
Carlsquare/Vontobel weekly trading note: Higher wheat prices given a long war in Iran

This week's case illustrates the consequences of long-term higher energy prices and a closed Strait of Hormuz, including rising cereal prices, such as wheat. Within three months, a shortage of fertilizer could increase production costs for farmers worldwide. Supply-side cost pressures will likely increase prices and improve the outlook for wheat futures.

Since the US-Israeli war with Iran began on February 27, the price of Brent crude oil has increased from around \$73 per barrel to around \$100 per barrel. If the war continues, there will be other long-term consequences. One such consequence is the increased price of cereals, such as wheat. Since transportation and food production depend heavily on fuel, higher oil prices lead directly to higher production costs for agriculture and more expensive transportation. Furthermore, between one-third and one-half of all global fertilizer shipments pass through the Strait of Hormuz. Fertilizer is one of the most important goods for agriculture, and it is currently almost impossible for cargo ships to navigate the strait. We believe this will affect food production in most countries within three months.

On Friday, March 13, CNN's "Fear & Greed Index" fell below 25, marking the first time the index has been in "Extreme Fear" since November 2025. This has occurred 22 times in the past five years, and in 19 of those instances (86%), the S&P 500 was higher one month after an "extreme fear" situation was first noted.

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