

# How AI Chips and Oil Saved the Market From an Iran War Panic

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*Note: the original article is provided as a separate file (attached to the email or downloadable from the website).*

## 1. Reading Passage

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When US and Israeli forces struck Iran two months ago, the conventional expectation was a familiar one: war in the Middle East means oil shocks, panicked investors, and falling stock markets. The reality has been stranger. The world's biggest listed companies have collectively added more than \$5.4 trillion in value since the conflict began — a 4.2 per cent gain — even as airlines cut flights, consumers tighten their belts, and executives warn about the war's drag on global business.

The rescue, if it can be called that, has come from two sectors. Chipmakers such as Intel and TSMC, riding a wave of enthusiasm for artificial intelligence, have lifted the broader technology complex. Semiconductor companies worth more than \$10bn have collectively risen 26 per cent — roughly \$3.7 trillion in added market value — since fighting began in late February. Investors, one strategist explained, are drawn to tech at a time of 'extreme macro uncertainty' because AI earnings feel dependable. Earnings-call data from AlphaSense shows that close to two-thirds of large companies discussed AI this quarter, about twice as many as discussed the Middle East itself.

Energy is the second lifeline. A 50 per cent jump in the oil price has handed enormous gains to producers like Saudi Aramco, PetroChina, and TotalEnergies. Every \$1 rise in crude translates into roughly \$1bn in additional free cash flow for Aramco alone, which has added \$144bn in market value during the war. BP and TotalEnergies are up 14 per cent and 16 per cent respectively, while smaller-footprint producers such as Norway's Equinor have climbed 24 per cent.

But here's the catch: not every oil giant has won. ExxonMobil and Shell both face multibillion-dollar bills to repair damage at Qatar's Ras Laffan industrial city, and disruption in the Strait of Hormuz has pushed shipping costs higher. Exxon's value has fallen 4 per cent — about \$28bn — since the conflict began. The same war that printed money for some energy firms has quietly punished others.

The losers list is longer than the headlines suggest. Consumer goods majors such as Procter & Gamble and Kimberly-Clark have warned of price rises as input costs climb. Luxury groups including LVMH and Hermès have struggled with weakening demand, while carmakers face tangled supply chains and dearer aluminium; Nissan, Toyota and Stellantis have all reported sharp drops in Middle East sales. The chief executive of Volvo Cars said his main worry is shifting US consumer sentiment — when workers fear for their jobs, they postpone buying cars or 'anything,' as he put it. Mining companies face a double hit: rising diesel costs and the prospect of slower global growth depressing commodity prices, with gold miners like Agnico Eagle and Zijin Mining among the steepest fallers despite last year's gold rally.

Perhaps the strangest twist is in defence. Despite an actual hot war, the value of leading US and European defence companies has fallen since the Iran conflict began. Governments have been burning through critical munitions stockpiles for years, but analysts say a recent sell-off reflects doubts about whether the industry can actually scale up production fast enough, given persistent supply-chain bottlenecks. The longer trend toward higher defence spending since Russia's invasion of Ukraine in 2022 remains intact — but, for now, AI and oil are doing the heavy lifting in global markets, not weapons.

## 2. Explanation

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*When missiles started flying between the US, Israel and Iran, global stocks should have cratered. Instead, two unlikely heroes – chipmakers and oil giants – added trillions in value.*

### What's Going On?

Just over two months after US-Israeli strikes on Iran sparked a regional conflict, the world's biggest listed companies have collectively gained more than \$5.4 trillion in value – a 4.2 per cent rise. That is the opposite of what usually happens when war breaks out in the Middle East.

The lifeline came from two sectors. Big Tech and chipmakers (think Intel, TSMC) rallied on AI optimism, while oil majors like ExxonMobil, Saudi Aramco and TotalEnergies surged on a 50 per cent jump in crude prices. Airlines, carmakers, luxury brands and miners, meanwhile, are quietly bleeding.

### How To Think About It

A stock index is not one mood – it's a tug-of-war between sectors pulling in opposite directions. In this war, the rope is being yanked hard by AI and oil:

- Think of a hospital triage ward during a disaster: some patients (chipmakers) walk out healthier than they came in because the chaos created demand for them, while others (Nissan, LVMH) end up in worse shape than before.
- Or imagine a school where the science fair and the football team both get sponsorship money on the same day a fire damages the art wing – the average 'school spirit' looks fine, but ask the art kids how they feel.

### Key Things To Know

- Semiconductor makers with \$10bn+ market caps have risen 26 per cent – about \$3.7 trillion added – since the war began in late February.
- Oil's 50 per cent price spike added \$144bn to Saudi Aramco alone; every \$1 rise in oil hands Aramco roughly \$1bn in extra free cash flow.
- Earnings-call data from AlphaSense shows roughly two-thirds of large companies discussed AI this quarter – about twice as many as mentioned the Middle East.
- ExxonMobil's value is down 4 per cent (\$28bn) because its Qatar Ras Laffan facilities were hit and the Strait of Hormuz chokepoint raised shipping costs.
- Most people assume 'war = stocks down.' Reality: war redistributes value violently between sectors, and right now AI hype is strong enough to absorb the shock.

