

THE WEEK AHEAD, 20 MARCH 2026

Why the Strait of Hormuz matters for Asia

The closure of the Strait of Hormuz has become one of the most important external risks facing Asia. Although the immediate impact has been rising oil and liquefied natural gas (LNG) prices, the real challenge lies in how long the disruption persists.

A prolonged outage would hit Asia through three main channels: (1) supply risks; (2) terms-of-trade deterioration; and (3) inflation pressures.

1. Supply disruption: the biggest near-term risk. Asia relies heavily on the Middle East for both crude oil and LNG. The Philippines and India are particularly exposed due to high import dependency and limited inventories. Singapore, Thailand and Taiwan face the highest electricity-generation risk due to high reliance on LNG for power production – although sources of supplies are diversified, a prolonged outage at Hormuz would still tighten the system.



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2. Terms of trade: widening deficits weaken external balances. Most exposed are Thailand, South Korea, India and Taiwan, which each run sizeable crude oil and LNG trade deficits (between 3% and 5.5% of GDP). India is particularly exposed given its current account deficit of around 1% of GDP, while Thailand is vulnerable because its outsized crude oil and LNG trade deficit (-5.5% of GDP) sits alongside a relatively modest current account surplus of 2–3% of GDP. Meanwhile, potential beneficiaries include Malaysia and Australia, which run net LNG surpluses large enough to offset crude-oil deficits.

3. Inflation risk: rising cost pressures, uneven transmission. Inflation sensitivity varies significantly across Asia. The Philippines and Thailand are among the most sensitive to rising oil prices, where a 10% rise in crude oil prices could lift consumer price indexes (CPI) by 0.8 percentage points and 0.5 percentage points, respectively. Indonesia and Malaysia are more insulated despite high energy weights in their CPI baskets, as subsidies and administered prices slow the pass-through from global to domestic markets.

PUBLICATIONS

→ **Hormuz blockage**

How a prolonged Hormuz blockage shapes the outlook.

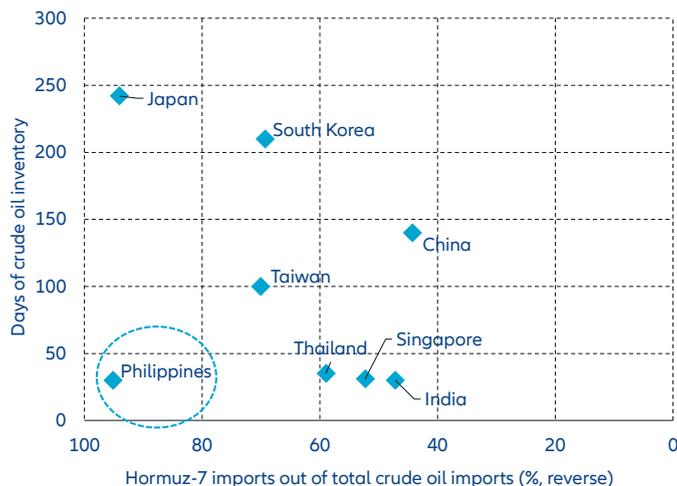
→ **Behavioural Finance: Outsmart yourself!**

Rising gold and oil prices, fears of inflation and recession – geopolitics are at the top of the agenda. Particularly in times of heightened uncertainty, there is an increased risk that our actions will be determined by behavioural patterns that are anything but rational. This is why the findings of behavioural finance are more important than ever. But even more important than self-knowledge is the ability to outsmart oneself.

→ **Why the Hormuz disruption matters for Asia's economies**

The closure of the Strait of Hormuz is emerging as a major external test for Asia, with the consequences defined not by the initial shock but by how long it lasts.

Asia's crude oil supply disruption vulnerability



Sources: Macrobond, Customs data, UN Comtrade, International Energy Agency, Ministry of Energy, EPPO Thailand, ESDM, PPAC, Statistical Review of World Energy, CLSA, Morgan Stanley, AllianzGI Global Economics & Strategy, as of March 2026.

Across all three channels, Asia's exposure varies widely – and so do the potential implications for growth, currencies and policy decisions. For now, we remain constructive but cautious on Asian equities until the Strait of Hormuz reopens. We also stay constructive on Asian currencies and fixed income under a structurally bearish US dollar view.

With growth slowing, inflation firming and currencies under pressure, Asian central banks face a difficult trade-off. As a result, we expect only the central banks of China, the Philippines and Indonesia to cut rates this year, while the other central banks are likely to stay on hold or raise rates.

