



**AMERA PRIVATE NETWORK
AIR MOBILITY GROUP (AMG)**

US-ISRAEL-IRAN CONFLICT

**INTELLIGENCE ASSESSMENT OF REGIONAL ESCALATION RISK:
GULF STRATEGIC POSITIONING, AND GLOBAL ECONOMIC IMPLICATIONS**

ANNEX A — Escalation Indicators & Early Warning Matrix

ANNEX B — Strategic Actors Map

ANNEX C — Strategic Timeline & Decision Windows (Next 180 Days)

ANNEX D — Global Economic & Energy System Implications



STRATEGIC INTELLIGENCE BRIEFING

The US–Israel–Iran Conflict 2026

Regional Escalation Risk: Gulf Strategic Positioning and Global Economic Implications

Ref: AMG-RGNLRISK-03/26

Distribution: Government | Financial | Aviation Operators | Strategic risk audiences

1. Executive Summary

The confrontation between Israel and Iran, with strategic backing from the United States, represents the most serious escalation between the two states in decades.

For many years, the confrontation existed primarily as a shadow conflict, involving cyber operations, covert activities, and proxy warfare across the Middle East. Recent developments indicate a shift toward more direct military signalling and open confrontation.

Despite this escalation, current behaviour by the principal actors suggests that neither side seeks an immediate full-scale regional war. Instead, both appear to be pursuing controlled escalation designed to preserve deterrence while avoiding uncontrollable conflict expansion.

However, the broader regional system remains fragile. The Middle East contains:

- interconnected proxy networks
- highly concentrated energy infrastructure
- critical global maritime chokepoints.

These factors create a strategic environment where limited confrontation could escalate rapidly under certain conditions.

At present, the most probable near-term trajectory is a contained but prolonged confrontation, characterised by intermittent strikes, proxy activity, and elevated geopolitical tension.

However, escalation affecting Gulf energy infrastructure or maritime trade routes could rapidly transform the conflict into a global economic crisis.



2. Key Judgments

1. Contained confrontation remains the most likely outcome in the near term.

Military activity between Israel and Iran is likely to continue through limited strikes and signalling behaviour rather than full-scale war.

Estimated probability: **50–60%**

2. Hezbollah participation remains the most important escalation trigger.

The Lebanese organisation Hezbollah possesses a large and sophisticated missile arsenal capable of striking across Israel.

Large-scale involvement would open a major northern front and dramatically increase the likelihood of regional war.

3. Gulf energy infrastructure represents the most strategically sensitive target set.

Energy facilities in:

- Saudi Arabia
- United Arab Emirates
- Qatar

remain within the operational range of Iranian missile and drone systems.

Strikes against these assets would likely trigger immediate global energy market disruption.

4. Global energy supply routes remain highly exposed.

Approximately one-fifth of the global oil supply passes through the Strait of Hormuz.

Any sustained disruption to this maritime corridor would produce immediate oil price volatility and likely trigger multinational naval intervention.



5. Gulf strategic positioning is becoming increasingly cautious.

Officials and influential business leaders in the Gulf are increasingly concerned about the risk of being drawn into a direct confrontation between Washington and Tehran.

Emerging reporting suggests political and economic elites in:

- Saudi Arabia
- Bahrain
- United Arab Emirates

are privately expressing concern about the potential economic consequences of escalation.

Some investors are reportedly considering adjustments to global investment exposure, including the possibility of **reducing new investment flows into the United States** should the conflict expand significantly.

While these discussions remain informal, they indicate increasing attention to geopolitical risk within Gulf financial circles.

3. Regional Military Dynamics

The military balance in the conflict is shaped by three primary factors:

1. Israel's advanced air and intelligence capabilities
2. Iran's missile arsenal and regional proxy network
3. the strategic military presence of the United States in the Gulf.

Iran maintains influence across several regional theatres through proxy forces operating in:

- Lebanon
- Iraq
- Syria
- Yemen.

These actors provide Tehran with **multiple escalation pathways** that can pressure Israel and its partners without triggering immediate state-to-state war.

Israel retains significant advantages in intelligence, precision strike capability, and missile defence systems. However, a multi-front conflict would place considerable strain on Israeli military resources.



