

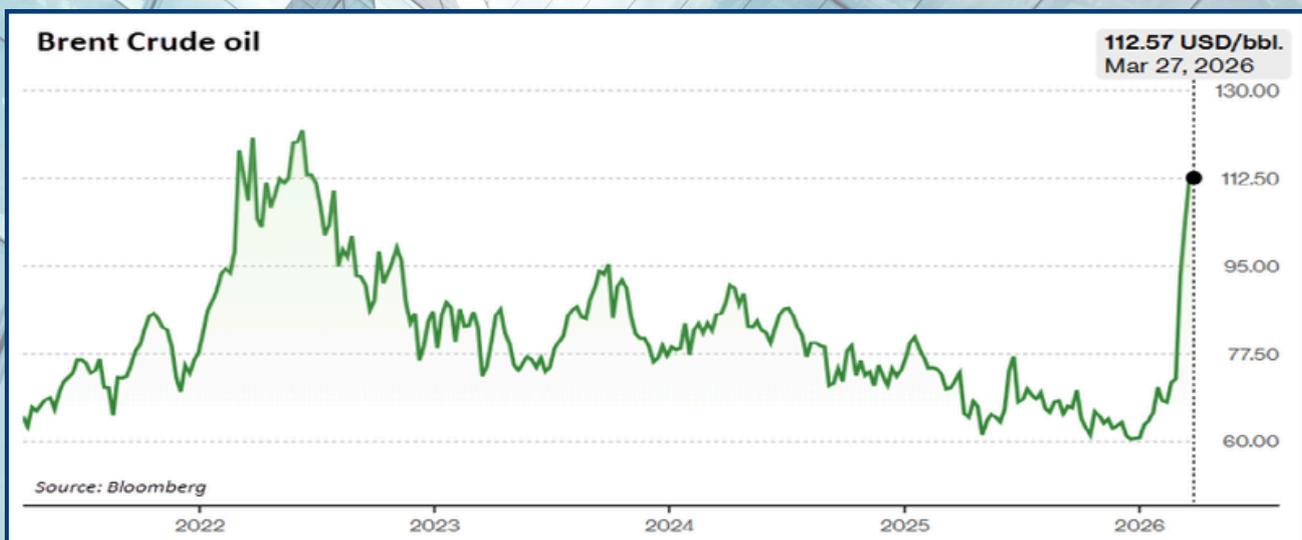
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# PHILEQUITY CORNER

By Wilson Sy

## Iran vs. USA

Brent crude closed last Friday at \$112.57 per barrel - its highest weekly close since 2022 and up 86 percent year-to-date. The Strait of Hormuz, through which 20 percent of the world's oil flows, has now been effectively shut for four weeks. Despite an extended ultimatum from President Trump, Iran shows no sign of yielding.



## Hormuz remains shut

When the war began on February 28, the IRGC declared the Strait of Hormuz closed and warned that any vessel attempting to pass would be attacked. Within days, strait traffic collapsed by 97 percent. Iran then began selectively allowing ships from friendly nations – China, Russia, India, Iraq, and Pakistan – to transit, with some vessels reportedly paying fees in yuan. But the IRGC has since tightened the blockade, closing the strait to any vessel going "to and from" ports of the US, Israel, and their allies.

## Not even China gets through

But even that fragile arrangement is now in doubt. On March 27, two Chinese container ships operated by Cosco Shipping attempted to exit the Gulf through Hormuz. Despite broadcasting Chinese ownership via their transponders, both were turned back near Iran's Larak Island. If even Chinese ships cannot pass, no one can count on safe passage.

## From disruption to depletion

Saudi Arabia and the UAE have activated bypass pipelines, rerouting crude to the Red Sea and Fujairah. But combined pipeline capacity maxes out at roughly 9 million barrels per day - less than half the 20 million that normally transit Hormuz. And the pipelines carry only crude, not refined fuels, LNG, LPG, or fertilizer feedstocks. The IEA's March report called this the largest supply disruption in the history of the global oil market. Gulf producers have cut total production by at least 10 million barrels per day as onshore storage fills up.

## Diplomacy stalls

President Trump has twice extended his ultimatum for Iran to reopen the strait, pushing the deadline to April 6. He claims talks are "going very well." Tehran disagrees. Foreign Minister Araghchi said there have been "no negotiations with the enemy."

Over the past week alone, Trump said he didn't want a ceasefire, then said he did. He gave Iran 48 hours to reopen Hormuz, then extended the deadline to five days, then ten. He said he had won the war. Iran denied it all. Markets are confused and have stopped reacting.

## Markets slide

Markets briefly rallied on Monday when Trump first announced talks, but by Friday, with the Cosco ships turned back, Brent surged past \$114. The Nasdaq tumbled 2.2 percent, and the Dow slumped 1.7 percent, both entering correction territory - defined as a decline of 10 percent or more from a recent peak. The S&P 500 posted its fifth consecutive weekly decline and is teetering on the brink. The PSEi closed at 5,973, down more than 9 percent from its pre-war level. The peso hit a new record low of P60.55.

## The real battlefield

For all the military dominance, the market is telling a different story. Four weeks of US and Israeli strikes have not broken Iran's resolve. Falling equities and rising oil have become the barometer by which both sides measure who is winning. Trump watches the Dow and the price at the pump. So does Iran. Every red day on Wall Street validates Tehran's strategy of keeping the strait shut. The US may have won the military war. The economic war rages on.

## Relief measures at home

Fuel prices have roughly doubled since the war began. On March 25, President Marcos signed Republic Act 12316, granting him emergency powers to suspend fuel excise taxes when Dubai crude exceeds \$80 per barrel. He also suspended a planned 19 percent transport fare hike, ordered free rides on public transport, and launched P5,000 ayuda for over 245,000 transport workers.

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## Scrambling for new supply

The Philippines received its first Russian oil shipment in five years - roughly 700,000 barrels of ESPO blend crude delivered to Petron's Bataan refinery under a US sanctions waiver. As of March 24, the country's fuel inventory had dropped to 45 days on average, with diesel at 45 days, LPG at just 23 days, and jet fuel at 38, according to Energy Secretary Garin. The BSP held rates at 4.25 percent last week but raised its 2026 inflation forecast to 5.1 percent - well above the 2 to 4 percent target.

## Oil will set the direction

Where this war goes, oil goes. And every asset class in the world will follow.

A swift resolution, whether a ceasefire or a partial reopening of Hormuz, would bring down oil prices sharply and trigger a relief rally across equities, currencies, and bonds. A protracted standoff, however, would mean higher inflation, tighter monetary policy, slower economic growth, weaker stock markets, and ironically a stronger US dollar.