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Prolonged U.S.-Iran Conflict: The Strait of Hormuz Stays Shut

What are the implications?

1. History and Geography
2. Asset Class Implications

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1. History and Geography

One and the same thing – in this region

- *U.K. played a prior external role (Light Footprint, High Leverage):*

- *Britain policed the entire Persian Gulf, with*
- *Relatively small naval detachments,*
- *Diplomatic envoys, and small garrisons,*
- *Relying on treaties and local tribal levies to maintain order.*

- *U.S. now? (Massive Military Infrastructure): The U.S. maintains a massive regional footprint–*

- *Headquarters for USCENTCOM and the Fifth Fleet in Bahrain,*
- *Al Udeid Air Base in Qatar (the largest U.S. base in the Middle East), and*
- *Major logistics hubs across Kuwait, the UAE, and Saudi Arabia.*

The Persian Gulf Region & Dependence on the Strait of Hormuz

Here are the Numbers from the Important Surrounding Countries: Details on 2025 GDP and 2025 Oil Exports.

Persian Gulf & The Strait of Hormuz: A Strategic Gateway to Global Energy & Trade, Details of GDP and Oil % Numbers of Important Surrounding Countries



Country	2025 Crude exports* (mb/d)	Crude through Hormuz	Approx. % of world Crude exports	Dependence on Hormuz	2025 GDP (\$bn)	Share of 7-Country GDP	Important Major Non-Oil Economic Activities
SA Saudi Arabia	6.09	5.43	~13.8%	Very high	1,276.90	43.00%	Tourism, Retail, Construction, Transport etc
IQ Iraq	3.35	3.32	~7.6%	Very high	264.2	8.90%	Agriculture, Food Processing, Transport etc
AE UAE	3.12	2.02	~7.1%	High	571.6	19.20%	Finance, Tourism, Trade, Real Estate etc
IR Iran	1.66	1.69	~3.8%	Very high	371.2	12.50%	Manufacturing, Agriculture, Mining etc
KW Kuwait	1.4	1.4	~3.2%	Very high	157.8	5.30%	Finance, Real Estate, Construction etc
OM Oman	~0.8	~0	~1.8%	Low/Moderate	109.6	3.70%	Logistics, Ports, Mining, Fisheries etc
QA Qatar	~0.5	0.73	~1.1%	Very high for LNG	221.2	7.40%	particularly Natural Gas Finance, Tourism etc
Total	~16.9	14.95	~38%	—	~2,973	100%	—

(Oman & UAE is not included in opec Countries but these two are surrounding Countries)

The Strait of Hormuz is more important to the United States indirectly than directly. For Global Trade, it is a vital gateway for Middle Eastern Oil and LNG, with roughly 20.9 million barrels/day of Oil flows in 1H(2025). For the U.S., direct dependence is relatively small, but disruption can still produce higher Global Energy prices, Inflation, Higher Transportation Costs, pressure on U.S. allies and major geopolitical consequences.

https://www.eia.gov/international/analysis/special-topics/World_Oil_Transit_Chokepoints?

Aspect	Global Trade	U.S. Trade/Economy
Oil dependence	Extremely high	Moderate direct dependence
LNG dependence	Very high	More limited direct dependence
Main affected regions	Asia, especially China, India, Japan, South Korea	U.S. Consumers, industries and allies
Direct U.S. Oil exposure	—	~7% of U.S. Crude/condensate imports
Price impact	Potentially enormous	Potentially significant
Strategic importance	Critical Global chokepoint	Critical for Energy security and Foreign policy

<https://www.opec.org/assets/assetdb/asb-2025.pdf?>

Historically: Why is Iran in control of one side of the Persian Gulf, while 6 other Arab countries split the other side?

The asymmetrical geopolitical landscape of the Persian Gulf—where Iran controls the entire northern coastline while six distinct Arab states share the southern shore—is the product of geography, imperial competition, and the differing collapse of local political structures over the past three centuries.

• 1. Geography and Topography

• The fundamental divide begins with the physical landscape:

- **The Iranian North (Unitary Landmass):** The northern shore of the gulf is bordered by the continuous, formidable **Zagros Mountains**. This mountain wall creates a natural inland boundary that kept the coast integrated into the major Persian empires centered on the Iranian plateau (Safavid, Afsharid, Qajar, and Pahlavi) for centuries.

- **The Arab South (Fragmented Oases and Ports):** The southern shore consists of low-lying desert hinterland, salt flats, and coastal oases separated by vast stretches of arid territory. Historically, this topography favored localized tribal polities centered around natural harbors and freshwater wells, rather than a single unified land empire.

• 2. Early Modern Empires: Imperial Consolidation vs. Local Sheikhdoms

- During the 16th to 18th centuries, two very different political trajectories developed on opposite sides of the gulf:

- **Centralized Persian Statecraft:** Following the expulsion of the Portuguese in the 17th century, a succession of Persian dynasties (most notably under Shah Abbas I and Nader Shah) systematically unified and asserted sovereign control over the northern coastline, establishing key port cities like Bandar Abbas.

- **Tribal Sheikhdoms along the South:** The southern coastline was home to autonomous maritime tribes and dynasties (such as the Al Qasimi of Sharjah/Ras Al Khaimah, the Bani Yas in Abu Dhabi and Dubai, the Al Khalifa in Bahrain, and the Al Thani in Qatar). These tribal networks operated independently along discrete sections of the coast.

• 3. British Imperial Strategy and the "Trucial System"

- The decisive historic force behind the fragmentation of the southern shore was the intervention of the British Empire during the 19th and early 20th centuries.
- **Pax Britannica in the Gulf:** To protect trade routes to British India and suppress maritime raiding, Britain established treaties with individual tribal leaders along the southern coast rather than conquering or unifying the area.
- **The Trucial States:** Starting with the General Maritime Treaty of 1820 and culminating in the Perpetual Maritime Truce of 1853, Britain created a system of protectorates. Each local sheikh signed individual agreements guaranteeing British military protection in exchange for exclusive foreign policy control.

- **Preserving Political Fragmentation:** This protectorate model effectively froze the political borders of these small coastal enclaves in place, preventing any single Arabian regional power (such as the House of Saud or Oman) from unifying the entire southern shore.

