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Hormuz Closure Turns Into a Working-Capital Squeeze for US Corporates

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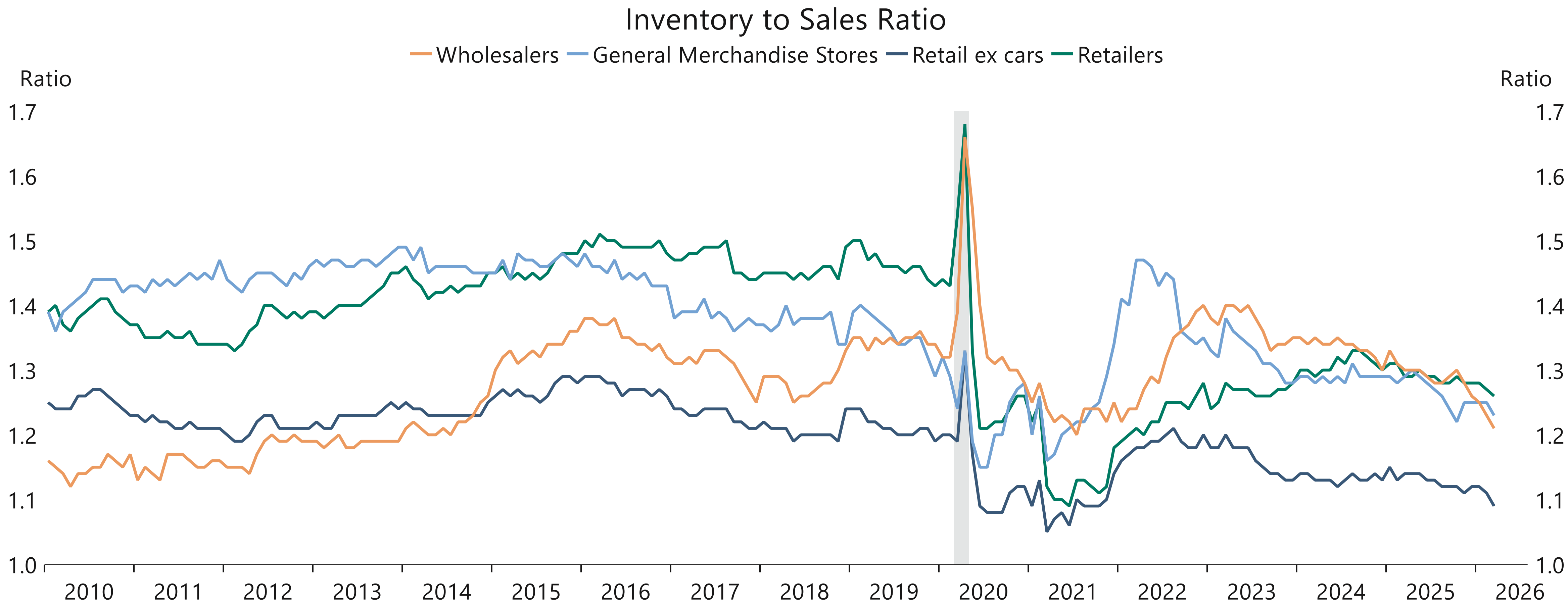
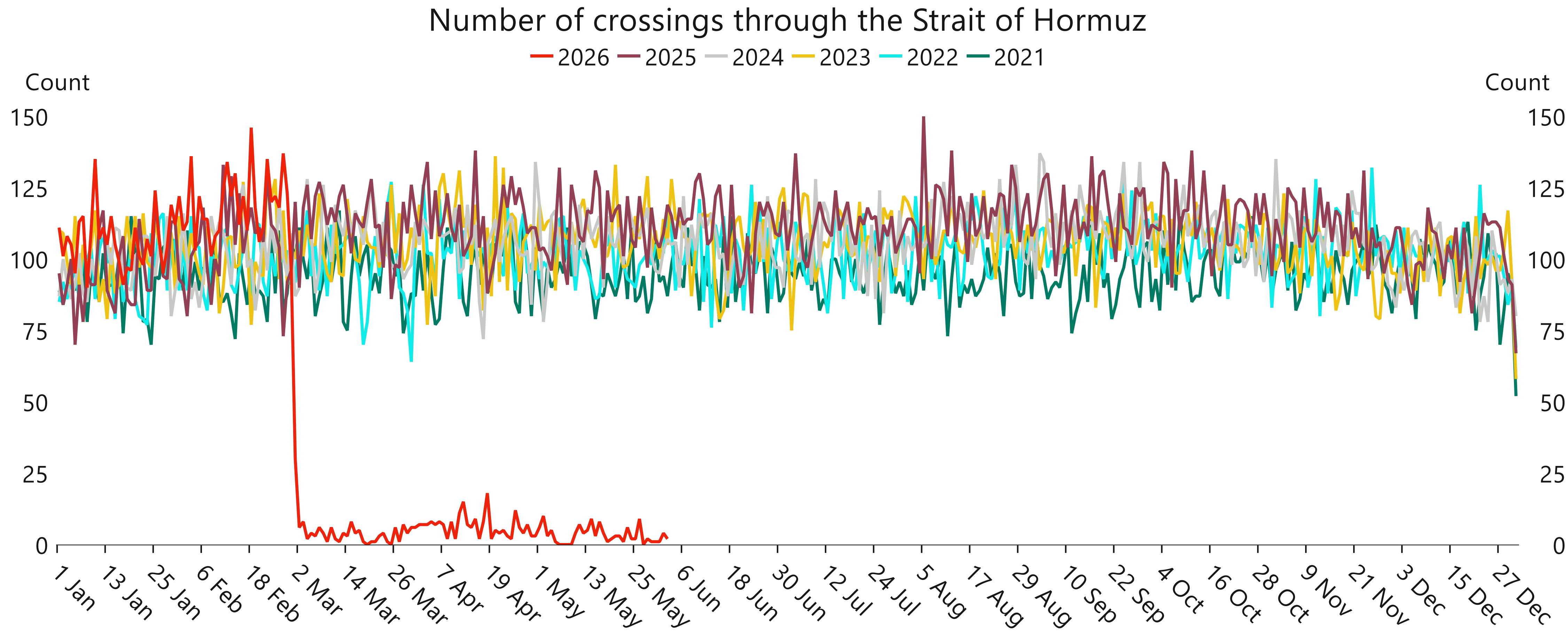
Inventory to sales ratio declining because of the conflict in the Middle East



