David Stevenson

The investments that will bounce back from the Iran crisis

Industrial engineers of old are on the cusp of massive demand as new technologies emerge

The war in Iran is throwing everything up into the air when it comes to this brave new industrial revolution Credit: Sasan/AFP via Getty Images

David Stevenson
Published 13 March 2026 11:00am GMT

One of the casualties of the current war has been a stock market sector I'm sure most readers assumed was all a bit old-world: industrials and industrial engineers.

As I write this column, the biggest global names in the old-world of metal bashing, with familiar names like GE and Siemens, are falling. The MSCI World industrials index is down more than 5pc in the last week, compared to a 1pc decline for Silicon Valley's "Magnificent Seven".

Old-school investors might not be surprised by this turn of events as industrials tend to be very "cyclical". They are hurt hardest when investors fear a recession as oil prices spike and expenditure is delayed.

Before recent events, industrials had experienced a resurgence, driven by investor enthusiasm for the idea of a new fourth industrial revolution.

The promise of long-term structural growth for engineered metals and cables has seemed to push the whole sector away from dependence on the economic cycle.

RECOMMENDED

Investors can ride out the storm of the Middle East oil crisis

Read more →

Since the start of last year, the second-largest sector in terms of inflows, after technology, has been industrial-sector funds, and returns have been equally impressive.

Even after the recent sharp falls related to Iran, the MSCI industrials is up 27pc in the last 12 months, a return that beats the Magnificent Seven average, the

MSCI World index and the S&P 500. Year to date, as I write this column, the industrial sector is far ahead of other sectors and markets, with only gold and Japanese equities nudging ahead.

Individual names tell the story well. GE Vernova, which makes gas turbines, has seen its share price rocket more than 150pc in the last 12 months, powered by a booming backlog of electrification orders, while sister company GE Aerospace is up nearly 70pc.

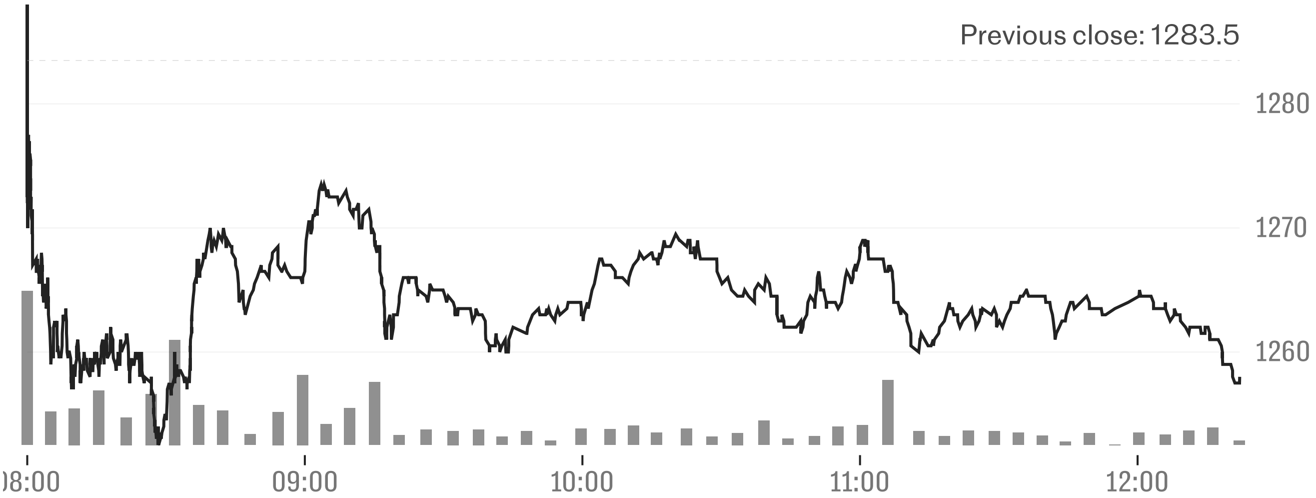
Defence-industrials firm RTX is up more than 60pc and even boring names in Europe such as Schneider Electric and ABB are showing decent returns.

As for the UK, a very familiar name to readers, Rolls-Royce, is now just under the top 10 in terms of market cap for the global industrials sector with a 12-month share price return of more than 50pc.

Rolls-Royce share price

Day Week Month 3 months 6 months 1 year 5 years

Last	Change	+/-	Time
1258.0	-25.5	-1.99%	12:22:24



1 day -1.99%	1 week -2.48%	1 month 2.61%
3 months 14.73%	YTD 9.39%	1 year 63.10%

What links so many of these names is that they are in the nicest sense of the word a bit old-school: engineers who are forced to grapple with metal.

When the idea of the fourth industrial revolution first emerged from the Davos scene, it was posed as a new digital revolution that would have washed away traditional industrials. But the opposite has in fact happened, as AI's massive demand for computing infrastructure intensified demand for energy at whatever the cost. As Elon Musk has put it, we are in desperate need of blades and veins inside gas turbines.

