

# Geopolitical Risk Puts Oil Back in Focus

## INTRODUCTION

When geopolitics hits commodity markets, oil is often the first asset to react. Over the past two months, renewed tensions in the Middle East have pushed WTI and Brent into a new regime of higher prices, sharper volatility, and stronger sensitivity to headlines. At the same time, other commodities and asset classes have followed very different paths, with demand for copper increasing, natural gas remaining more erratic, and both Bitcoin (BTC) and equities diverging from oil’s performance.

- Oil prices are up more than 75% since January 1st.
- WTI volatility exceeded 100% in April and remains around 85%.
- Correlations with WTI turned negative, reaching around -0.5 for BTC and -0.7 for the SPX.

## COMMODITY MARKETS UNDER PRESSURE

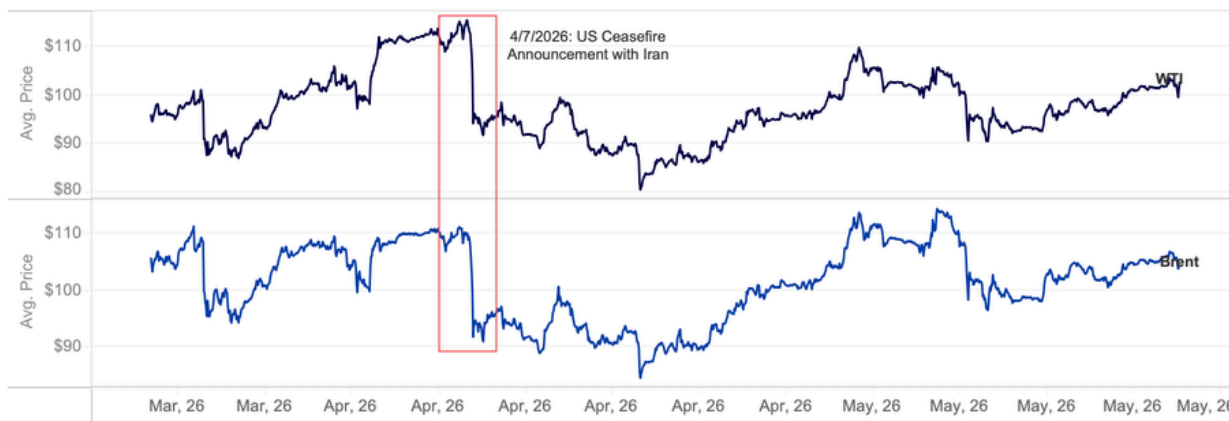
The evolution of commodity prices is and always has been an excellent barometer for understanding the major challenges of the time. Over the past two months, oil prices have traded in a particularly volatile environment, highly sensitive to geopolitical developments in the Middle East. While WTI and Brent prices were around \$60 a barrel at the beginning of the year, they are now trading above \$100, illustrating a regime shift in the market. Both WTI and Brent have experienced marked movements, with a particularly wide price range, fluctuating between approximately \$80 and \$115.

These movements reflect the highly news-driven nature of the oil market. Prices react strongly to announcements related to the conflict, supply risks, and the prospects for de-escalation. A striking example occurred on April 7, when Donald Trump announced a temporary two-week ceasefire. This announcement immediately reduced the geopolitical risk premium built into prices, causing a sharp market correction, with WTI falling by around 18% in just a few hours.



### Oil Market Fluctuated Sharply Over the Last 2 Months

In 2026, Hourly



Source: Kaiko Reference Rates



Natural gas has shown more erratic behavior, with no clear trend emerging over the past two months. After a period of decline, prices rebounded in early May, reflecting a market still sensitive to supply and demand adjustments, but less directly driven by geopolitical risk than oil.

Meanwhile, copper has seen a notable increase over the last two months, rising from around \$5.3 to over \$6.3, fueled by an increasingly tight market. This [rise](#) reflects both supply disruptions in Peru, the world's third-largest copper producer in 2025, and accelerating demand. Copper remains essential for electrical grids, electric vehicles, and renewable energy, while artificial intelligence infrastructure, particularly data centers, is emerging as a major new driver of demand.