• 4. Decolonization and the Modern Map (1971)

- When Britain announced its military withdrawal from "East of Suez" in the late 1960s, the modern political map was finalized:
- **Iran's Unified Transition:** Iran transitioned into a modern state under the Pahlavi dynasty with its historical, continuous coastline intact, stretching over 1,500 kilometers from the Shatt al-Arab waterway down to the Strait of Hormuz.

- **The Arab South's Post-Imperial Map:** On the southern side, the former British protectorates gained independence as separate sovereign entities:

- **Kuwait, Bahrain, Qatar, and Oman** elected to remain separate independent nations.
- **Seven distinct Trucial Sheikhdoms chose to unite, forming the United Arab Emirates (UAE) in December 1971.**
- **Saudi Arabia**, which had consolidated the desert interior in the early 20th century, secured its own direct access points to the Persian Gulf.

Economic Factors: (1) Impact of the U.S. and Iran War, and (2) The two countries respective stakes in the Strait of Hormuz.

Two Real Time Scenario Tables

Economic Factors(on left) & Oil & LNG (on right) Real Time Scenario Tables during the current US-IRAN war and Hormuz Shock

The Impact of US-Iran War		
Economic factor	us United States	IR Iran
Overall impact	Significant but manageable	Severe Economic crisis
Currency	U.S. dollar remains relatively strong and is a Global reserve Currency	Rial faces severe Depreciation, increasing the cost of imports
Consumer purchasing power	↓ Moderate decline	↓↓↓ Severe decline
Food prices	Higher Transportation and fertilizer costs can raise food prices	Major pressure from import shortages, Currency Depreciation and Transportation disruptions
Business costs	Energy, freight and manufacturing costs ↑	Import costs and Production costs ↑↑
Government finances	Military spending ↑, potentially increasing the federal deficit	Revenue ↓ while military/reConstruction spending ↑, creating severe fiscal pressure
Financial markets	Stock-market volatility; Energy and Defense companies may benefit	Financial isolation and capital flight intensify
Banking system	Remains broadly functional and connected to Global markets	Increasingly isolated from Global financial system
Foreign investment	Some investment may shift toward U.S. Energy and Defense	Foreign investment falls sharply
Manufacturing	Energy-intensive industries face higher costs	Severe disruption due to shortages of technology, machinery, components and finance
Aviation	Higher fuel costs hurt Airlines	Severe disruption; U.S. sanctions now target Iran's remaining aviation sector and related Foreign intermediaries
Employment	Potential slowdown in Energy-intensive sectors; Defense/Energy employment may rise	Unemployment and Under-employment likely to worsen
GDP growth	Slower growth / Recession risk if Oil shock persists	Deep Recession/Contraction risk
Long-term Productive capacity	Moderate damage if conflict is prolonged	Severe damage to Infrastructure and Productive capacity
Main Economic problem	Stagflation risk — Inflation ↑ + growth ↓	Inflation + Currency crisis + Shortages + Recession
Ability to absorb the shock	High — Diversified Economy, Domestic Energy Production, Deep Financial markets	Low — sanctions, weak Currency, limited Foreign exchange and dependence on Oil
Overall Economic vulnerability	● Moderate	● Very high

<https://www.reuters.com/world/middle-east/iran-tackle-Economic-issues-says-further-attacks-will-be-more-painful-2026-09-06/>

U.S.–Iran: Stakes in Hormuz		
FACTOR	us UNITED STATES	IR IRAN
Direct geographic position	Outside the Strait	Northern side of Strait
Oil producer	Very large	Large
Oil exporter	Large	Large
Dependence on Hormuz	Relatively low directly	High strategically
Dependence on Global Oil prices	High	Very high
Major Trade role	Global importer/exporter	Regional/Global exporter
LNG importance	Major producer/exporter	Huge gas reserves but relatively limited LNG exports
Relationship with Iran	Sanctions/adversarial	—
Military presence around Hormuz	Very significant	Very significant
Main Economic concern from disruption	Higher Global Oil prices, Inflation, supply-chain effects	Loss/restriction of Oil exports and imports
Main strategic concern	Freedom of navigation	Sovereignty, sanctions, and control of nearby waters

<https://openknowledge.worldbank.org/bitstreams/1c94cb80-5f40-408f-a5c7-c7cfd97dc438/download?>

(1) Referencing ORB: The Opec Reference Basket. (2) Changes to the U.S. Energy Landscape: Renewable Energy and Market Metrics for U.S. Gasoline

The top 2 boxes are from OPEC.org. The bottom 2 boxes are from the EIA.gov.