AI demand for energy is one pillar of this new industrial revolution. But there's also another: the global digitisation of everything.

That is having a big effect on the humblest industries, notably fibre-optic cables. Take the Italian industrial giant Prysmian. It makes the undersea cables that connect the world via the internet. Demand is off the charts with its share price up 70pc over the last 12 months.

Prysmian also makes cables that go into grids which are being redesigned to cope with a more decentralised electricity system.

RECOMMENDED
Starmer must choose tanks over benefits, if he is serious about defence
Read more →

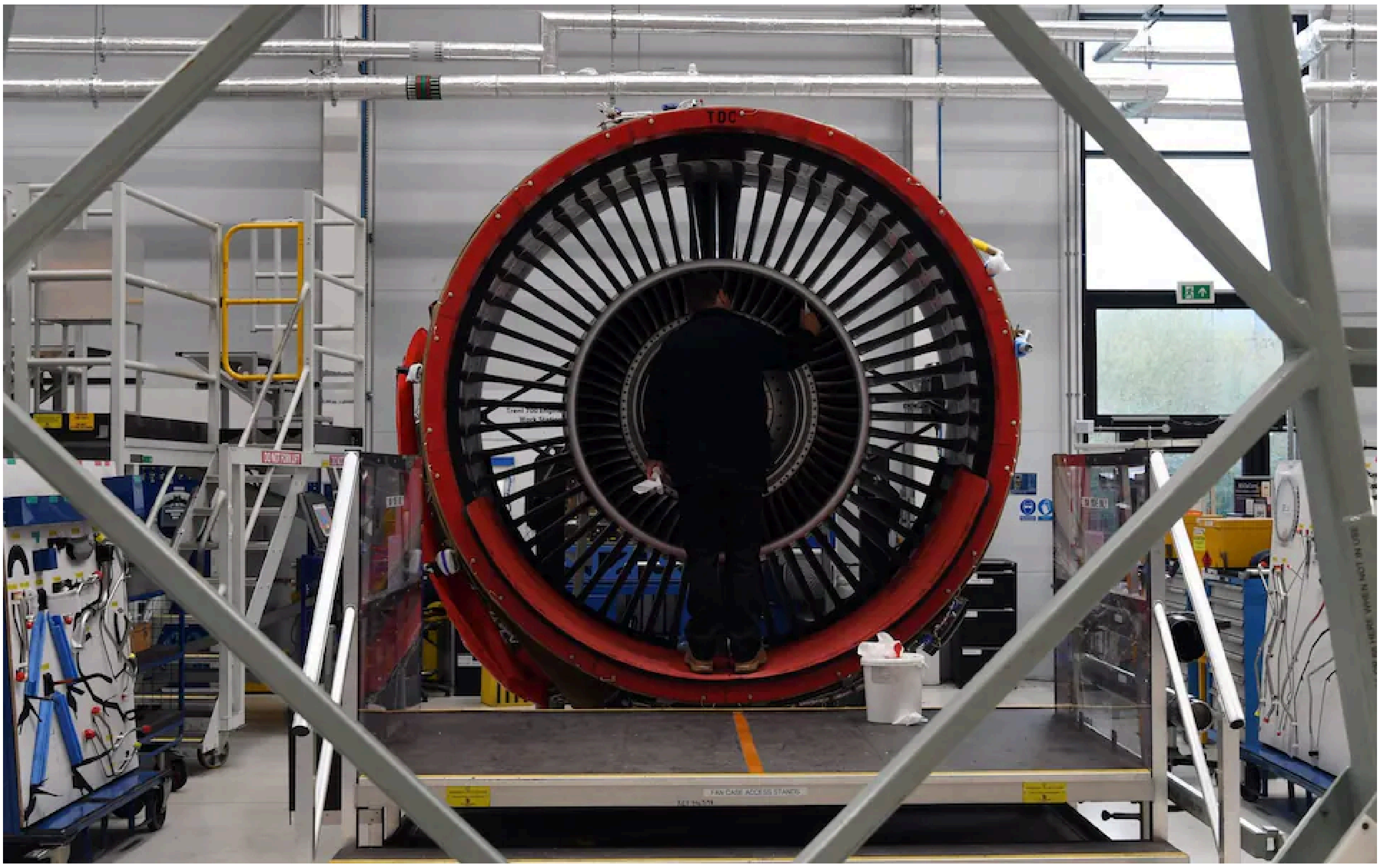
Talk to those on the front line of the current Clean Power 2030 push here in the UK and they'll tell you that they lack all manner of electrical equipment ranging from cabling to transformers to make the grid more flexible.