**Natural Gas Prices Over the Last 2 Months**  
In 2026, Hourly



Source: Kaiko Reference Rates



**Copper Prices Over the Last 2 Months**  
In 2026, Hourly



Source: Kaiko Reference Rates



**ABOUT KAIKO COMMODITIES REFERENCE RATES**

Kaiko’s commodity Reference Rates provide transparent, BMR-compliant real-time prices for key assets such as oil, published every second beyond traditional exchange hours. Available via oracles 24/7 or API 24/5, they offer reliable and replicable price discovery designed to meet institutional standards and support the growing commodity ecosystem.

Name	Base Ticker	Dissemination
Kaiko Copper Reference Rate	KK_RFR_COPPERUSDC	Real-time (1s)
Kaiko Natgas Reference Rate	KK_RFR_NATGASUSDC	Real-time (1s)
Kaiko Brentoil Reference Rate	KK_RFR_BRENTTOILUSDC	Real-time (1s)
Kaiko WTI Crude Oil Reference Rate	KK_RFR_WTIUSDC	Real-time (1s)

**OIL RETURNS SURGE AMID RENEWED MIDDLE EAST CONFLICT**

To understand the volatility of the oil movement in 2026, the analysis of returns provides a more direct reading than that of prices alone. Since the beginning of 2026, WTI and Brent have seen an increase, with prices now up more than 75% compared to their January 1st levels. The first strikes by the United States and Israel against Iran at the end of February constituted a major turning point, accelerating the rise in WTI and Brent prices in the following weeks.

Historically, oil prices have always been particularly sensitive to tensions in the Middle East, due to the region's central role in global production. The 1973 oil shock, the 1979 Iranian Revolution, and the 1990 Gulf War all demonstrated that conflicts in this region can quickly drive up prices due to fears of supply disruptions. In this context, the strong increase observed in 2026 appears to be a continuation of this historical pattern.

**Middle East Conflict's Impact on Oil Prices**  
In 2026, Daily



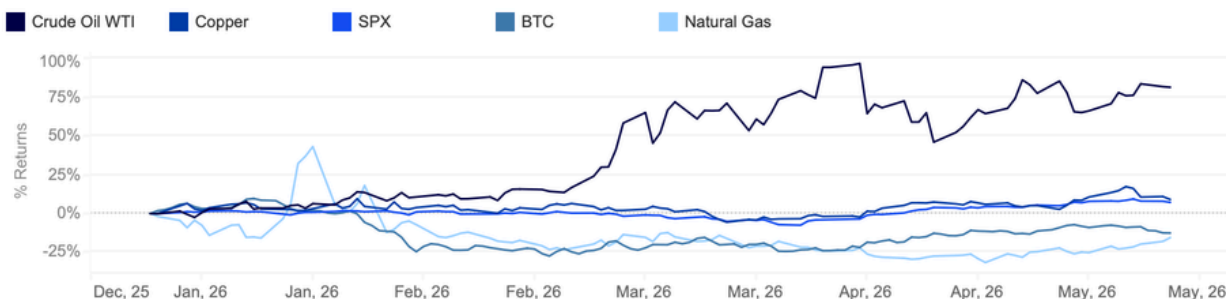
Source: Stooq



From a cross-asset class perspective, WTI stands out significantly from other tracked assets, with a rise exceeding 75%, while copper and the SPX have shown much more moderate performance.

Bitcoin has posted negative returns over the observed period and has therefore not acted as a safe-haven asset in this context.

