

U.S.-IRAN MEMORANDUM OF UNDERSTANDING: TO WHAT EXTENT HAS IT IMPROVED THE ECONOMIC OUTLOOK?

The memorandum of understanding reached between the United States and Iran certainly provides a degree of relief, but it remains shrouded in too much uncertainty to fundamentally change the situation—at least in the short term. The recent fall in oil prices is good news, but it needs to be maintained over the long term, while the reopening of the Strait of Hormuz faces numerous constraints. A return to normal will take time. This headwind to growth is diminishing, which reinforces our resilience scenario. Inflation is likely to remain elevated for some time yet due to the lagged effects of tensions on oil and other commodity prices. The environment therefore remains inflationary, albeit to a lesser extent than before the MoU, but still enough to justify a more restrictive stance from central banks.

The memorandum of understanding (MoU) reached between the United States and Iran, announced on 14 June and signed on 17 June, was generally welcomed by the markets (see tables). Relief was most evident in the oil markets, where oil prices fell sharply. Conversely, the bond markets reacted in a more subdued manner: long-term rates decreased only slightly before rising again by a few basis points in response to the hawkish stance of the FOMC meeting on 16 and 17 June, which also strengthened the U.S. dollar. While there is still limited hindsight, the overall impression is that the MoU has not fundamentally changed the situation compared with what was already priced in by the markets and in our forecasts.

THE SHARP DROP IN OIL PRICES IS UNDOUBTEDLY GOOD NEWS, BUT A RETURN TO NORMAL OIL MARKET CONDITIONS IS STILL A LONG WAY OFF

The likelihood of the reopening of the Strait of Hormuz has increased significantly, but the outlook remains fragile. Furthermore, this reopening cannot happen immediately due to various technical and logistical challenges. Oil prices continue to be influenced by a precarious balance in the global oil market. Consequently, there is a risk that normalisation may take longer than anticipated, prolonging the associated tensions in oil prices rather than allowing for a swift resolution. Oil prices are unlikely to return to their pre-conflict levels: we consider the USD 75 per barrel mark to be a durable floor and see oil prices stabilizing around USD 85 over the coming quarters¹.

We identify four potential scenarios:

- 1/ The MoU results in a lasting agreement within the next 60 days (which corresponds with our current de-escalation scenario), leading to a Brent price decrease to USD 70/barrel before rising to USD 75 by year-end;
- 2/ The MoU ultimately results in a lasting agreement after one or more extensions: this is our base-case scenario, with Brent falling to USD 70 per barrel and subsequently rising to USD 85 by year-end;
- 3/ The MoU results in an unstable agreement, leading to uneven and unpredictable oil flows through the Strait: the price of a barrel of Brent dips to USD 80 but rises to USD 95 by year-end;
- 4/ The MoU breaks down, causing the Brent price to climb to USD 140/barrel by year-end.

We assign a low probability to scenarios 1 and 4 and a relatively high probability to scenarios 2 and 3, with scenario 2 regarded as our base case.

Reactions to the US-Iran MoU

Sharp drop in energy prices, with more restrained movements in other financial market segments

	in % change					
	22/06/2026	1-Day	1-Week	Since start of war	Year to date	1-Year
S&P500	7473.48	-0.4	-1.1	+8.6	+9.0	+25.2
Nasdaq Composite	26278.88	-0.9	-1.5	+15.9	+13.1	+35.1
Euro STOXX 50	6311.32	+0.3	+1.3	+2.8	+7.9	+20.6
CAC40	8400.11	-0.2	+0.2	-2.1	+2.5	+10.7
Euro STOXX Banks	298.17	+1.0	+5.1	+10.9	+11.7	+51.2
BNP Paribas	101.84	+0.3	+3.2	+6.6	+24.3	+37.1
Nikkei 225	72353.96	+1.5	+4.4	+22.9	+43.7	+88.4
Hang Seng Index	23768.52	-0.7	-4.3	-10.7	-9.8	+1.0
Bloomberg World Index	2612.50	+0.1	-0.4	+6.8	+10.4	+27.0

