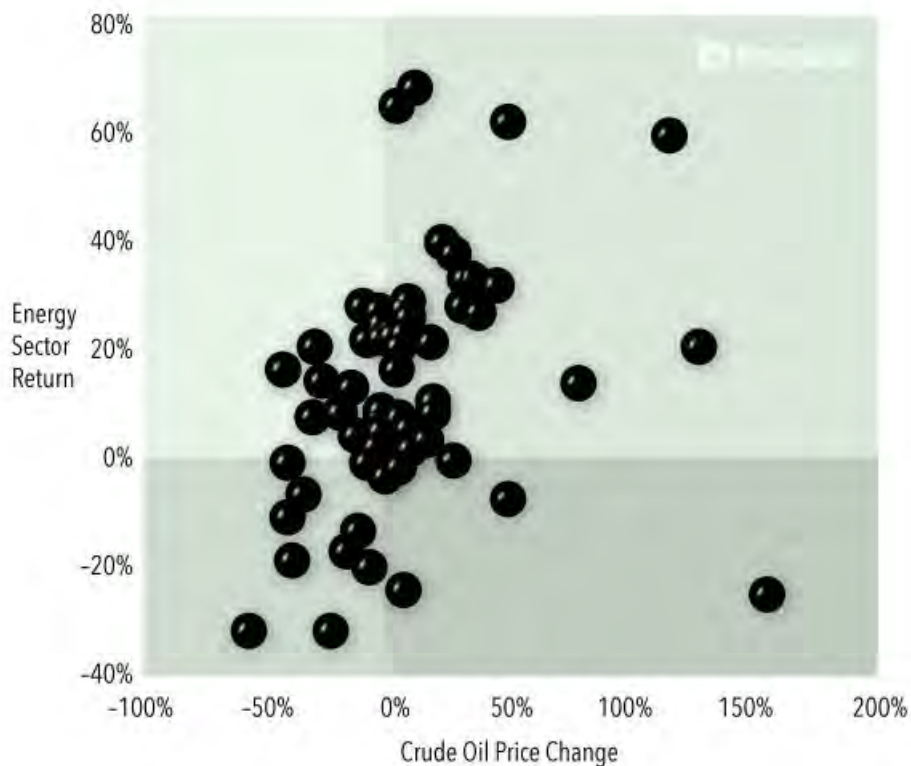


Oil Price Uncertainty

As if war wasn't concerning enough, the battle in Iran has provided investors with uncertainty over what will happen with oil prices. There was a meteoric surge in prices around the conflict's inception, followed by volatility as markets weighed developments. It's hard to say where prices will go from here, but investors should keep in mind that trying to predict oil price movements won't help with asset allocation decisions.

Oil prices certainly factor into profit expectations for many companies. For example, we would generally expect energy companies to benefit when oil prices rise but suffer when they fall. This is at least directionally correct on average: The correlation between annual oil price changes and energy sector returns from 1964–2025 was 0.29 (The closer the value is to 0, the weaker the relationship; the closer to 1, the stronger)

Annual stock returns vs. oil price changes
1964–2025



In USD. Source: Dimensional and Federal Reserve Bank of St. Louis. Spot crude oil prices are West Texas Intermediate (WTI). Energy sector returns are based on the Fama/French 12 Industry Portfolios, available from the [Ken French data library](#). Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. Eugene Fama and Ken French are members of the Board of Directors of the general partner of, and provide consulting services to, Dimensional Fund Advisors LP.

More relevant for investors though is how noisy the relation is. There's been a big range of return outcomes for energy stocks unrelated to contemporaneous oil price changes. For example, oil was up more than 150% in 1974 while energy stocks fell. On the other hand, energy stocks were up in 2025 despite a market drop in oil prices.

The lack of explanatory power makes sense when you take a step back. There are innumerable factors driving stock prices, so even if your oil price prediction comes true, it might not get you an edge over the market.

References:

Crill, Wes. "Oil Price Uncertainty." *Dimensional Fund Advisors*, 26 Mar. 2026.



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