

Iranian War and Its Implications

2 March 2026

Overview

- Geopolitical risk has spiked after US-Israel strikes on Iran, but the conflict is likely to remain contained given Iran's limited ability to escalate.
- Markets should see temporary volatility with safe haven strength and energy upside, but no sustained economic shock unless the war somehow turns long drawn.
- We anticipate high commodity impact but lower equity and fixed income impact. We view our overweight in equities as unharmed with earnings retaining double digit growth in US and EM.
- Singapore's stability premium is set to rise, attracting capital inflows and supporting SGD as Middle Eastern "safe hubs" come under pressure.

Market Move Summary – What happened?

Over the weekend, the US and Israel launched coordinated, large-scale strikes across Iran, targeting missile sites, air defence systems and nuclear linked infrastructure, including facilities near Isfahan, Natanz, Fordow and Tehran. The operation followed months of escalating tensions and was framed by the US officials as necessary to "wipe out the regime's military capabilities" and deter nuclear advancement. Iran responded with missile and drone salvos into the Gulf, hitting infrastructure across the UAE, Qatar and Bahrain in a broad regional retaliation campaign.

A near total internet blackout and cyber disruptions inside Iran culminated in limited visibility on the full scale of damage and internal stability. The strikes also triggered political shockwaves, with global criticism of Washington and Tel Aviv, though several Gulf states reportedly expressed relief given their longstanding security concerns.

Strategically, the conflict's timing appears driven by three factors. Firstly, it probably aims to avoid major Muslim holidays, reducing the risk of mass casualty targets. Secondly, the US-Israel decision could be aimed at pre-empting weapons reinforcement from Iran-friendly states. Finally, failure to act decisively after setting clear "redlines" would signal a lack of overall American credibility. These motives remain interpretive but align with operational patterns and US impatience shown in the diplomatic breakdowns.

What is the potential impact?

Iran could be to adopting an "escalate to de-escalate" posture where they are firing "everything everywhere at everyone". The broad targeting of regional peers could be to compel bargaining while avoiding catastrophic escalation. However, Iran's conventional capabilities remain impaired, and large-scale retaliation is unlikely to shift the strategic outcome. The main risk lies in soft target attacks outside the Middle East, including in Southeast Asia.

Impact on oil markets

Iran produces roughly 3.3 million barrels per day, far below Saudi Arabia's 10 million, limiting its standalone impact on supply. Yesterday, OPEC+ has already signalled willingness to offset disruptions. The larger systemic risk is the Strait of Hormuz, which handles ~20% of global seaborne oil trade, far more material than Iran's own output. If shipping flows remain intact—as they did in initial trading sessions—the global oil shock should be acute but transient.

Safe-haven assets

We expect strength in the traditional safe havens. These include USD, CHF, Gold, US Treasuries. We would highlight to investors who have borrowed CHF as a cheap funding currency to be watchful due to its continued appreciation. Gold will likely gap higher but could retrace if contagion risks are contained.

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Singapore considerations

With perceived “safe states” like Dubai hit in this widening conflict, we believe Singapore’s premium for stability could increase during this geopolitical stress. This is especially important as the middle east remains highly reliant on immigrant talent to drive growth. As such, capital inflows would likely accompany continued formation of single family and multi-family offices. This could reinforce SGD stability.

Our investment views

Base-case market stance: We expect volatility and modest drawdowns, but not a regime shift. Intraday movements of Saudi Stock Market on 1 Mar suggest the ongoing conflict could be relatively contained with losses pared on close. Historically, geopolitical shocks—without sustained supply damage or policy tightening—rarely derail global growth.

We advocate selective buying if indiscriminate selling emerges, especially in quality global equities and credit. Gaining defensive exposure via structured products remains appropriate.

We maintain exposure to safe havens, with a flexible approach to gold as upside risk may fade quickly if de-escalation takes place.

We are tactically constructive on the Energy stocks near term, but we anticipate mean reversion once supply continuity is confirmed. We will watch for USD strength, particularly against regional currencies.

Our overweight in US equities remains intact as S&P500 is expected to grow earnings ~14% in 2026. Even if this is degraded to 12%, this remains appealing with Mag7 valuations falling from a peak of 33x to 26x today. Emerging markets are fragmented, with South Korea and Taiwan performing while offshore China rather disappointing. That said, we are still early in the year and expect investors to reallocate to China on lower valuations and net allocations still negative on a 12-month basis.

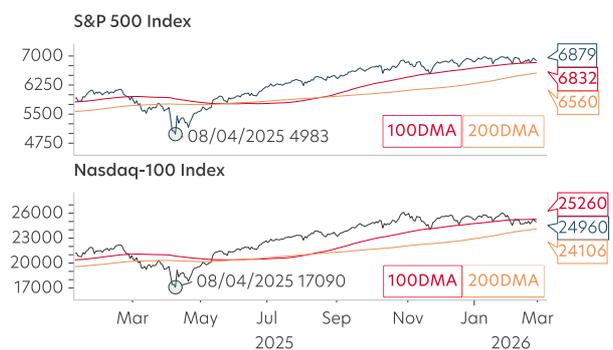
Final thoughts

The war against Iran was effectively “inevitable”, based on the view that Iran will not abandon its pursuit of nuclear weapons without the use of force. The June 2025 conflict exposed Iran’s inability to defend its territory, while its proxy forces - Hezbollah, Hamas and the Houthis - were significantly weakened. From the regime’s perspective, acquiring nuclear capability became essential for survival, making negotiations a means to buy time rather than a path to resolution. Diplomacy has reached its limits, and force was seen as unavoidable.