Tables Showing Impact of U.S - Iran War on OPEC Reference Basket (ORB) (at top), Changes in U.S Renewable Energy Landscape and Widely followed Metrics and Measures of Gasoline (at bottom)					
The Short-Term and Long-Term Impacts of a U.S – Iran Conflict on the OPEC Reference Basket (ORB), Broken Down Across Four Core Dimensions			The Structural and Price Behaviors of the OPEC Reference Basket (ORB) Before and After a U.S – Iran War		
Dimension	Short-Term Effect	Long-Term / Structural Effect	Market Factor	Pre - War Phase (Build-Up & Tensions)	Post - War Phase (Hostilities End / Recovery)
Basket Price & Risk Premium	Sharp Upward Surge: Immediate Price Spikes Driven by Supply Disruption Fears, Physical Threat to Export Infrastructure, and Surging Tanker Insurance Rates through the Strait of Hormuz.	Normalization or Compression: Prices Adjust Downward over Time as Non-OPEC Supply Enters the Market and Demand Falls due to Energy-Driven Inflation.	Primary Price Driver	Speculation & "War Premium": Fear of Upcoming Blockades, Trade Embargoes, and Attacks on Energy Infrastructure.	Physical Market Fundamentals: Actual Available Supply vs. Reduced Global Demand.
Sour vs. Light Grade Spreads	Widening Spread: Disproportionate Spike in the ORB because its Heavily Weighted Medium-to-Heavy Sour Grades (e.g., Arab Light, Basrah Medium) Face Localized Supply Shortages Relative to Lighter Benchmarks (e.g., WTI).	Refinery Re-Tooling: Global Refiners Permanently Adjust Yield Configurations or Switch Crude Sourcing to North American or South American Heavy/Sweet Alternatives.	ORB Price Dynamics	Steady Upward Drift; Extreme Volatility Based on Geopolitical Headlines and Troop Movements.	Post-War Collapse ("Gulf War Syndrome"): Sudden, Sharp Downward Crash Once Military Outcomes Are Clear.
Market Share & Export Flow	Immediate Volume Loss: Strait of Hormuz Bottleneck Chokes Physical Exports from Key Producers (Saudi Arabia, Iraq, Kuwait, UAE, Iran), Stalling Crude Shipments.	Permanent Loss of Market Share: Accelerated Market Share Capture by Non-OPEC Producers (U.S., Brazil, Guyana) with Safer Shipping Corridors.	Sour vs. Light Spreads	ORB Grades Trade at a Premium as Refiners Hoard Heavy/Sour Crude in Anticipation of Gulf Shut-Ins.	Spreads Normalize or Widen Toward Sweet Crudes as Non-OPEC Production Floods the Market.
Group Cohesion & Pricing Sway	Pipeline & Geographic Divergence: Members with Bypass Pipelines (e.g., Saudi East-West Pipeline) or Non-Gulf Locations (Algeria, Nigeria) Capture Huge Price Premiums While Gulf-Bound Members Face Stranded Oil.	Erosion of Pricing Power: Internal Quota Disputes Escalate over Lost Market Share, Weakening OPEC's Long-Term Ability to Act as the Global Market's Swing Producer.	Buyer Sourcing Behavior	Panic Buying, Stockpiling, and Commercial Inventory Builds.	Drawdown of Bloated Commercial Stocks and Strategic Petroleum Reserves (SPR).
			OPEC Group Dynamics	High Solidarity; Members Push Quotas to Maximum Capacity to Capture High Prices.	Quota Disarray: Conflict-Damaged Members Scramble to Overproduce to Fund Reconstruction.
Source : https://www.opec.org/opec-reference-basket-orb.html , https://publications.opec.org/asb/archive/chapter/108/1638/1643			Source : https://www.opec.org/opec-reference-basket-orb.html , https://publications.opec.org/asb/archive/chapter/108/1638/1643		
The Renewable Energy Landscape Over The Past 6 To 8 Months In U.S			The Well Known Market Metrics and Measures followed for Gasoline		
Category	Past 6–8 Month Figures	Key Drivers & Trends	Category	Metric / Index	Description / Purpose
Capacity Additions	~25+ GW of Clean Power Added (Record 17.1 GW in Q2 Alone)	Solar & Storage Dominate: Accounted for ~70–90% of All New U.S. Electric Grid Additions. Utility-Scale Solar Saw a 61% YoY Jump in Q2.	Fuel Quality & Performance	Octane Rating (AKI)	Anti-Knock Index ($\frac{\text{RON} + \text{MON}}{2}$) Is Used at Pumps in North America (e.g., 87, 93) to Measure Resistance to Engine Knocking.
New Investments	\$136+ Billion Total Clean Capital Deployed (\$75B in Q2 Alone, Up 22% QoQ)	Data Center PPAs: Tech Hyperscalers Drive Unprecedented Long-Term Power Purchase Agreements (PPAs) to Backstop AI Server Energy Consumption.		RON & MON	RON (Research Octane Number) Tests Performance under Mild Conditions; MON (Motor Octane Number) Tests Performance under High-Load Conditions.
Battery Storage (BESS)	Record ~10 GWh Added per Quarter; National Storage Surpassed 50 GW	Grid Smoothing: Battery Installations Surged as Developers Aggressively Paired Storage with Solar to Manage Peak Prices and Avoid Curtailment.		Reid Vapor Pressure (RVP)	Measures Fuel Volatility. Lower RVP is Required in Summer to Prevent Evaporative Emissions; Higher RVP is Used in Winter for Easy Starting.
Land-Based Wind	Major Rebound (5 GW Added in Q2)	Mega-Projects: Anchored by Landmark Utility Developments like Pattern Energy's 3.65 GW SunZia Wind Project in New Mexico.		Driveability Index (DI)	Assesses Cold-Start Performance and Warm-Up Smoothness Based on Distillation Temperatures (\$T_{10}\$, \$T_{50}\$, \$T_{90}\$).
Manufacturing & Policy	Domestic Solar Module Capacity Reached ~66 GW	Safe Harbor Rush & Tariffs: Massive Buildout Driven by Safe-Harbor Tax Deadlines, Alongside New 15% Tariffs on Imported Polysilicon and Cells.		Particulate Matter Index (PMI)	Quantifies It (a Fuel Blend's Propensity) to Generate Soot and Fine Particle Emissions during Combustion.
			Market & Pricing Benchmarks	NYMEX RBOB	Reformulated Blendstock for Oxygenate Blending; The Main Futures Benchmark Contract for Unleaded Gasoline in North America.
				Platts Benchmarks	Regional Spot and Wholesale Pricing Indices (e.g., Eurobob in Europe, US Gulf Coast) Published by S&P Global Commodity Insights.
				Crack Spread	A Metric Evaluating Refinery Margin Profitability (e.g., a 3:2:1 Ratio Comparing 3 Barrels of Crude to 2 of Gasoline and 1 of Distillate).
			Commercial & Retail	Cents Per Gallon (CPG)	Measures Gross Profit Margin per Gallon at Retail Pumps after Product and Freight Costs.
				Throughput	Measures Total Gasoline Volume Sold per Station, Pump, or Region over a Given Time Frame.
Source : https://www.eia.gov/todayinenergy/detail.php?id=67205&utm_source=https://www.reuters.com/sustainability/climate-energy/business-us-is-still-betting-clean-energy			Source : https://www.eia.gov/dnav/pet/pet_pri_spt_s1_w.htm , https://view.argusmedia.com		

Did Iran ever get included in OPEC, and was OPEC a result of decolonization?

Yes to both questions: Iran was not just included in OPEC—it was one of its five founding members, and OPEC was directly tied to the global era of decolonization.

- OPEC = Organization of the Petroleum Exporting Countries

- **1. Iran's Role in OPEC**

- Iran did not join OPEC after the fact; it helped build it.
- **Founding Member (1960):** OPEC was established at the **Baghdad Conference in September 1960** by five original sovereign states: **Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela.**
- Energy Education
- **Early Leadership:** An Iranian diplomat, **Fuad Rouhani**, served as OPEC's very first Secretary-General from 1961 to 1964. عبدی مدیا
- **Historical Driver:** Iran was deeply motivated to create OPEC due to its own bitter history with Western energy dominance.
- In 1951, Iranian Prime Minister Mohammad Mosaddegh nationalized the country's British-controlled oil industry, leading to a Western boycott and a 1953 US/UK-backed coup.
- Creating a collective coalition of oil producers was viewed as a way to prevent Western cartels from single-handedly controlling global oil pricing and supply.