In our view, Asia can absorb temporary volatility in oil and gas markets. What matters – for supply chains, for inflation, for currencies and for monetary policy – is how long the Strait of Hormuz remains disrupted. A short-lived shock is manageable; a prolonged one becomes a macro event.

The week ahead

Next week will mainly feature the **U.S.'s** economic sentiment indicators and labor market data, along with **Europe's** economic sentiment indicators and **Japan's** consumer price index (CPI) inflation data.

In the **U.S.**, we will have the release of March Manufacturing and Services Purchasing Manager Indices (PMIs) on Tuesday and the University of Michigan Sentiment Index on Friday. On labor market data, Tuesday will have the revised fourth-quarter 2025 Unit Labor Costs and Productivity figures released. We will also see the latest initial jobless claims and continued jobless claims released on Thursday.

In the **euro area**, economic sentiment indices such as the March consumer confidence index will be released on Monday. March Manufacturing and Services PMIs will be released on Tuesday.

In **Japan**, February national consumer price index (CPI) inflation will be released on Tuesday. Market will gauge how price pressures in the economy developed through the data. We will also see the revised January leading indicator released on Wednesday.

Wish you all great returns amid this turbulent market environment.

Yours,
Christiaan Tuntono

UPCOMING POLITICAL EVENTS 2026

22 March	DE	State elections in Rhineland-Palatinate
22 March	CHN	Opening session of the Chinese People's Congress
24 March	DK	Parliamentary elections in Denmark
26 March	EZB	General meeting

Calendar Week 13

Monday			Consensus	Previous
EC	Consumer Confid. Flash	Mar	--	-12.2
Tuesday				
JN	CPI, Overall Nationwide	Feb	--	1.5%
GE	HCOB Mfg Flash PMI	Mar	--	50.9
GE	HCOB Services Flash PMI	Mar	--	53.5
GE	HCOB Composite Flash PMI	Mar	--	53.2
EC	HCOB Mfg Flash PMI	Mar	--	50.8
EC	HCOB Services Flash PMI	Mar	--	51.9
EC	HCOB Composite Flash PMI	Mar	--	51.9
UK	Flash Composite PMI	Mar	--	53.7
UK	Flash Manufacturing PMI	Mar	--	51.7
UK	Flash Services PMI	Mar	--	53.9
UK	CBI Distributive Trades	Mar	--	-43
US	Unit Labor Costs Revised	Q4	--	2.8%
US	Productivity Revised	Q4	--	2.8%
US	S&P Global Mfg PMI Flash	Mar	--	51.6
US	S&P Global Svcs PMI Flash	Mar	--	51.7
Wednesday				
JN	Leading Indicator Revised	Jan	--	2.1
UK	Core CPI YY	Feb	--	3.1%
UK	CPI YY	Feb	--	3.0%
UK	RPI YY	Feb	--	3.8%
UK	RPIX YY	Feb	--	3.7%
UK	PPI Input Prices YY NSA	Feb	--	-0.2%
UK	PPI Output Prices YY NSA	Feb	--	2.5%
UK	PPI Core Output YY NSA	Feb	--	2.9%
GE	Ifo Business Climate New	Mar	--	88.6
GE	Ifo Curr Conditions New	Mar	--	86.7
GE	Ifo Expectations New	Mar	--	90.5
US	Current Account	Q4	--	-226.4B
US	Import Prices YY	Feb	--	-0.1%
Thursday				
GE	GfK Consumer Sentiment	Apr	--	-24.7
EC	Money-M3 Annual Grwth	Feb	--	3.3%
US	Initial Jobless Clm	16 Mar, w/e	--	--
US	Cont Jobless Clm	9 Mar, w/e	--	--
Friday				
UK	Retail Sales YY	Feb	--	4.5%
UK	Retail Sales Ex-Fuel YY	Feb	--	5.5%
US	U Mich Sentiment Final	Mar	--	55.5
UK	Nationwide house price yy	Mar	--	1.0%

The calendar data for the current week comes directly from LSEG Datastream. They are published in the week in which "The Week Ahead" appears. These are economic data that come from official sources. Where available, the previous figure is collected together with the consensus estimate. The consensus estimate is collected by LSEG Datastream through a survey of analysts and economists. It is the average of all estimates submitted.

If not mentioned otherwise data and information sources are from LSEG Datastream.

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