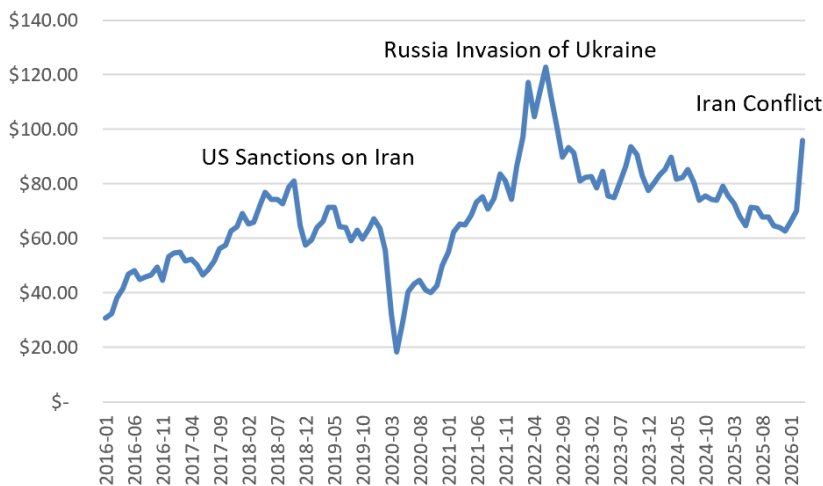




Investor Note: Iran War, Oil, Private Credit & 401K Plans

Several developments are unfolding simultaneously that could reshape the economic and financial landscape in the months ahead. Rising geopolitical tensions in the Middle East, growing fragility within private credit markets, and a significant policy shift involving U.S. retirement assets together suggest that macroeconomic risks and structural changes in capital markets may be building beneath the surface.

Chart 1: Brent Crude Oil – Monthly Average Price (2016–2025)



Source: U.S. Energy Information Administration

The conflict involving Iran has introduced a renewed risk premium in oil markets due to the country’s proximity to the Strait of Hormuz—one of the most important oil transit corridors in the world. Any disruption, or even the threat of disruption, can quickly push prices higher. Historically, sustained increases in oil prices act as a tax on the global economy by raising transportation and production costs while reducing consumer purchasing power. At a time when global growth is already moderating, a sustained energy shock could further pressure corporate margins and household spending.

At the same time, stress is beginning to surface within the private credit market. Over the past decade, private lenders expanded rapidly as traditional banks reduced their exposure to leveraged corporate lending following the Global Financial Crisis. Private credit funds stepped in to finance leveraged buyouts and middle-market companies, often through floating-rate loans. As interest rates have risen, borrowing costs for many companies have increased sharply. With large volumes of debt approaching refinancing windows in the coming years, weaker borrowers may face growing difficulty rolling over obligations. Because private credit markets lack the



transparency and liquidity of public markets, deterioration in credit quality may remain hidden until defaults begin to emerge.

Chart 2: Private Credit Expansion vs Global High Yield Market (2007–2026)



Source: Prequin Global Private Debt Report; ICE BofA Global High Yield Index

Since the Global Financial Crisis, private credit funds have increasingly filled the financing gap left by banks and public high-yield markets, growing to a scale that now rivals the global high-yield bond market.

Against this backdrop, policymakers are also exploring changes that could channel a significant new source of capital into private markets. In August 2025, the White House issued an executive order directing the Department of Labor, Treasury, and the SEC to review regulatory barriers that limit alternative investments within defined-contribution retirement plans. Congress is also considering legislation that would facilitate the inclusion of private equity and private credit investments in 401(k) plans.

The scale of this potential shift is substantial. The U.S. 401(k) system alone holds roughly \$10 trillion in assets. Even modest allocations from these retirement pools into private markets could represent hundreds of billions of dollars in new capital flows.

Taken together, rising energy costs, tightening credit conditions, and evolving retirement policy highlight a potentially fragile moment in the economic cycle. If these pressures intensify simultaneously, the result could be a meaningful slowdown in economic activity—or, in a more severe scenario, an increased probability of a recession.