- **2. Was OPEC a Result of Decolonization?**

- **Yes.**
- OPEC was fundamentally an economic expression of the mid-20th-century decolonization movement and the push for Post-Colonial Sovereignty.
- **Reclaiming Resource Sovereignty:** During the colonial era, vast oil reserves in the Middle East, Africa, and Latin America were controlled by a cartel of major Western multinational corporations known as the **"Seven Sisters"** (such as British Petroleum, Shell, and Exxon). These corporations dictated production levels and unilaterally cut the posted prices of oil, starving developing nations of revenue.
- **The Wave of Global Independence:** The 1950s and 1960s saw dozens of nations throw off European colonial rule. Newly independent states realized that political independence was hollow without economic sovereignty—specifically over their own natural resources.
- **Institutionalizing the Movement:** In 1968, OPEC adopted its landmark Declaratory Statement of Petroleum Policy in Member Countries, explicitly invoking the principle that all nations have an inalienable right to exercise sovereignty over their natural resources for national development.
- Organization of the Petroleum Exporting Countries
- **Expansion in the Decolonization Era:** As former colonies across Africa and Asia gained independence throughout the 1960s and 1970s, they immediately joined OPEC to break free from Western corporate exploitation—including **Libya (1962), Indonesia (1962), Algeria (1969), and Nigeria (1971).**
- By pooling their leverage, OPEC converted what had been a system of colonial-era resource extraction into a mechanism where global-south nations set the price and production of their own primary export.
- **Even when physical exports through the Strait of Hormuz are heavily constrained or blocked, Iran retains its sovereign membership in the cartel.**

Effects on U.S. Inflation and U.S. Interest Rates: Due to the U.S.-Iran Conflict & the Hormuz Disruption

Nominal and Real interest Rates; Headline and Core CPI

Theoretical & Numerical Representation Of Inflation & Interest Rates in US due to US-IRAN War & Hormuz Disruption

Effect on Inflation and Interest Rates in US			% Changes in Nominal & Real Rate and its relation to Inflation Rate				
Factor	U.S. Inflation	U.S. Interest Rates	Scenario	Nominal rate	Inflation	Approx. real rate	Borrowing burden
Current Direction	↑ Rising	↑ Higher / tighter policy expectations	Before conflict	5.00%	2.50%	2.50%	Medium
			Hormuz shock – initial	5.25%	4.00%	1.25%	Medium
			Persistent conflict	6.00%	4.00%	2.00%	High
Hormuz Impact	Oil-price shock can push Inflation higher, especially energy and transportation prices	Higher Inflation can make the Fed less willing to cut rates and may increase the chance of a rate hike	Effect on Inflation and Interest Rates in US(Numerical Presentation over the past 4 months)				
Main Transmission	Oil ↑ → Gasoline/Diesel ↑ → transportation & production costs ↑ → consumer prices ↑	Inflation ↑ → Fed maintains or raises policy rates → borrowing costs ↑	U.S. Inflation & Interest Rates	May-26	Jun-26	Jul-26	Aug-26
Short-term Effect	Inflationary	Higher-for-longer / potentially higher	Headline CPI inflation (YoY)	4.20%	3.80%	3.40%	3.40%
If Hormuz disruption is prolonged	Inflation could remain elevated and spread beyond energy	Fed may keep rates restrictive for longer despite weaker economic growth	Core CPI inflation (YoY)	2.90%	2.80%	2.40%	2.40%
If Hormuz disruption ends quickly	Energy Inflation could ease relatively quickly	Pressure for higher rates could diminish, allowing future rate cuts	Monthly CPI change	0.50%	-0.10%	0.20%	0.40%
Key Risk	Stagflation: higher Inflation combined with weaker economic growth	Fed faces a dilemma: fight Inflation with higher rates or support economic growth with lower rates	Fed funds target range	3.50–3.75%	3.50–3.75%	3.50–3.75%	3.50–3.75%*
Overall Relationship	Hormuz disruption → Inflation ↑	Inflation ↑ → Interest rates likely stay higher for longer	Fed target inflation	2.00%	2.00%	2.00%	2.00%
			Inflation above target	+2.2 pp	+1.8 pp	+1.4 pp	+1.4 pp
			Hormuz/war effect	Energy shock begins lifting inflation	Energy prices ease temporarily	Inflation moderates	Gasoline rebound pushes CPI higher
			Interest-rate implication	Higher-for-longer	Hold	Hold	Greater probability of rate hike

<https://www.reuters.com/world/us/us-consumer-inflation-picks-up-august-2026-09-11/?>

<https://www.reuters.com/world/us/us-consumer-inflation-picks-up-august-2026-09-11/?>

3 Scenario Tables: What Treasury Secretary Bessent Can and Can't Do?

The 3 tables show you what are Treasury Secretary's Market Interventions, what are the Fed's Options, and what could be Fed Thinking.

3 Scenario Tables showing Treasury Secretary's Market Interventions, Fed's Options & Fed's thinking on US-IRAN War

The Impact of Scott Bessent's (Treasury secretary) tampering with Interest rates and exchange rates in US			
Instrument	Who controls it?	What Bessent/Treasury can do	Effect in a Hormuz shock
Federal funds rate	Federal Reserve/FOMC	Cannot directly set it	Oil → Inflation → potentially Higher Fed rates
10/30-year Treasury yields	Bond market	Treasury can alter issuance composition and conduct buybacks; Bessent can communicate Policy	Can temporarily affect liquidity/supply, but market can overwhelm Treasury
USD exchange rate	Market	Treasury can influence through FX diplomacy/intervention and Policy signaling	A weaker USD makes Imported Oil more expensive in USD terms; stronger USD partially offsets Oil shock
Oil Price	Global Commodity market	Treasury has little direct control	Hormuz disruption is the primary shock
Inflation expectations	Market/Households/Businesses	Fiscal/FX/Debt Policy can influence them	This is where credibility becomes crucial
Fed independence/expectations	Fed + Financial Markets	Administration/Treasury can pressure or communicate, but cannot legally dictate FOMC decisions	Attempts to suppress rates can actually push long yields up if Markets expect Higher Inflation

