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The economy is not driven by the price of crude oil per se, but by the availability and price of end products such as petrol and diesel. The gasoil-Brent crack spread – the margin between crude oil and refined products – has surged to \$69 per barrel this week, an all-time high. This signals an unprecedented disruption in the refining and distribution chain. The consequences extend far beyond the energy sector: inflation, supply chain shocks and a stagflationary dynamic that puts traditional investment strategies under pressure.

Energy as a transmission mechanism: from barrel to basket

The transmission chain is clear: no crude oil means no refining, no refining means less fuel, less fuel leads to higher prices, and higher prices translate into inflation and lower consumption. The impact sits in the last link of the chain, where consumers and businesses are directly affected. But the consequences extend beyond fuels. Oil derivatives are essential for agriculture through fertilisers, for the semiconductor industry through chemical components and for broader industry through plastics, coatings and synthetic materials. The current disruptions therefore have a multiplier effect across the entire supply chain.

The crack spread of \$69 per barrel is telling: it means that refining capacity is under severe pressure while demand for refined products remains unabated. In historical perspective, the spread rarely exceeded \$15 before the Ukraine crisis. Current levels are more than four times the long-term average.

Historical comparison: a disruption of unprecedented scale

The current disruption exceeds all previous energy crises in scale. During the 1973/1979 oil embargo, the production loss amounted to approximately 5 million barrels per day. The current situation, with the closure of the Strait of Hormuz, affects approximately 11 million barrels per day – more than double. In terms of liquefied natural gas, the picture is even more alarming: the current LNG shortfall of approximately 140 billion cubic metres far exceeds the 75 billion cubic metre shortfall during the Ukraine crisis.

These differences in scale are not abstract figures. They translate directly into higher energy prices, longer periods of scarcity and deeper economic consequences. The combination of oil and gas shortages creates a dual supply shock that simultaneously affects energy provision and industrial production.

Macroeconomic implications: stagflation looms

The consequences manifest through two dominant channels. On one hand, inflation: higher energy prices feed through to all sectors via cost-push dynamics that are persistent and difficult to combat with monetary policy. On the other hand, the shock weighs on economic growth through lower consumption, higher input costs and increasing margin pressure on businesses. Together, these two forces create a stagflationary dynamic – historically one of the most challenging environments for financial markets.

Historically, every structural equity market correction has been accompanied by a recession. There is little reason to assume this pattern will not hold this time. Additional risk factors reinforce the picture: AI-related valuations show signs of excessive expectations, and in the private debt segment, liquidity and refinancing risks are mounting. The market appears to be pricing in a rapid normalisation and V-shaped recovery, but this assumption is unrealistic given the structural nature of the supply shock.'

Strategic positioning: what works and what does not

In this climate, selectivity is essential. Long-duration bonds, which are sensitive to inflation and declining prices when rates rise, should be avoided, as should passive broad ETF strategies that offer insufficient differentiation and exposure to overvalued segments. What does work is selective sector allocation with a focus on energy, commodities and companies with pricing power. Active equity selection targeting companies with strong balance sheets, low debt and structural demand provides protection. Real assets such as property and infrastructure offer a natural hedge against inflation. The key is active allocation, selectivity and a focus on strategic assets.



Conclusion

The current economic environment is characterised by unprecedented disruptions to energy supply, broad supply chain impact, elevated inflationary pressure and declining growth. The crack spread at record levels confirms that the shock is not limited to crude oil, but affects the entire

refining and distribution chain. This creates a complex and fragile macro environment in which traditional investment strategies fall short. Successful positioning requires active allocation, selectivity and a focus on real and strategic assets.