### Why It Matters

If you're thinking about college majors, career paths, or where to park a first paycheck, this article is a live demonstration that 'the economy' is never one thing. The same week Volvo's CEO warns workers they could lose their jobs, Nvidia-adjacent engineers are getting signing bonuses. Sector matters more than you think – and AI is currently the gravitational center of global capital.

## **The Bigger Picture**

Two longer arcs are worth watching. First: can AI valuations keep absorbing geopolitical shocks, or is this a bubble waiting for an excuse to pop? Second: European defence stocks have actually fallen since the Iran war started – a clue that investors think governments still can't ramp up weapons production fast enough to matter. If the conflict escalates or the Strait of Hormuz closes, the tug-of-war flips: oil spikes further, but consumer and travel sectors get crushed, and even AI might not save the index.

### 3. Key Terms Glossary

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**Market capitalisation**

The total dollar value of a company's shares — share price multiplied by number of shares outstanding. A rough measure of how much the market thinks a company is worth.

**Free cash flow**

The cash a company has left after paying for operations and investments. Investors love it because, unlike accounting profit, it's hard to fake.

**Large-cap**

A company with a large market capitalisation (typically over \$10bn). They tend to be more stable and more heavily tracked than small companies.

**Strait of Hormuz**

A narrow sea passage between Iran and Oman through which roughly a fifth of the world's oil passes. Blocking it would spike global energy prices.

**Earnings call**

A quarterly conference call where a public company's executives discuss results with analysts and investors. Their word choices are heavily mined for signals.

**Extreme macro uncertainty**

Investor-speak for a moment when big-picture forces (war, inflation, elections) are so unpredictable that company-specific fundamentals get drowned out.

**Defensive sector**

An industry whose earnings hold up in downturns — utilities, staples — as opposed to 'cyclicals' like carmakers that swing with the economy.

**Sell-off**

A period when investors dump shares quickly, pushing prices down. Often triggered by fear rather than fundamentals.

## 4. Reading Comprehension Quiz

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Circle the best answer for each question.

**Q1.** The passage most directly argues that:

- A) Wars in the Middle East reliably cause global stock markets to fall.
- B) Gains in AI and energy stocks have offset broader war-related losses.
- C) Investors have abandoned technology stocks in favor of defense companies.
- D) The Iran war has caused a uniform decline across all major industries.

**Q2.** According to the passage, the world's biggest companies have collectively gained more than \$5.4 trillion in value because:

- A) Central banks aggressively cut interest rates after the conflict began.
- B) Defense contractors received record government orders for munitions.
- C) Strong tech and energy returns outweighed losses in other sectors.
- D) Consumer demand in the Middle East rebounded faster than expected.

**Q3.** Which choice best states a central idea of the passage?

- A) Geopolitical shocks affect different industries in sharply different ways.
- B) The AI investment cycle is best understood as a speculative bubble.
- C) Oil prices are the single most important variable in global equities.
- D) Luxury goods companies are immune to broader economic downturns.

**Q4.** As used in the passage, the word "lifeline" most nearly means:

- A) A rope thrown to a drowning person.
- B) A telephone hotline for emergencies.
- C) A source of crucial support during difficulty.
- D) The expected lifespan of a product.

**Q5.** As used in the passage, the word "bleeding" most nearly means:

- A) Losing value or business steadily.
- B) Suffering a physical injury.
- C) Releasing color into nearby fabric.
- D) Slowly leaking compressed air.

**Q6.** Which statement about earnings-call discussions can most reasonably be inferred from the passage?

- A) Executives are legally required to discuss geopolitical risks each quarter.
- B) Corporate leaders currently see AI as a more pressing topic than the war.
- C) Most companies refuse to comment on Middle East developments publicly.
- D) Analysts have stopped asking questions about artificial intelligence.

**Q7.** The passage suggests that ExxonMobil's 4 per cent decline in value is best explained by:

- A) The general fall in global crude oil prices since the war started.
- B) Direct damage to its facilities and disrupted regional operations.
- C) A consumer boycott of US energy companies in the Middle East.
- D) Increased competition from Saudi Aramco and PetroChina.

**Q8.** The author's tone throughout the passage is best described as:

- A) Analytical and measured, highlighting contrasts between sectors.
- B) Alarmed and urgent, warning of imminent economic collapse.
- C) Celebratory and optimistic about the resilience of global trade.
- D) Dismissive and skeptical of investors' enthusiasm for AI stocks.