Chances of Trajectory change		
Potential development	Possible Trajectory implication	Fed Response available
Market volatility rises but Inflation remains contained	Greater scope to ease Financial conditions	Rate cuts, Forward guidance
Funding/Repo stress emerges	Liquidity stabilization becomes priority	Standing Repo operations, Open-market operations
Banking-system liquidity becomes strained	Prevent disorderly tightening of credit	Discount window, reserve management
Growth/employment deteriorates materially	Policy could shift to Ward accommodation	Lower Policy rate + balance-sheet support
Inflation remains elevated	Less room for aggressive easing	Maintain/restrict Policy rate
Treasury/Repo-market liquidity deteriorates	Balance-sheet operations become more important	Treasury-bill purchases, Repo facilities
Dollar/funding stress becomes international	Cross-border liquidity may matter	Central-bank swap lines, FIMA Repo facility

Major Oman–UAE boundary agreements			
Agreement	Date signed	Entry into force	What it covers
Border Agreement: Umm al-Zumal–Eastern Uqaydat	01-May-99	26-Mar-00	Defines a major southern/eastern sector of the land boundary; includes annexes and a map. U United Nations Treaty Collection
Border Agreement: Eastern Uqaidat–Darrah	22-Jun-02	11-Oct-03	Defines another boundary sector and contains detailed annexes/maps. U United Nations Treaty Collection +1
UNCLOS framework	1982	—	Provides the international legal framework for territorial seas, contiguous zones, EEZs and Maritime delimitation. U United Nations

<https://www.reuters.com/business/feds-table-is-set-rate-hike-first-under-Warsh-2026-09-14/>

How the Fed is likely to think about the War	
War effect	Fed response likely to focus on
Oil/Energy Prices jump temporarily, then fall	Avoid overreacting; look through the temporary Price shock
Oil remains high for months	Higher rates may be maintained or increased
Energy shock spreads into wages/services/expectations	Much stronger case for restrictive monetary Policy
War causes recession/unemployment to rise sharply	Inflation control may have to be balanced against employment

<https://www.federalreserve.gov/monetaryPolicy.htm?>

Global Supply Chains

The Impact of This War on World's Top 10 Economies

New Global Alignments Are a Reality

The shift from an *ideological, single-guarantor security paradigm* to a *transactional, multipolar business model*.

Tables For US-IRAN War on Global Supply Chain's, Global Nations' Realignment's & Expected Performance of World's Top 10 Economies

Impact of this War on Global Supply chain's			New Global Alignments				Impact of this War on Top 10 Economies		
Vulnerability	Economies Most Exposed	Reason	Emerging Alignment	Countries/Actors	Strategic Logic	Likely Impact	Economy	2026 projected growth	Impact of War/Hormuz shock
Oil-import shock	IN India, CN China, JP Japan	Heavy dependence on Imported Energy	China-Gulf	China + Saudi Arabia/UAE/Qatar	China needs Energy; Gulf needs Investment, Markets & diplomatic diversification	Stronger China-Gulf strategic partnership	India	6.30%	High Energy-import exposure, but strong Domestic growth provides a buffer
LNG shock	JP Japan, CN China, IN India	Dependence on Middle Eastern LNG	Russia-China-India Energy triangle	Russia + China + India	Reduce dependence on Gulf routes and Western Energy systems	More importance for Pipelines, Russian Oil/Gas & alternative routes	China	4.50%	Energy vulnerability partly offset by reserves, Renewables and Gasoline-Price controls
Industrial Energy shock	DE Germany, IT Italy, CN China	Energy-intensive Manufacturing	India's multi-Alignment	India + US + Russia + Iran + Gulf	Avoid dependence on any single bloc	India gains diplomatic leverage but faces Energy-Price vulnerability	United States	2.00%	Domestic Energy Production provides some protection, but Higher Oil Prices hurt Consumers
Consumer Fuel Inflation	IN India, US U.S., GB UK, IT Italy	Higher petroleum Prices feed into Transport and Consumer Prices	US-Gulf Security relationship	US + Saudi/UAE/Qatar etc.	Gulf states still need Maritime/Security protection	US remains central to Gulf Security despite Political friction	Brazil	1.60%	Domestic Oil Production reduces direct Hormuz exposure
Shipping disruption	JP Japan, CN China, IN India, European economies	Dependence on Maritime trade	Iran-China/Russia axis	Iran + China + Russia	Counterbalance US influence	Greater GeoPolitical fragmentation	Canada	1.20%	Energy exporter; benefits from Higher Energy-sector activity
Relatively protected	CA Canada, BR Brazil, US U.S.	Significant Domestic Energy Production	Global South Energy diversification	India, Bangladesh, ASEAN, Africa	Reduce dependence on Gulf Energy	More LNG contracts, Renewables, Coal, Nuclear & strategic reserves	United Kingdom	0.90%	Higher Energy Prices weaken household purchasing power
							Italy	0.80%	Energy-import dependence increases Industrial costs
							Japan	0.60%	Highly exposed to disrupted Oil/LNG flows
							France	0.60%	Nuclear power provides some protection from Electricity-Price shocks
							Germany	0.60%	Energy-intensive Manufacturing is particularly vulnerable

<https://www.reuters.com/business/Energy/lng-demand-china-india-expected-recover-when-mideast-war-ends-2026-09-15/>

<https://www.reuters.com/world/middle-east/hormuz-traffic-dwindles-after-middle-east-attacks-intensify-2026-09-15/>

The Carter Doctrine was a major shift in U.S. foreign policy formally announced by President Jimmy Carter during his State of the Union Address on **January 23, 1980**.

It declared that the United States would use military force, if necessary, to defend its national interests in the Persian Gulf against outside aggression.

- **Key Statement**

- In his address, President Carter explicitly framed the policy:
- *"An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force."*
- **Historical Context: Why Was It Issued?**
- The doctrine was a direct response to two major geopolitical crises in 1979 that threatened global energy stability and American influence in the Middle East:
 1. **The Iranian Revolution (1979):** The fall of Shah Mohammad Reza Pahlavi removed a crucial pro-Western ally and military anchor in the Gulf, leaving a power vacuum and a hostile anti-American regime in Tehran.
 2. **The Soviet Invasion of Afghanistan (December 1979):** When Soviet troops entered Afghanistan, Washington feared the USSR was making a strategic push toward the Indian Ocean and the oil-rich Persian Gulf, which could give Moscow control over a significant portion of the world's oil supply.