**Heterogeneous Cross-Asset Class Performance**  
In 2026, Daily



Source: Kaiko Fair Market Value, Stooq

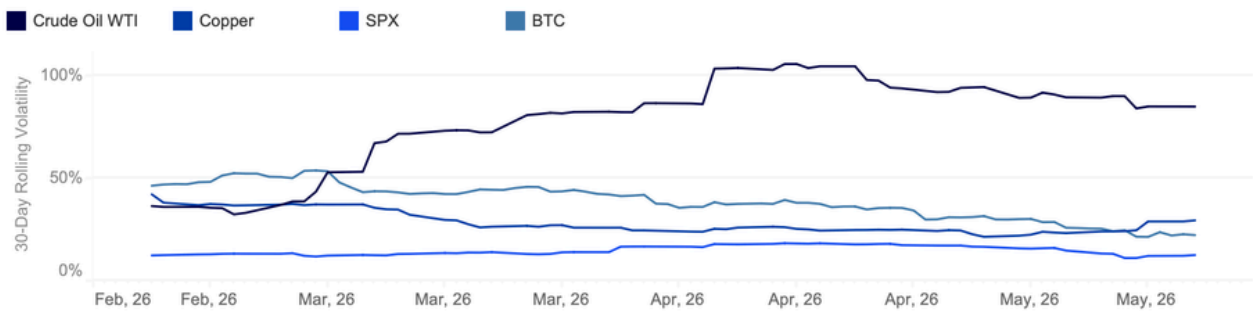


**OIL VOLATILITY ESCALATING AS CORRELATIONS TURN NEGATIVE**

The sharp rise in oil prices was naturally accompanied by a surge in oil volatility. Its 30-day rolling volatility exceeded 100% and remained at that level for several weeks during April. It currently stands around 85%, which is still extremely high.

Conversely, BTC volatility gradually decreased over the period, settling back around 22%, while copper and the SPX exhibited much more stable profiles, at around 25% and 12% respectively.

**Volatility Evolution Across Asset Classes**  
In 2026



Source: Kaiko Fair Market Value, Stooq  
Note: the data has been annualized



In line with this trend, correlations show that WTI has moved increasingly differently from other assets over the period, characterized by distinct market movements. The WTI/BTC correlation, positive in February, turned negative in March before reaching approximately -0.5 in May. The WTI/SPX correlation followed a similar pattern, with an even sharper decline to around -0.7.

**WTI / BTC Rolling Correlation**

In 2026, 30-Day Rolling Correlation



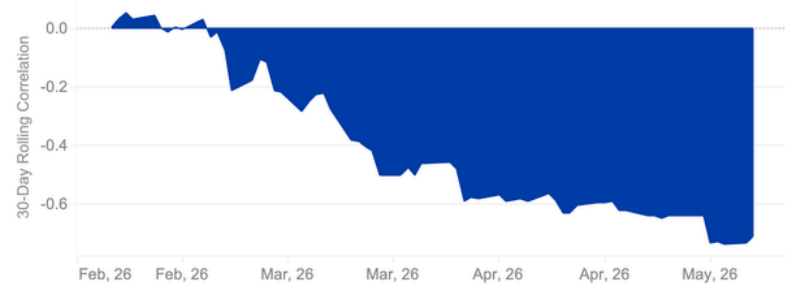
Source: Kaiko Fair Market Value, Stooq



The conflict in the Middle East has not been favorable for equity or cryptocurrency markets, but it has caused oil prices to rise significantly. This initial divergence created an initial performance gap between WTI, the SPX, and Bitcoin. Subsequently, as the rise in oil prices slowed and began to stabilize, both equity and crypto markets experienced periods of rebound. This timing lag between oil stabilization and the recovery of other assets reinforced the negative correlation observed over the period.

**WTI / SPX Rolling Correlation**

In 2026, 30-Day Rolling Correlation



Source: Stooq



**CONCLUSION**

Overall, the past few months highlight how quickly geopolitical risk can reshape commodity markets and broader cross-asset dynamics. Oil has been the clear focal point of this shock, with prices rising sharply, volatility reaching exceptional levels, and correlations with Bitcoin and equities turning deeply negative. While copper benefited from tighter supply and stronger demand, and natural gas followed a more uneven path, WTI and Brent remained the assets most directly exposed to Middle East tensions. This episode reinforces the role of oil as a key barometer of geopolitical stress.



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