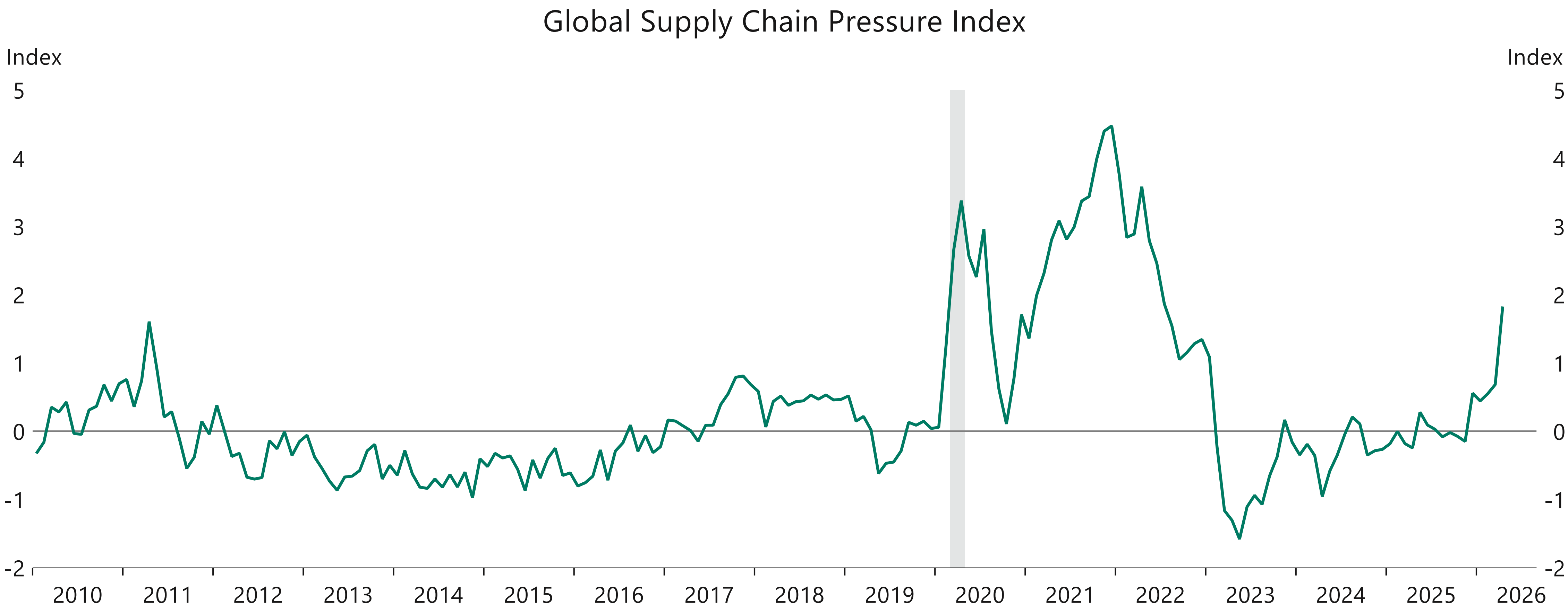
Source: U.S. Census Bureau, Macrobond, Apollo Chief Economist