- **Key Elements and Impact**

- **Shift in Military Posture:** The doctrine shifted American policy from relying on regional proxies (such as Iran and Saudi Arabia under the previous "Twin Pillars" strategy) to **direct U.S. military deterrence**.
- **Creation of USCENTCOM:** To back up the doctrine with real military capability, the Carter administration established the **Rapid Deployment Joint Task Force (RDJTF)**. In 1983, under President Ronald Reagan, this task force evolved into **U.S. Central Command (USCENTCOM)**, which remains the military command responsible for U.S. operations in the Middle East.
- **Precursor to Future Wars:** The Carter Doctrine laid the strategic and operational framework for long-term U.S. military presence in the region.
- It served as the primary justification for American intervention during the **Iran-Iraq War** (Operation Earnest Will, protecting Kuwaiti oil tankers) and the **1990–1991 Gulf War** (Operation Desert Shield/Desert Storm following Iraq's invasion of Kuwait).

2. Asset Class Implications

Yes. Global Effects



Disruptions Across Asset Classes: From a Prolonged U.S. Iran Conflict

Equity, Bonds, Real Estate, and Commodities

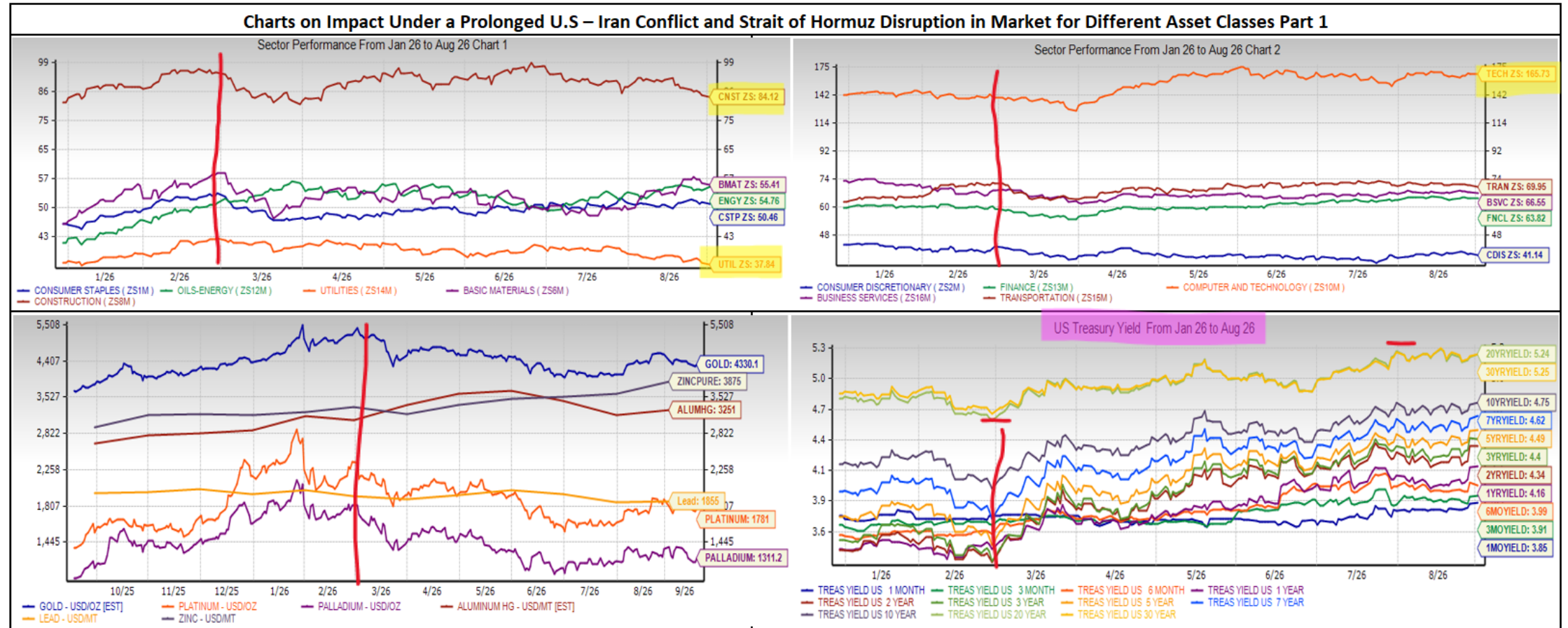
Impact and Reasons Under a Prolonged U.S – Iran Conflict and Strait of Hormuz Disruption in Market for Different Asset Classes			
Asset Class	View	Expected impact	Explanatory Reason
Equity	 Bearish	High Negative	• Small Companies Are Generally More Sensitive to A Slowdown In U.S. Economic Activity. • Higher Oil Prices Raise Transportation, Manufacturing and Operating Costs. • Many Small Companies Have Less Pricing Power to Pass These Costs to Customers. • Higher Interest Rates Increase Borrowing and Refinancing Costs. • Tighter Financial Conditions can Reduce Access to Credit. • A Combination of Weaker Demand and Higher Costs can Pressure Earnings Significantly. • Mid-Cap Companies Are Exposed to Both Higher Input Costs and Weaker Economic Growth. • Higher Treasury Yields Increase The Cost of Debt Financing. • Valuation Multiples can Contract as The Discount Rate Rises. • Some Energy-Related Mid-Caps May benefit, Partially offsetting The Broader Negative Effect.
Bonds	 Bearish	High Negative	• A War Normally Creates Safe-Haven Demand for Treasuries, Which Would Push Yields Down. • Higher Inflation Expectations can Cause Investors to Demand Higher Treasury Yields. • The Fed May Delay Rate Cuts or Maintain Restrictive Policy for Longer. • Since Interest Rate and Price are Inversely Related Higher Yields Result in Lower Prices.
Real Estate(REITs)	 Bearish	High Negative	• Real Estate Are Highly Sensitive to Interest Rates because They Depend Heavily On Debt Financing. • Higher Treasury Yields Increase Borrowing and Refinancing Costs. • Higher Bond Yields Make Reit Dividend Yields Relatively Less Attractive. • Higher Capitalization Rates can Reduce Property Valuations. • A Weaker Economy can Reduce Demand for some Types of Commercial Real Estate. • Higher Operating Costs can Further Pressure Property-Level Cash Flows.
Commodities	 Bullish	Moderate/High Positive	• Oil Is A Major Component of most the Broader Commodity Indexes. • A Hormuz Disruption Directly Creates an Energy-Supply Shock. • Higher Energy Costs can Spill Over Into Transportation, Metals, Agriculture and Other Commodities. • Investors May Increase Commodity Exposure as a Hedge Against Inflation. • The Strongest Positive Effect Would Likely be Concentrated In Energy-Related Commodities.