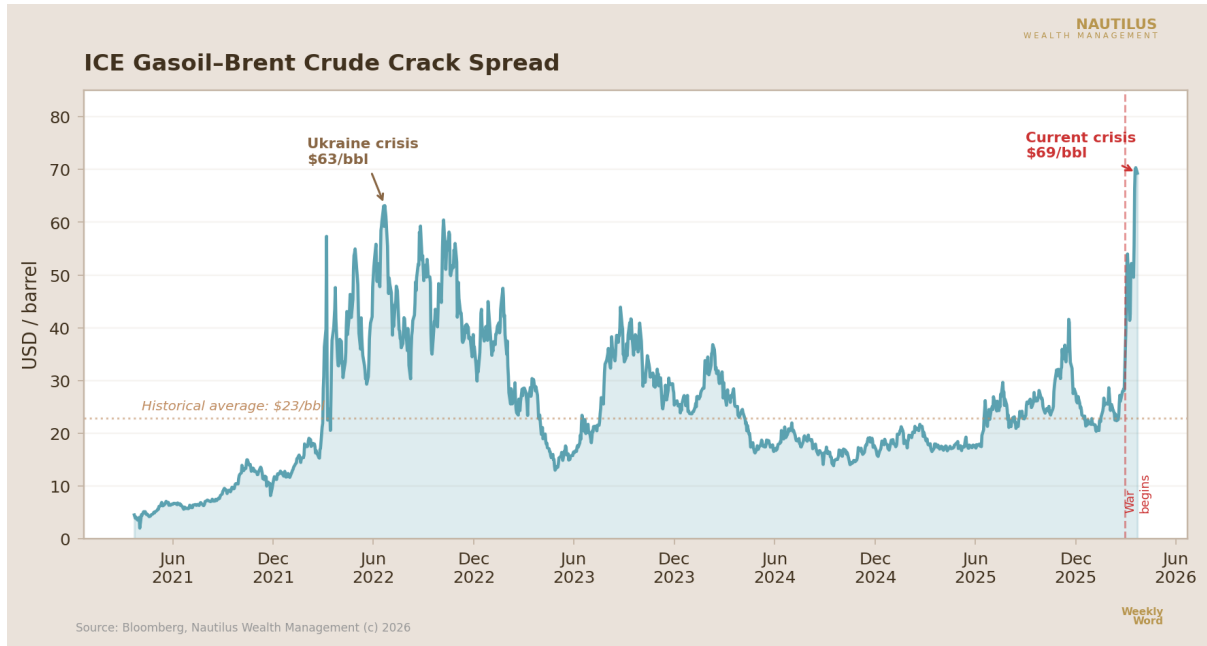


Chart 1: The gasoil-Brent crack spread measures the margin between crude oil and refined products. The explosive rise to \$69/bbl signals a severe refining and distribution shortage. The current level is more than four times the historical average and exceeds the peak during the Ukraine crisis.