Almost zero traffic through the Strait of Hormuz over the past 3 months



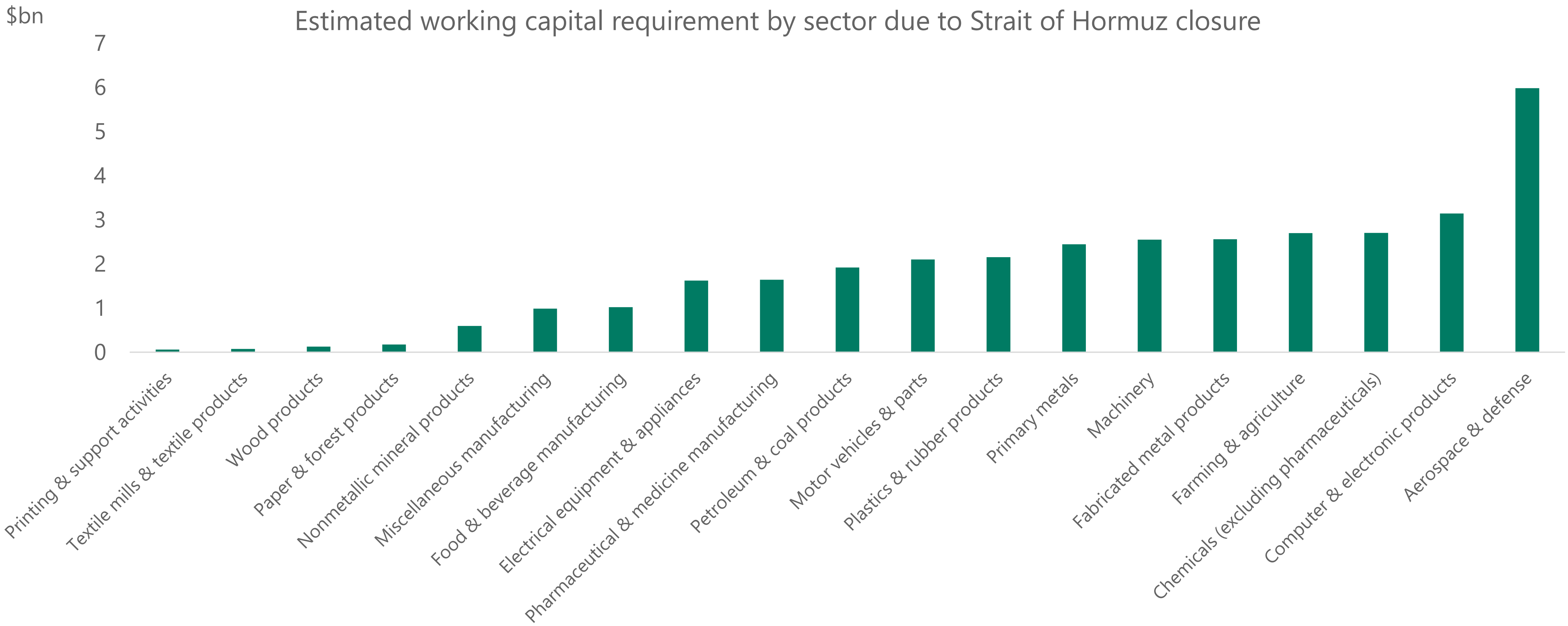
Source: Bloomberg, Macrobond, Apollo Chief Economist