While the Iranian regime is now precarious, regime change is far from assured and any successor, particularly an IRGC dominated one, could be more repressive. Iran’s retaliation is expected but unlikely to alter the conflict’s outcome, though risks to soft targets (essentially all US assets globally) remain. Globally, criticism of the US and Israel will be loud, but many regional actors will be quietly relieved. Neither Russia nor China appear ready to materially intervene.

Overall, while the geopolitical backdrop is severe, the macro and market implications should remain contained, and we continue to position for selective opportunities amid volatility.

Figure 1: Major US indices and their support levels

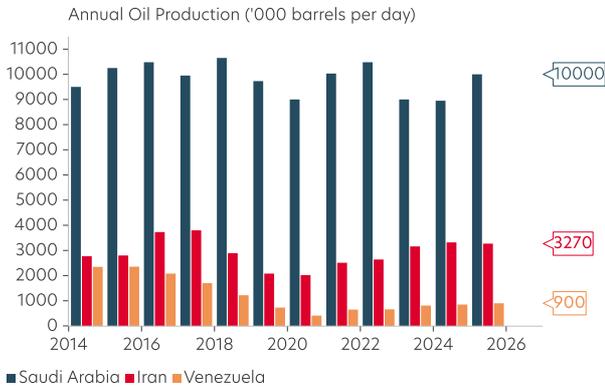


Source: Bloomberg, UOB Private Bank

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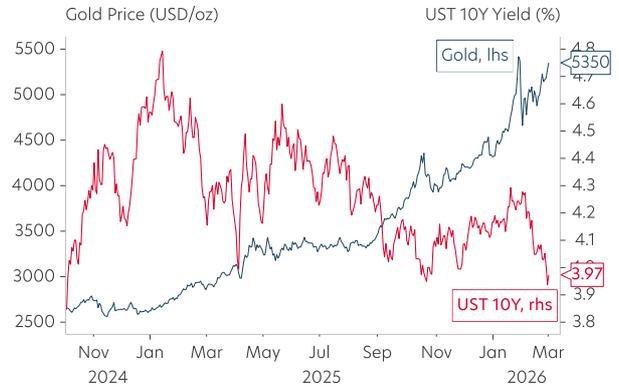
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Figure 2: Iran's oil production is 1/3 of Saudi's



Source: Bloomberg, UOB Private Bank

Figure 5: Safe havens receiving bids



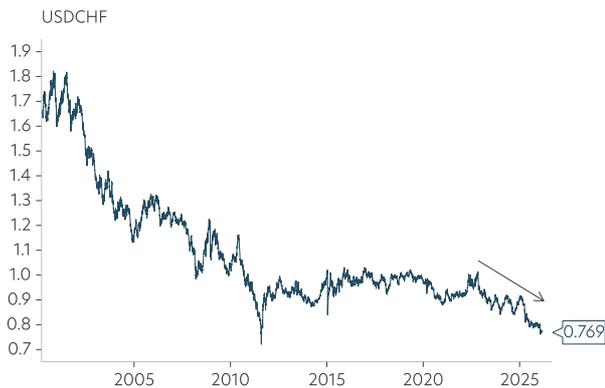
Source: Bloomberg, UOB Private Bank

Figure 3: Names of top Iranian officials killed

| Name | Position | Source Confirmation |
|---------------------------|--|---|
| Ali Khamenei | Supreme Leader of Iran | Confirmed by IRNA and widely by international outlets |
| Ali Shamkhani | Senior Advisor / Former SNSC Secretary | Listed among killed senior officials by Al Jazeera & IDF-attributed reporting |
| Mohammad Pakpour | Commander, IRGC Ground Forces | Confirmed killed by Al Jazeera and IDF-sourced reports |
| Aziz Nasirzadeh | Minister of Defence | Confirmed killed by Al Jazeera and Iranian TV reports via Shafaq News |
| Saleh Asadi | Head, Intelligence Directorate (Khatam-al-Anbiya HQ) | Included in consolidated casualty lists and IDF-sourced reporting |
| Mohammad Shirazi | Head, Military Office of the Supreme Leader | Listed in compiled fatality lists and IDF-sourced reports |
| Abdolrahim Mousavi | Chief of Staff, Iranian Armed Forces | Reported killed by Al Jazeera and confirmed by Iranian TV via Shafaq News |

Source: IRNA, Al Jazeera, IDF, Shafaq News

Figure 4: CHF appreciation a one-way street



Source: Bloomberg, UOB Private Bank

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