**Q9.** Which statement about the AI sector can most reasonably be inferred?

- A) AI valuations will inevitably collapse before the end of the year.
- B) Investors view AI earnings as relatively dependable amid geopolitical risk.
- C) Chipmakers have completely decoupled from the wider equity market.
- D) AI companies have publicly endorsed continued military action in Iran.

**Q10.** Which choice provides the best evidence for the answer to the previous question?

- A) "...the world's biggest companies have added more than \$5.4tn in value..."
- B) "Investors were turning back to tech at a time of 'extreme macro uncertainty.'"
- C) "Each \$1 increase in the oil price means an extra \$1bn of free cash flow..."
- D) "...the focus on AI, close to two-thirds of large-cap companies discussed the technology..."

**My Score:** \_\_\_\_\_ / 10

## 5. Answer Key with Explanations

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**Q1.** The passage most directly argues that:

**Answer: B**

The passage's central claim is that chipmakers and oil majors have lifted the overall market even as airlines, carmakers, and luxury brands have suffered. (D) is the tempting trap – TRAP A (right scope, wrong direction): the passage describes uneven, not uniform, effects. SAT Tip: when a question asks for the 'central idea,' pick the option that accounts for BOTH halves of a passage's argument, not just the dramatic opening.

**Q2.** According to the passage, the world's biggest companies have collectively gained more than \$5.4 trillion in value because:

**Answer: C**

The passage attributes the \$5.4tn gain to tech and energy outperformance overwhelming declines elsewhere. (B) is TRAP C – true-sounding in the real world but the passage actually says defense stocks have fallen since the war started. SAT Tip: 'according to the passage' questions reward you for ignoring outside knowledge – only what's printed counts.

**Q3.** Which choice best states a central idea of the passage?

**Answer: A**

The passage repeatedly contrasts winners (chips, oil) with losers (airlines, autos, luxury, mining), illustrating uneven sector impact. (C) overreaches – TRAP B: it uses passage vocabulary ('oil prices') but in an unsupported combination. SAT Tip: 'central idea' answers are usually the most general statement still supported by every paragraph.

**Q4.** As used in the passage, the word "lifeline" most nearly means:

**Answer: C**

In context, tech and energy gains 'rescue' the broader market from war-driven losses – a metaphorical support. (A) is TRAP B: the literal nautical meaning, but the passage uses it figuratively about markets. SAT Tip: on vocab-in-context, substitute each option back into the sentence – the right one preserves the original meaning of the sentence.

**Q5.** As used in the passage, the word "bleeding" most nearly means:

**Answer: A**

The passage uses 'bleeding' to describe sectors quietly losing market value during the war. (B) is TRAP B: it's the literal meaning, but the passage is clearly metaphorical. SAT Tip: when a word has both a literal and figurative meaning, check the surrounding nouns – financial nouns demand a financial reading.

**Q6.** Which statement about earnings-call discussions can most reasonably be inferred from the passage?

**Answer: B**

The passage notes AI was discussed about twice as often as the Middle East, suggesting executives view it as more business-critical. (C) is TRAP A – right scope, wrong direction: companies ARE discussing the conflict, just less than AI. SAT Tip: inference answers must follow directly from the text, not exaggerate it – 'twice as often' is not 'refuse to comment.'

**Q7.** The passage suggests that ExxonMobil's 4 per cent decline in value is best explained by:

**Answer: B**

The passage notes Exxon and Shell face multibillion-dollar bills to repair damage at Qatar's Ras Laffan industrial city. (A) is TRAP A – wrong direction: oil prices rose 50 per cent, not fell. SAT Tip: when a question offers a cause that contradicts a number stated in the passage, eliminate it immediately.

**Q8.** The author's tone throughout the passage is best described as:

**Answer: A**

The author calmly presents data on winners and losers without taking a side. (B) is TRAP C: there ARE alarming facts in the world, but the author's prose is steady and explanatory, not panicked. SAT Tip: judge tone by the author's word choices – neutral verbs like 'gained,' 'shed,' and 'discussed' signal analysis, not alarm.

**Q9.** Which statement about the AI sector can most reasonably be inferred?

**Answer: B**

A strategist in the passage describes investors being drawn to AI by the 'certainty of earnings delivery' during 'extreme macro uncertainty.' (C) is too absolute – TRAP B: it borrows passage vocabulary but overstates the relationship. SAT Tip: extreme words like 'completely,' 'inevitably,' or 'never' in answer choices are usually wrong on inference questions.

**Q10.** Which choice provides the best evidence for the answer to the previous question?

**Answer: B**

This line directly links investor behavior to AI as a stable harbor during uncertainty – the basis for the prior inference. (D) is TRAP B: it mentions AI but supports a different point (executive attention, not investor reliability). SAT Tip: on evidence-pairing questions, locate the exact passage line that drove your previous answer first, THEN match it to the option – don't pick based on which option 'sounds smart.'