Supply chain bottlenecks rising



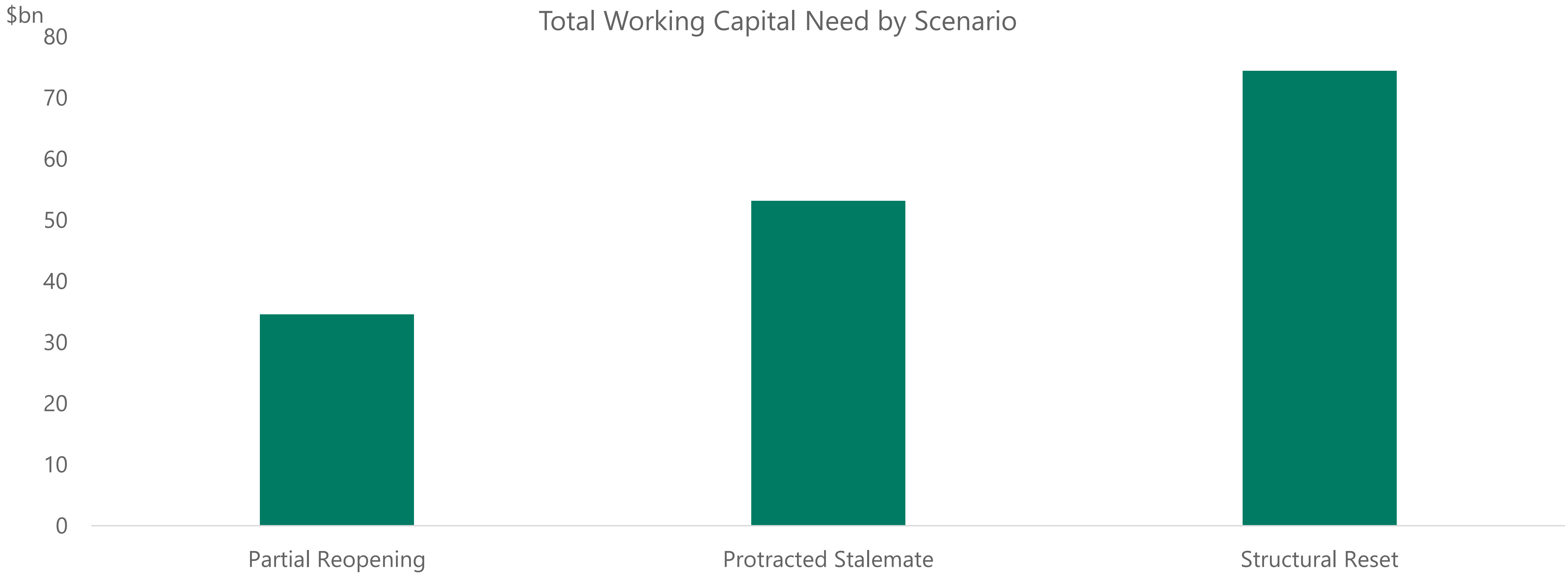
Source: Federal Reserve Bank of New York, Macrobond, Apollo Chief Economist

Strait of Hormuz closure could result in $35 billion working capital need in the situation of a partial reopening