Source : www.iea.org

Disruptions in Markets for Different Asset Classes:

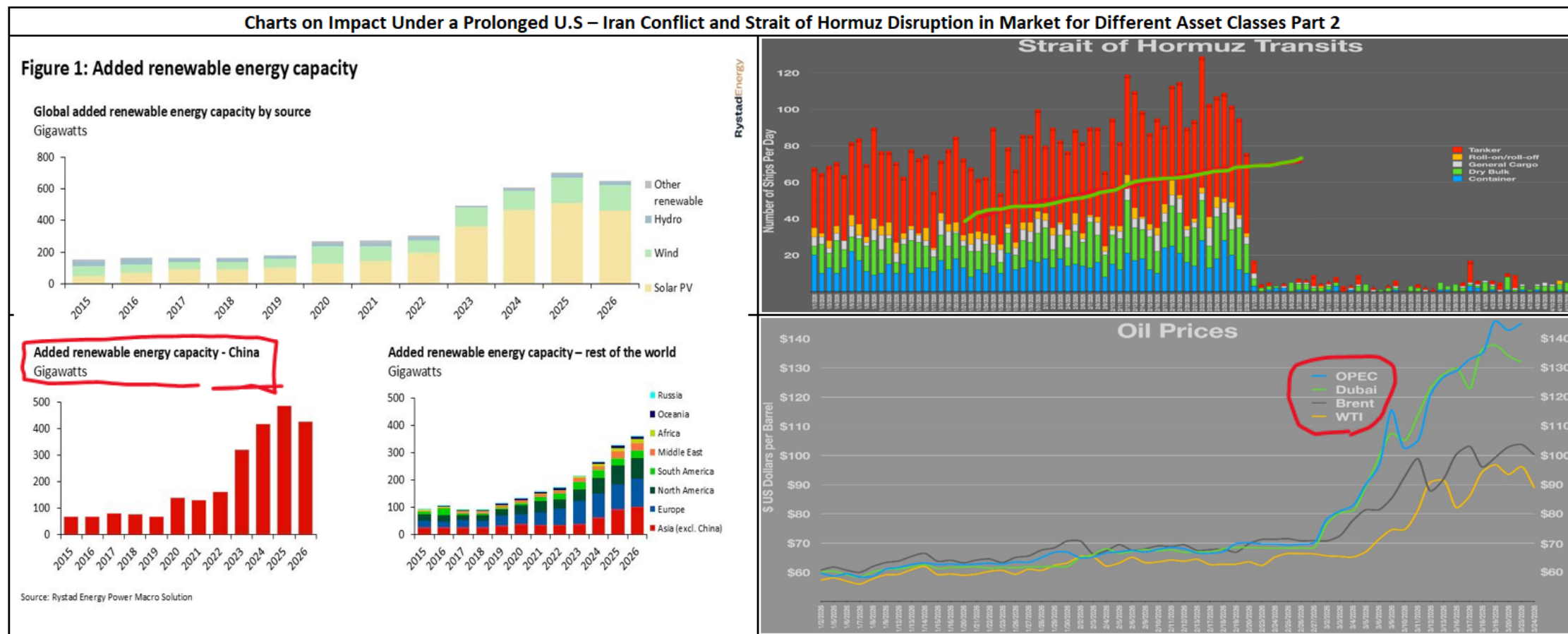
Why precious metals went down? Higher for Longer, Forced Liquidity Selling/Margin calls

Sector Performance in 2026 (Utilities down, Staples Down,, Tech up), Precious Metals (down) in 2026, and U.S. Treasury Yields (up) in 2026



Disruptions in Markets for Different Asset Classes

Added Renewable Energy Capacity (2015-2026). The State of Strait of Hormuz Transits down. A Time Series of Various Global Oil Prices up



Logistics Market Impacts: From a Prolonged U.S. – Iran Conflict

Oil Tankers are the big winners. Air Cargo, Rail Freight, Marine/Dry Bulk Shipping, Forwarders, Cold Chain Logistics, Last Mile Delivery down.

Logistic Market Impact and Reasons Under a Prolonged U.S.– Iran Conflict and Strait of Hormuz Disruption			
Transportation / Logistics Market	View	Expected Impact	Reason
Oil Tankers / VLCCs	 Strong Bullish	Very High Positive	• Longer Voyages Increase Tonne-Miles. • Rerouting Reduces Effective Vessel Availability. • Higher Utilization Supports Freight Rates and TCE. • War-Risk Insurance and Congestion can Increase Shipping Costs. • Biggest Risk: Rapid Normalization of Hormuz Traffic.
Air Cargo	 Neutral	Moderate Volatility	• Urgent Cargo may Shift from Ocean to Air. • Supply-Chain Disruption can Increase Air-Freight Demand. • Higher Jet Fuel Costs Increase Operating Expenses. • Longer Flight Paths Increase Fuel Consumption. • Weak Global Trade can Eventually Reduce Cargo Volumes.
Rail Freight	 Neutral →  Bullish	Moderate Positive	• Domestic Energy and Commodity Movements can Increase. • Rail can Benefit from Supply-Chain Rerouting. • Fuel Surcharges can Offset Some Diesel Inflation. • Energy-Security Investment can Support Volumes. • Recession Remains the Main Downside Risk.
Marine / Dry Bulk Shipping	 Neutral →  Bullish	Moderate Positive	• Commodity Trade may Shift to Longer Routes. • Longer Voyages Increase Tonne-Miles. • Energy-Security Demand can Support Coal/Commodity Shipments. • Higher Utilization can Support TCE. • Global Recession can Reduce Dry-Bulk Demand.
Air Freight Forwarders	 Neutral	Moderate Volatility	• Urgent Shipments can Shift from Ocean to Air. • Higher Freight Yields can Support Revenue. • Jet Fuel Inflation Raises Transportation Costs. • Margin Depends on Ability to Pass Costs Through. • Global Trade Weakness Is the Main Risk.
Cold Chain Logistics	 Bullish	Moderate Positive	• Food and Pharmaceutical Demand Is Relatively Defensive. • Supply Disruptions Encourage Additional Inventory Buffers. • Specialized Storage has Higher Barriers to Entry. • Higher Energy and Fuel Costs Pressure Margins. • Demand Is Less Economically Sensitive than Discretionary Freight.
Last-Mile Delivery	 Neutral →  Bearish	Moderate Negative	• Fuel Costs Increase Delivery Cost. • Labor Costs Remain a Major Expense. • Inflation can Reduce Discretionary Purchases. • Lower Package Density Increases Cost/Package. • E-Commerce Essentials Provide Some Support.

