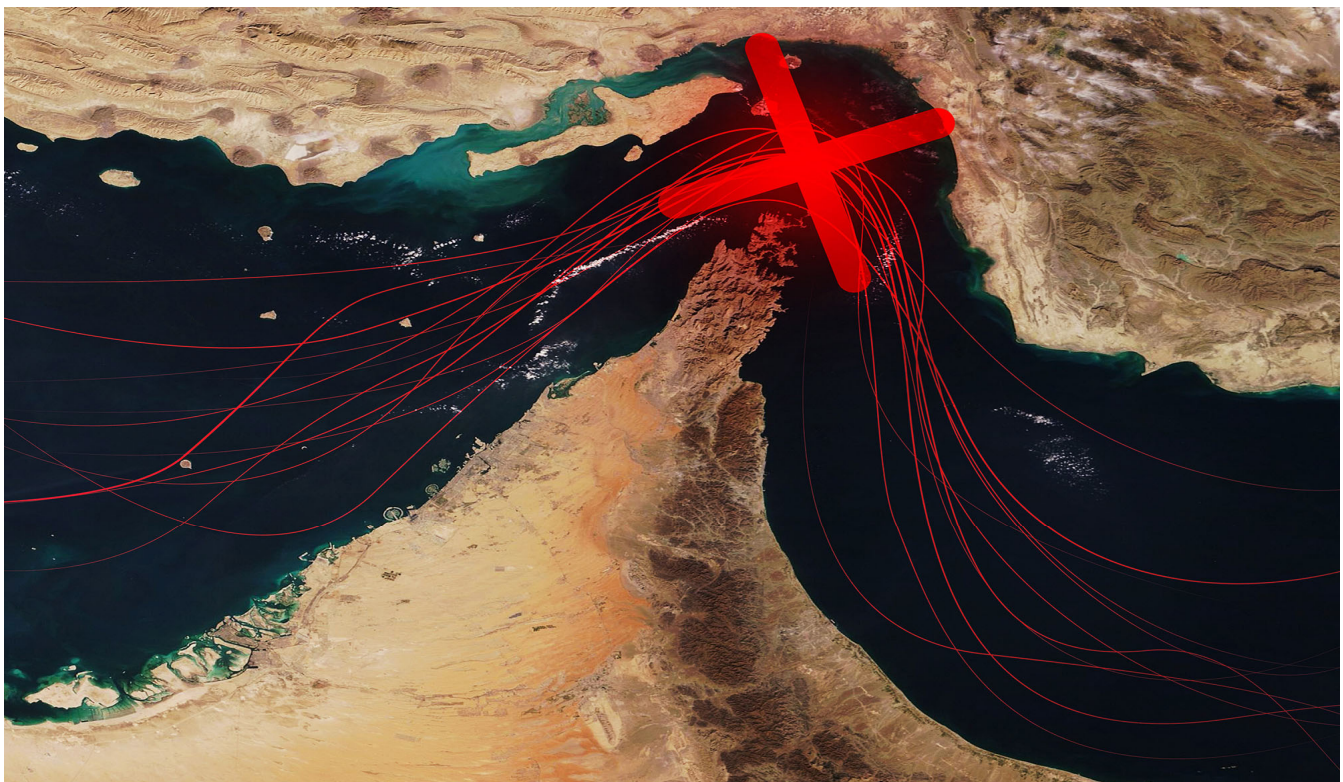




**Our View on:**  
June 2026

## **Not a Y2K (or “Y2K bug,” the computer issue associated with the transition to the new millennium): The Strait of Hormuz, Rising Rates, and the New Market Reality**


At first glance, the closure of the Strait of Hormuz may resemble past highly publicized events with limited real impact, such as Y2K: widely feared, yet ultimately benign. However, this comparison is fundamentally flawed. Whereas Y2K was a predictable, fixable, and time-bound technical issue, a disruption in Hormuz represents a persistent physical supply shock with evolving macroeconomic consequences. The difference lies not only in the nature of the risk, but also in how it transmits to markets.



### **Why This Is Not a Y2K**

Y2K was a deterministic event. It had a clear deadline, a well-defined technical cause, and a solution that could be implemented in advance. Governments and corporations prepared for years, and when the millennium change occurred, the feared systemic collapse did not materialize. The economic impact was minimal.





The Strait of Hormuz is of an entirely different nature. It is one of the most critical chokepoints in global energy markets, through which a significant share of global oil and gas flows. A disruption cannot be “fixed” quickly: it must be absorbed through inventories, rerouted logistically, or offset by demand destruction. As a result, the shock does not disappear it persists and evolves.

The initial relative calm observed in markets reflects the presence of buffering mechanisms:

- available inventories
- partial logistical alternatives
- and delays in the transmission of higher costs

However, these factors only delay the impact.

## **The Key Transmission Channel: Inflation**

For now, the primary transmission channel is inflation. Energy is a fundamental input to the global economy. When oil and gas prices increase, transportation costs, industrial production costs, and ultimately consumer prices follow. These increases gradually spread across the economy.

This dynamic is crucial because it directly influences central bank decisions. Faced with energy-driven inflation, monetary authorities may need to maintain or raise interest rates to prevent second-round effects such as wage increases and entrenched inflation expectations.

## **From Rate Cuts Expectations... to a “Higher for Longer” Regime**

This shift is already observable in 2026. At the start of the year, the consensus anticipated continued monetary easing following the post-pandemic tightening cycle. However, the resurgence of energy-driven inflation has led to a significant reassessment of rate trajectories.

Instead of accelerating rate cuts:

- central banks are adopting a more cautious stance
- rates are remaining elevated
- and markets are increasingly pricing in a **“higher for longer”** scenario

This reflects growing uncertainty regarding the persistence of the inflation shock.

The key point is the following: unlike Y2K, which disappeared instantly, the Hormuz disruption creates a gradual but powerful macroeconomic feedback loop.



## Market Implications

The outcome is not necessarily a generalized market downturn, but rather a divergence between winners and losers:

- Energy, commodities, and infrastructure sectors benefit from increased pricing power
- Energy-intensive sectors face margin pressure
- Economies dependent on energy imports are disadvantaged

## Conclusion

The disruption of the Strait of Hormuz is not a Y2K. It is not a one-off shock that disappears once the event has passed. It represents a persistent constraint on global energy flows, gradually transmitted to the economy through inflation and monetary policy.

The apparent lack of immediate impact is misleading. The shock is not absent-it is diffusing through the system, and its first major expression is already visible in interest rates.

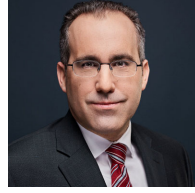
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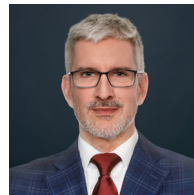
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