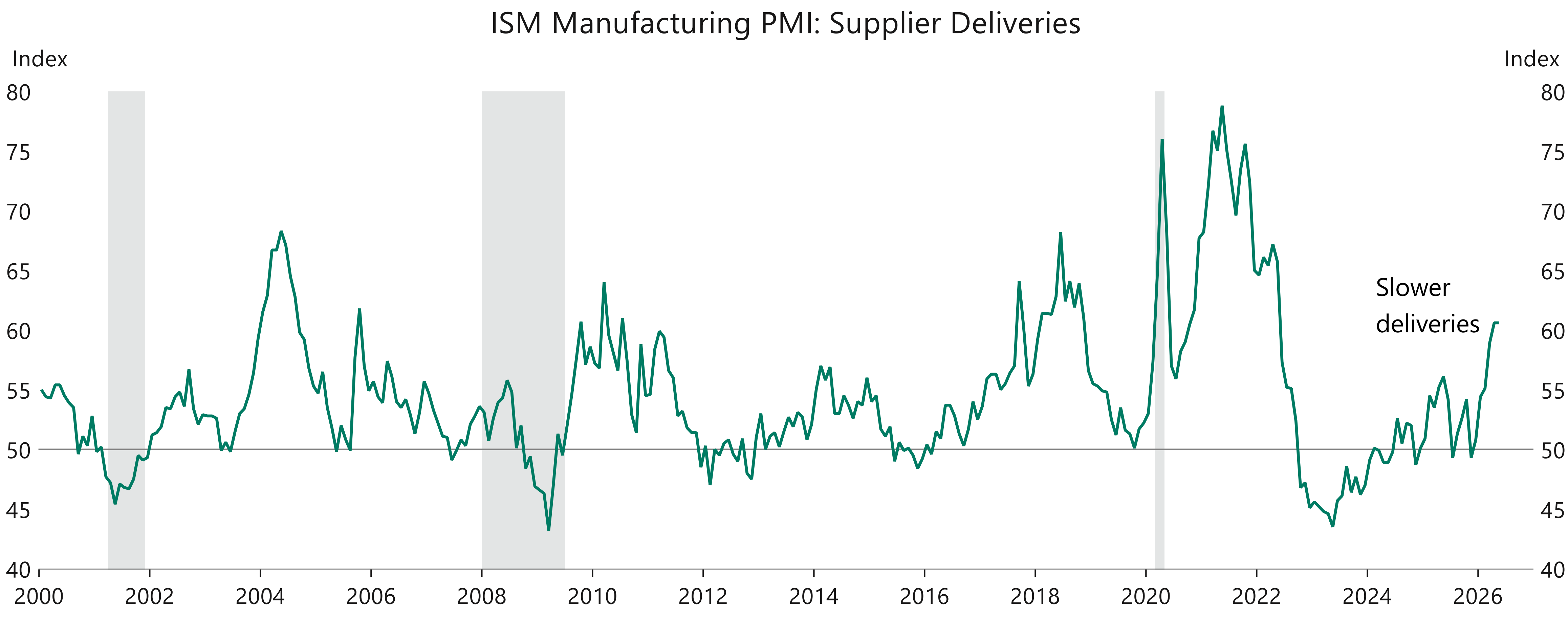
Source:: Damodaran Working Capital Data, : BEA gross output Q4 2025 SAAR proxy, scaled from BEA 2024 annual data using Fed G.17 IP indices and BLS PPI by NAICS, Apollo Chief Economist. Note: Incremental working capital estimated as (Inventory/Sales) × (Sector Revenue) × (Δ DIO ÷ 365) × (Exposure multiplier). DIO shock: +13 days total (7 days observed +6 days forward). Scenario assumes 60-day US–Iran MOU holds, strait reaching ~40% normal flow by August 2026.