Source : www.iea.org

Precious Metals Market Impacts: From a Prolonged U.S. - Iran Conflict

Long-term? Gold up , Silver up, Platinum up or mixed, and Palladium down

Bullion Market Impact and Reasons Under a Prolonged U.S.– Iran Conflict and Strait of Hormuz Disruption			
Bullion	View	Expected impact	Explanatory Reason
Gold	 Bullish	Moderate/High Positive	• Strong Geopolitical-Risk Hedge. • Demand can Increase During Military Conflict and Market Uncertainty. • Benefits From Persistent Inflation Concerns Caused By Higher Oil Prices. • Central-Bank and Institutional Demand can Provide Additional Support. • Main Negative Factor Is Higher Real Interest Rates, Which Increase The Opportunity Cost of Holding Gold.
Silver	 Bullish	Moderate positive	• Benefits From Geopolitical Uncertainty and Precious-Metal Demand. • Can Act as an Inflation Hedge. • Usually Has Higher Volatility Than Gold, So The Price Reaction can be Larger In Either Direction. • Unlike Gold, Silver Has Substantial Industrial Demand, So A Global Economic Slowdown can Partially offset Its Safe-Haven benefit. • If The Conflict Produces Both Inflation and Economic Weakness, Silver'S Reaction can Therefore be More Mixed Than Gold'S.
Platinum	 Neutral →  Bullish	Moderate/Mixed	• Precious-Metal Demand can Increase During Geopolitical Stress. • Supply Disruptions or Higher Energy Costs can Support Prices. • However, Platinum Has Significant Industrial/Automotive Demand. • A Global Slowdown Caused By an Oil Shock Could Reduce Industrial Demand. • Therefore, Its Geopolitical benefit Is Weaker and Less Predictable Than Gold'S.
Palladium	 Neutral →  Bearish	Moderate/Mixed	• Precious-Metal Characteristics can Provide Some Geopolitical Support. • However, Palladium Is Heavily Linked to Industrial and Automobile Demand. • A Global Recession Could Reduce Vehicle Production and Industrial Activity. • Higher Energy and Financing Costs Could Further Hurt Industrial Demand. • Therefore, It Is Less Attractive as A Pure War/Inflation Hedge Than Gold.

Source : www.iea.org

Renewable Energy Market Impacts: From a Prolonged U.S. – Iran Conflict

Solar up, Wind up, Battery Energy Storage up, Green Hydrogen mixed, Geothermal Energy up, Hydropower up

Renewable Energy Market Impact and Reasons Under a Prolonged U.S – Iran Conflict and Strait of Hormuz Disruption			
Renewable Energy Market	View	Expected Impact	Explanatory Reason
Solar PV	● Bullish	Moderate–High Positive	• Higher Oil/Gas Prices improve the Relative Economics of Solar Versus Fossil-Fuel Generation. • Utilities and Governments may Accelerate Domestic Electricity Generation to Reduce Dependence on Imported Hydrocarbons. • Main Risk: Project Returns Deteriorate if Interest Rates Rise Faster than Electricity Prices. • Solar Allows Companies to Lock In Part of Their Electricity Cost for Many Years. • Corporate PPAs Become More Attractive When Conventional Power Prices are Volatile. • Main Risk: Project Returns Deteriorate if Interest Rates Rise Faster than Electricity Prices.
Wind	● Bullish	Moderate Positive	• Wind has Very Low Operating Fuel Costs and Therefore Becomes Relatively More Attractive When Fossil-Fuel Prices Rise. • Long-Term PPAs can Provide Protection Against Volatile Gas and Power Prices. • Energy-Security Policies may Support Additional Domestic Generation Capacity. • It Provides Diversified Generation and Reduces Exposure to Imported Fossil Fuels. • However, Offshore Projects have Extremely High Upfront Capital Requirements. • Main Risk: Higher Interest Rates and Supply-Chain Costs can Overwhelm the Benefit from Higher Power Prices.
Battery Energy Storage	● Strong Bullish	High Positive	• Renewable Generation Becomes More Valuable When Combined With Storage Because Batteries Shift Electricity from Low-Price to High-Price Periods. • Higher Power-Price Volatility Increases the Potential Revenue Available from Arbitrage. • Grid Operators Need Additional Storage to Manage Increasing Intermittent Renewable Generation. • Batteries can Provide Capacity Without Consuming Imported Fuel. • Storage can Capture Price Spreads Created by Volatile Electricity Markets. • Main Risk: Higher Interest Rates and Declining Electricity-Price Volatility Reduce Storage Returns.
Green Hydrogen	● Neutral → ● Bullish	Moderate / Long-Term Positive	• Higher Natural-Gas Prices can Improve the Relative Competitiveness of Low-Carbon Hydrogen in Some Applications. • Energy-Security Concerns can Increase Interest in Domestically Produced Hydrogen. • The Economics are Still Considerably More Difficult than Simply Comparing Hydrogen With Crude Oil. • Main Risk: Expensive Renewable Electricity and Low Electrolyzer Utilization.
Geothermal Energy	● Bullish	Moderate Positive	• Geothermal Provides Relatively Stable Baseload Electricity Unlike Intermittent Solar and Wind. • It has Minimal Exposure to Fuel-Price Volatility After Construction. • Energy-Security Concerns can Increase Interest in Domestic Baseload Resources. • Development is Geographically Constrained and Drilling Costs can Be Substantial. • Main Risk: High Exploration and Drilling Risk.
Hydropower	● Bullish	Moderate Positive	• Existing Hydro Assets Benefit from High Electricity Prices Because Operating Costs are Relatively Low. • Hydropower Provides Dispatchable Electricity and can Complement Intermittent Solar and Wind. • It Reduces Dependence on Natural Gas for Power Generation. • Main Risk: Drought and Low Reservoir Levels.

Source : www.iea.org

Thank You for Attending!

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