	in bps					
	22/06/2026	1-Day	1-Week	Since start of war	Year to date	1-Year
OAT 10Y (%)	3.71	-3.4	+1.2	+49.1	+9.8	+46.4
Bund 10Y (%)	2.95	-3.2	-0.1	+31.0	+5.3	+43.6
US Tr. 10Y (%)	4.50	+4.6	+2.6	+56.1	+30.8	+12.4
JGB 10Y (%)	2.68	+2.7	+10.1	+56.3	+61.7	+128.5
Gilt 10Y (%)	4.81	-3.6	-0.6	+57.3	+26.9	+26.9

	in % change					
	22/06/2026	1-Day	1-Week	Since start of war	Year to date	1-Year
EURUSD	1.14	-0.3	-1.3	-3.2	-2.4	-0.8
DX Index	100.92	+0.1	+1.3	+3.4	+2.5	+2.2
Brent (\$/bbl)	77.47	-3.8	-6.9	+6.9	+27.5	+0.6
Dutch TTF Price (€/MWh)	42.18	+0.2	-0.8	+33.5	+45.4	+4.7

SOURCE: BLOOMBERG (22/06/2026), BNP PARIBAS

A CONFIRMATION RATHER THAN AN IMPROVEMENT OF OUR FORECASTS

Signs of an impending resolution to the Iran conflict, thanks to the MoU, emerged slightly earlier than we had anticipated, leading to a faster decline in oil prices. Nevertheless, this more advantageous development does not necessarily mean an improved economic outlook. Our growth forecasts were, in fact, already based on a relatively positive view of the global economic landscape, bolstered by the AI boom and European investment efforts.

¹ Reopening of the Strait of Hormuz: the oil market between short-term relief and persisting uncertainties, June 16, 2026.



Our scenario of a resilient global economy has been reinforced. It remains to be seen, now that the risk of a severe escalation of the conflict has lessened, to what extent survey data — which has been visible affected by the shock throughout May²— will improve starting in June.

The recent decline in oil prices, in addition to helping temper households' inflation expectations, should mechanically bring down inflation. The key question is how quickly and to what extent. In our view, this is unlikely to signify an immediate end to the inflationary episode. The first-round effects of previous price increases have not yet fully played out, and the downward impact on inflation from the current fall in oil prices is not expected to become apparent for another 3 to 6 months. At the time of writing, oil prices remain above their pre-conflict levels. Furthermore, the repercussions of this conflict have extended beyond a mere shock to energy prices³: significant supply chain tensions have reemerged—though not as severe as during the COVID years—and the sharp rise in the New York Fed's composite index did not bode well. The good news is that these tensions should ease as the Strait of Hormuz reopens. However, inflation is likely to remain sustained for some time due to the lagged effects of these tensions. Moreover, heightened demand, driven by lower oil prices, makes the economic environment more conducive to second-round effects. Ultimately, the inflation outlook appears more positive after the agreement than it did before, with inflation going less high, although the improvement is still relatively modest for now. We should not expect a much lower landing point.

FURTHER RATE HIKES REMAIN MORE LIKELY THAN NOT

Does the reduction in inflation risk mean we should shelve the anticipated policy rate hikes for the Fed, the ECB, the BoJ, and the BoE? No, as the inflation risk has merely been reduced: it has not (yet) vanished. The situation for the BoJ is the simplest, as its gradual process of monetary policy normalisation, which predates the energy shock, has every reason to continue. The Fed's scenario is also relatively simple, given that the three rate hikes we project (in December 2026, January, and March 2027) are based on the expected improvement in the labour market, current economic optimism, and core inflation stickiness — not on our assumptions regarding oil prices. At his first FOMC meeting, Kevin Warsh emphasised the significance of maintaining price stability. As for the ECB, recent developments likely rule out the possibility of another rate hike in July. However, a second one in September (which is our base case) remains more likely than maintaining the current rate, influenced by persistently high inflation and strengthening growth. The situation is more uncertain for the BoE, for which the U-turn is greater, as the central bank quits a loosening phase before the shock, to consider now how warranted a tightening is. Any hike will depend on evidence that second-round effects are in the pipeline. We believe such effects are building and the BoE will favour a risk-management approach and opt for a (single) rate hike in September.

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² See the June issue of our Energy shock dashboard, scheduled for release on 23 June 2026 (previous issue dated 19 May, based on April data: Energy shock: [Dashboard 2026 vs. 2022](#)).

³ See this OECD note, which outlines the extent of dependencies and ramifications: [The Hormuz Supply Shock – Beyond Energy – ECOSCOPE](#), 16 June 2026.

