves, inventories rebuild, and refinery supply chains normalize. For example, the U.S. Strategic Petroleum Reserve hit a 43-year low this week of 340 million barrels.

**Policy rate repricing softens as inflation risks ease**

Investors have reduced pricing of additional policy tightening across major developed market central banks. The easing of energy-related inflation risks has led markets to reassess the likelihood and timing of future rate hikes, reversing some of the hawkish repricing that occurred during the conflict.

**The possibility of peace has softened hawkish central bank outlooks**

Change in market pricing of policy rates for year-end 2026 since:




Sources: New York Life Investment Management, Global Market Strategy, Bloomberg, Macrobond, June 2026. BoE: Bank of England, ECB: European Central Bank, Fed: U.S. Federal Reserve, RBA: Reserve Bank of Australia, BoC: Bank of Canada, BoJ: Bank of Japan.

While markets continue to price roughly one additional ECB rate hike this year, expectations for Federal Reserve hiking have been pushed back, with a consensus hike delayed from December 2026 to March 2027. Our own expectations for the Fed are unchanged based on this news, and we have been consistently dovish relative to consensus since the conflict onset.

**Looking ahead: risk-on rotation and bull steepening**

The interim agreement between the U.S. and Iran reduces the risk of a prolonged energy supply disruption and lowers geopolitical risk premia across markets. While oil prices remain elevated, the decline from recent highs should support growth expectations and ease inflation concerns. *If this environment persists*, we would expect a risk-on rotation, particularly benefiting ex-U.S. equities, credit, and currencies that are more sensitive to energy costs and global trade flows. However, we believe this rotation is likely to be tactical: even with a resolution to the conflict softening macro risks to oil-importing economies, the U.S. delivers a stronger economic outlook, stronger corporate earnings growth, and greater policy flexibility. Accordingly, we expect the U.S. to lead global returns over the coming 2-3 quarters.

As we wrote in early May, we expected yield curves to steepen – a view that has come to fruition and we expect to continue over the coming months. With oil prices moving lower and inflation risks moderating, front-end yields should decline as markets push back expectations for future tightening, while long-end yields remain supported by improving growth sentiment and ongoing fiscal issuance. The result is likely to be a *bull steepening* of global yield curves.