Robotics, drones and automation feed into another pillar of this industrial revolution as these all require large amounts of critical minerals, many of which we all know by now are hoarded by China. That is now informing geostrategic policy as the scramble for rare earths intensifies.

But those metals require processing and then engineering, much of it done by the big Japanese and German industrials involved in the automation space.

And then there's the final pillar on which this new industrial revolution rests, defence spending.

The European defence spending surge has helped fuel the remarkable rise in the share price of not only Rolls-Royce but also German giant Rheinmetall, another global industrial group.



Demand for aerospace engines, which helped GE Aerospace and Rolls-Royce, might crater Credit: Paul Ellis/Getty Images

Rheinmetall is quite literally an engineering-led metal basher of old, but is now very active in defence tech, including satellite surveillance, and is making a big push into air defence electronics.

This surge in defence spending has in turn had a knock-on effect on industrial metals such as tungsten which has seen demand skyrocket in the last few days.

Tungsten is invaluable because of its extreme hardness, durability and heat resistance, making it indispensable across defence, electronics, nuclear and clean energy.

Chinese businesses such as Jiaxin International dominate this space and unsurprisingly their share price has rocketed in recent days.

The challenge though is that the war in Iran is throwing everything up into the air when it comes to this brave new industrial revolution built on metals and cables.

Demand for aerospace engines, which helped GE Aerospace and Rolls-Royce, might crater. Likewise, those companies feeding into the net zero push might find themselves in a vulnerable spot. If oil prices stay high, global spending might take a hit.

RECOMMENDED
Britain's old-economy giants are the City's new favourite trade
Read more →

Then again, the defence contractors will see a huge uptick in demand as the world enters a more difficult geopolitical space. I also very much doubt that the huge AI rollout in the G7 countries will suddenly fall flat. In fact, it might intensify.

The Magnificant Seven stocks are seen as defensive plays in a time of uncertainty, encouraging these tech leviathans to double down on their AI bets.

My own view is that the industrial engineers of old are just on the cusp of another huge jump in demand as new technologies sweep the world.

Many of my favourite industrial names such as Prysmian, Caterpillar and Honeywell have sold off in recent days and now trade at lower multiples making them worth thinking about again if you buy into the fourth industrial revolution notion.

One final, more optimistic thought. Some market observers such as advisory firm Ocean Wall here in London think that if the industrials recover their momentum, we might even see a dash into the most unloved of all industrial categories, metallurgical coal companies.

They supply the coking coke necessary for the pure-play metal and steel companies, which in turn might feed off renewed demand for industrial products after the war.

If all those damaged oil refineries were to be repaired, these old school companies will be in demand.

Join the conversation

The Telegraph values your comments but kindly requests all posts are on topic, constructive and respectful. Please review our commenting policy.

Related Topics Iran War, Middle East, Income investing, Silicon Valley, Manufacturing industry

License this content

NL Join the conversation, Nadine Lewis-Hartley

NEWEST

MB **Marcus Bliss** · 34 MIN AGO

“But there’s also another: the global digitisation of everything.“

No, digitalisation. You digitise a picture, you digitalise activity.

REPLY LIKE 0 0 REPORT

David Stevenson
Published 13 March 2026 11:00am GMT

More stories


Mediterranean holiday bookings plunge over war fears


I can’t open a bank account because I’m ‘too rich’


Iran has one last trick up its sleeve


How Iran’s ‘horizontal warfare’ could trap Trump in another Vietnam


The tsunami of private credit losses threatening a financial crisis


Husband who allegedly drove wife to suicide demanded lunch at same time every day

More from Business

Reeves has killed growth and the Bank of England can't save her

Save

The investments that will bounce back from the Iran crisis

Saved

Gas won't run out but it will get even more expensive. Net zero is to blame

Save

LIVE Markets | Iran war 'pushing Britain towards recession'

Save

Heritage pottery brand on brink of collapse puts 500 jobs at risk

Save

Markets | Economy flatlines ahead of Iran shock

Save

Race to secure arms triggers supply crunch

Save

US lifts sanctions on Russian oil

Save

More from The Telegraph

I went from a size 16 to a size eight by swapping wine for weight training

How the most typically French car came to be built in Slough

Saudi Arabia to redirect most oil exports 'within days' to avoid Strait of Hormuz

How a well-meaning prison perk led to the violent death of Ian Huntley

Trump offers Cuban regime 'off-ramp' deal

Violent asylum seeker flees court during trial

The Telegraph

Back to top

Follow us on:

Download the Telegraph App

Podcasts

Help Centre

Branded Content

Reader Prints

Careers

Announcements

Guidelines

Newsletters

Tax Strategy

Subscribe

Modern Slavery

Gift Subscriptions

Recommended

Licensing and Syndication

Betting

Privacy

Theatre Tickets

About us

Puzzles

Terms & Conditions

Crosswords

Advertising terms

Cryptic Crossword

Subscription Terms & Conditions

Plusword