



Oil Shock Equals Market Turbulence

April 17, 2026

The war in Iran has led to an alarming spike in oil prices, from \$65 a barrel before the U.S./Israel attacks to roughly \$115 as you read this. It's not an exaggeration to call this an 'oil shock,' and some of the shock is felt when people refuel their cars at \$4 to (in parts of California) \$6 a gallon.

Of course there are other add-on impacts. Higher oil and gas prices raise the cost of transporting goods and services to market, and any manufacturing that requires energy (virtually all of it) experiences higher costs and either lower profit margins or lower sales as they pass on the additional costs to consumers. The CEO of United Airlines recently announced that air fares will rise 20% if the war isn't resolved quickly.

So, it's natural to ask how any of this will affect the American and foreign stock markets.

There are no definitive answers, of course. In the short term, the S&P 500 has recently experienced two consecutive trading days with 1.5% losses, which means that quick-twitch traders went into a bit of a panic.

In the long term, the economic effect may be temporary, assuming that oil prices return to prior levels. However, longer-duration energy cost increases tended to be associated with higher inflation, lower profits, decreased consumer spending and economic downturns. Shorter spikes can be taken in stride; longer periods of oil price rises can trigger a recession.

The recessionary scenario happened following the Arab oil embargo in the 1970s led to (ultimately) a 1,000% rise in the price of oil that became a permanent fixture of business life. The American investment markets declined in 1973 and 1974 and failed to recover those losses until 1982. But when oil prices temporarily rose more than 60% during the first Gulf War in the early 1990s, the stock market indices reported gains—perhaps because there was no recession.

Overall, looking back over the past 40 years, the S&P 500 has tended to perform better in years when oil prices rose than when oil prices were declining. That may be because a robust economy means more oil consumption, which means rising oil prices—and markets, of course, tend to go up in robust economies. When the economy is less robust, there is less demand for oil and prices go down—and that’s associated with less-robust stock market movements.

The truth is that oil price movements, in the short term, are poor predictors of stock market performance, and the recent spikes are no reason for panic. So far, there is no sign that the current disruption in oil supplies will permanently reset the price of oil—but it might lead to a bumpy month or two as investors gradually figure this out on their own.

Sources:

<https://quantstreet.substack.com/p/a-brief-history-of-energy-crises>

<https://thepeopleeconomist.substack.com/p/at-what-price-will-oil-break-the>

<https://awealthofcommonsense.com/2026/03/how-do-higher-oil-prices-impact-stock-market-returns/>

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

Please feel free to forward this article and offer to anyone you know who might have financial questions or need some unbiased advice. Most financial advice is sales advice. In stark contrast, we are fee-only (non-commissioned) fiduciary advisors. We just provide truthful, unbiased advice to our clients.



Jeffrey Broadhurst
MBA, CFA, CFP
Broadhurst Financial Advisors, Inc.



****PRIVACY NOTICE****

This message is intended only for the individual or entity to which it is addressed and may contain information that is privileged, confidential, or exempt from disclosure under applicable federal or state law. You are hereby notified that any dissemination, distribution, or copying of this communication, except in accordance with its intended purpose, is strictly prohibited.

Our physical and mail address:

1911 West Point Pike
P.O. Box 301
West Point, PA 19486-0301

Contact us:

Phone: (215) 325-1595
Email: jeff@broadhurstfinancial.com