

Market Pulse | Question of the Week

Geopolitical Spotlight: Israel-Iran Conflict





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Geopolitical Spotlight: Israel–Iran Conflict – What It Means for Markets

Israel recently launched a large-scale military campaign, named “Operation Rising Lion,” targeting Iran’s nuclear infrastructure. The coordinated strikes — involving both fighter jets and drones — reportedly hit over 100 sites across Iran.

Key targets included:

- Uranium enrichment facilities in Natanz and Fordow, central to Iran’s nuclear programme.
- Several missile bases.
- The headquarters of the Islamic Revolutionary Guard Corps (IRGC).

The operation also resulted in the deaths of several high-ranking Iranian military officials, including top commanders, and at least nine nuclear scientists.

Iran responded by launching hundreds of missiles and drones toward Israeli cities. While most were intercepted by Israel’s Iron Dome defence system, the strikes still resulted in 14 reported fatalities and injuries to hundreds of civilians.

The United States distanced itself from the attacks, with Secretary of State Marco Rubio stating that Israel acted unilaterally, though observers continue to monitor the extent of indirect support or coordination.



Why It Matters

Markets responded swiftly to the developments:

- **Crude oil prices surged over 7%**, with Brent crude briefly reaching USD 76 per barrel on fears of supply disruption.
- **Global equities declined**, with the Dow Jones Industrial Average down 1.8% and the S&P 500 Index falling 1.1%.
- **Safe-haven assets rallied**, including gold, the U.S. dollar, and defence-related stocks, as investors sought protection amid rising geopolitical risk.

While concerns remain elevated, the likelihood of a full-scale war seems unlikely. Israel and Iran are separated by over 1,000 kilometres, with multiple countries in between — making direct, sustained military confrontation challenging.

A key focus for markets is the **Strait of Hormuz**, a strategic chokepoint through which nearly 30% of global seaborne oil passes. Although it remains a potential risk, Iran is unlikely to disrupt the waterway due to its own reliance on the route for oil exports.



Our View

While markets may remain volatile in the short term, history shows that they often stabilise once uncertainty is priced in — as seen during the early stages of the Russia–Ukraine conflict in 2022.

At this stage, we are not making significant changes to portfolio positioning. We continue to monitor developments closely, with a focus on maintaining portfolio resilience through diversification, quality exposures, and a disciplined long-term strategy.

Investors are encouraged to remain calm and focused on long-term goals. While the headlines are unsettling, the broader market impact is likely to normalise unless the conflict escalates materially.

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