Longer and severe closure would lead to even higher working capital requirements



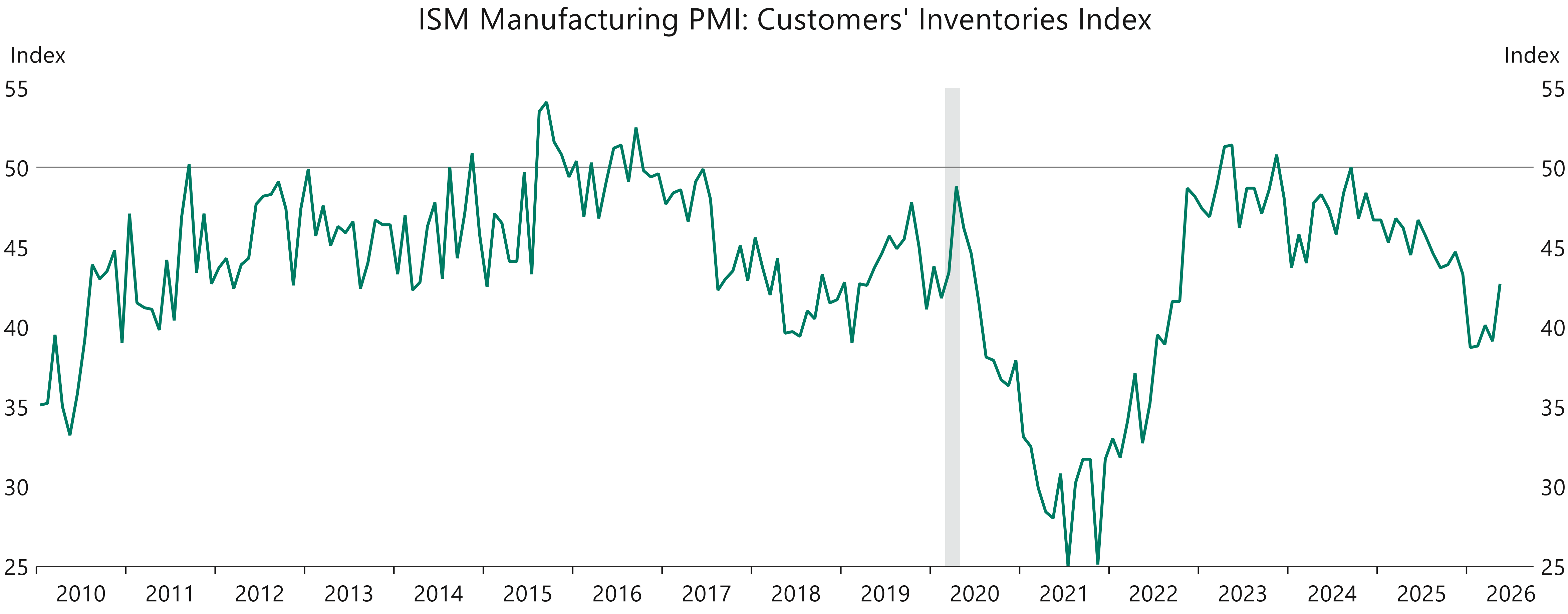
Source:: Damodaran Working Capital Data, : BEA gross output Q4 2025 SAAR proxy, scaled from BEA 2024 annual data using Fed G.17 IP indices and BLS PPI by NAICS, Apollo Chief Economist. Note: Incremental working capital estimated as (Inventory/Sales) × (Sector Revenue) × (Δ DIO ÷ 365) × (Exposure multiplier). Scenario A (Partial Reopening): 60-day US–Iran MOU holds, strait recovers to ~40% normal flow by Aug 2026, Δ DIO +13 days, rate 5.50%. Scenario B (Protracted Stalemate): MOU collapses, strait remains below 10% through Q4 2026, companies structurally rebuild buffers, Δ DIO +20 days, rate 5.75%. Scenario C (Structural Reset): Qatar LNG offline 3–5 years, permanent rerouting via Cape of Good Hope, safety stock targets permanently raised, Δ DIO +28 days, rate 6.25%.

ISM Manufacturing Survey showing deliveries slowing down



Source: Institute for Supply Management (ISM), Macrobond, Apollo Chief Economist

Manufacturing survey showing inventories too low



Source: Institute for Supply Management (ISM), Macrobond, Apollo Chief Economist

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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade, including #1 in 2019. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D. in Economics and has studied at the University of Copenhagen and Princeton University.