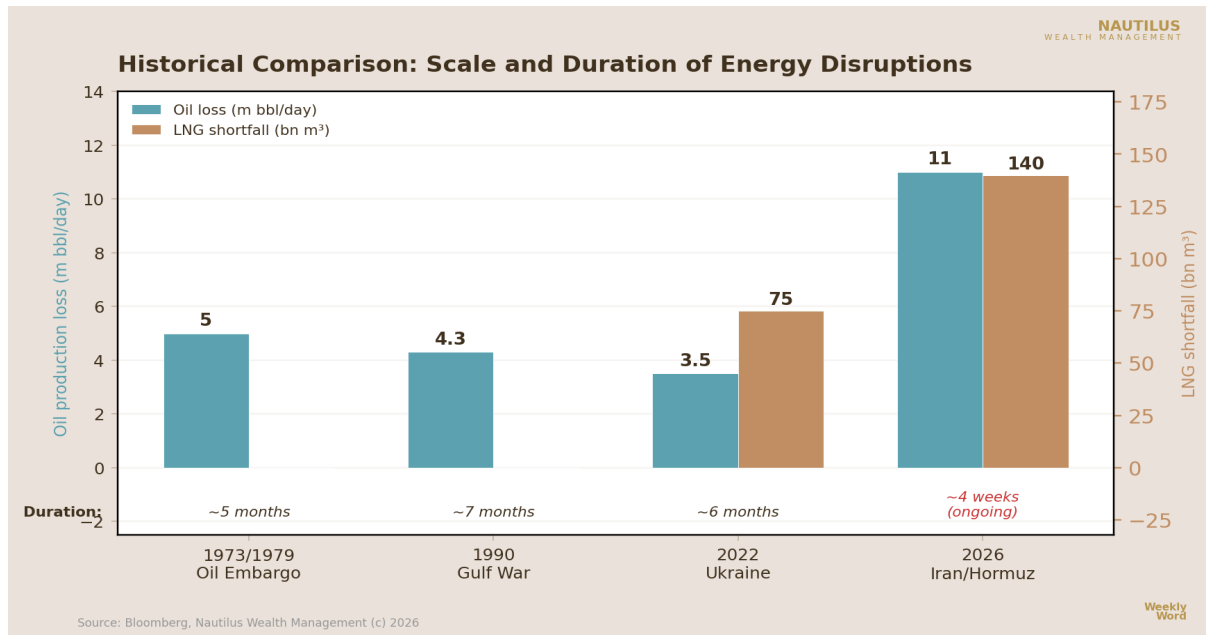


Chart 2: The scale of the current energy disruption is historically unprecedented. The oil production loss of 11 million barrels per day is more than double that of the 1973/1979 oil embargo. The LNG shortfall nearly doubles that of the Ukraine crisis.

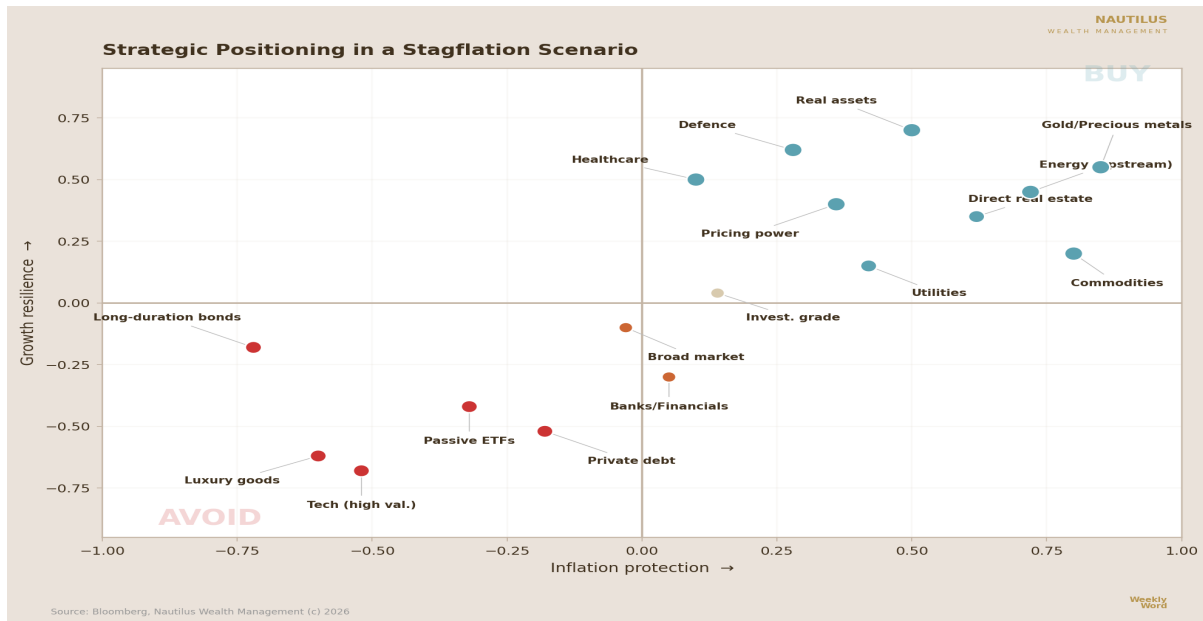


Chart 3: In a stagflation scenario, energy, commodities and real assets perform best, while long-duration bonds, passive ETF strategies and highly valued technology stocks are most vulnerable. Active selection and inflation protection are the keys.

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