4. Global Energy System Exposure

The Middle East remains central to global energy supply.

Major producers in the region include:

- Saudi Arabia
- United Arab Emirates
- Kuwait
- Qatar.

Energy exports from these countries rely heavily on maritime transport routes through the Persian Gulf.

The most critical chokepoint is the Strait of Hormuz.

Roughly 20% of global oil supply moves through this narrow waterway.

Iran possesses the capability to disrupt shipping through:

- naval mines
- missile systems
- drone attacks
- seizure of commercial vessels.

Even limited disruption could trigger substantial market volatility.

5. Global Economic Implications

The conflict carries potential consequences for several global economic systems.

Energy Markets:	Escalation affecting Gulf infrastructure could produce sharp oil price increases and disrupt global supply chains.
Aviation Networks:	Major aviation hubs in the Gulf serve as key global transit centres connecting Europe, Asia, and Africa. Airspace disruptions could affect global passenger and cargo traffic.
Maritime Trade:	Escalation affecting the Bab el-Mandeb Strait or the Red Sea shipping corridor could disrupt trade between Asia and Europe.
Financial Markets:	Geopolitical instability could trigger shifts toward safe-haven assets and increase commodity price volatility.



6. Strategic Risk Matrix

Low Risk:	Limited confrontation between Israel and Iran involving sporadic strikes and contained proxy activity.
Moderate Risk:	Expanded proxy activity across Lebanon, Iraq, Syria, and Yemen. Shipping disruptions are possible but limited.
High Risk:	Large-scale missile exchanges combined with attacks on Gulf energy infrastructure. Global energy markets experience severe volatility.
Extreme Risk	Sustained disruption or closure of the Strait of Hormuz. This scenario would likely trigger a global energy crisis and widespread economic disruption.

7. What Decision-Makers Should Watch Next

Several indicators will help determine the direction of the conflict over the coming months.

Proxy mobilisation:	Increased mobilisation by Hezbollah or other Iranian-aligned forces.
Iranian missile deployment:	Movement of missile units or expanded launch activity.
US military posture:	Changes in US naval or air deployments in the Gulf region.
Energy infrastructure security:	Heightened security or attacks on Gulf oil facilities.
Investment behaviour:	Signals from Gulf sovereign wealth funds regarding international capital allocation.

8. Strategic Outlook (Next Six Months)

Over the next six months, the conflict is likely to remain volatile but strategically constrained.

Both Israel and Iran appear aware that a full-scale regional war would produce extremely high economic and political costs.

However, the region's interconnected security environment means escalation could occur rapidly if critical thresholds are crossed.

The strategic behaviour of Gulf states will be particularly important. Their emphasis on economic stability, strategic autonomy, and diversified international partnerships suggests strong incentives to encourage de-escalation.



Final Assessment

The confrontation between Israel and Iran represents a major moment in the evolution of Middle Eastern geopolitics.

Rather than producing a single decisive war, the crisis is more likely to evolve into a prolonged period of strategic competition, characterised by intermittent escalation, proxy activity, and shifting geopolitical alignments.

The most consequential long-term outcome may not be military but geopolitical.

If Gulf states continue pursuing diversified international relationships while prioritising economic stability, the conflict could accelerate the emergence of a more multipolar strategic order in the Middle East.



Annex A

Escalation Indicators & Early Warning Matrix

AMG Intelligence Methodology (AIM)

1. **Indicator identification**
2. **Trigger thresholds**
3. **Probability reassessment points**
4. **Strategic consequence evaluation**

Indicators are categorised as:

- **Tactical indicators** (hours–days)
- **Operational indicators** (days–weeks)
- **Strategic indicators** (weeks–months)

1. Immediate Escalation Indicators (0–14 Days)

These indicators suggest **rapid conflict expansion is imminent**.

1.1 Hezbollah Full Mobilisation

Indicators:

- **Mass mobilisation of Hezbollah reserve forces**
- **Missile batteries deployed across southern Lebanon**
- **Movement of long-range missile systems north of the Litani River**

Strategic implication:

This would open **Israel's northern front**, forcing Israel to divide its military resources.

Estimated effect:

- **Regional war probability increases to 50–60%**



1.2 Direct Iranian Strike on Gulf Infrastructure

Indicators:

- Missile or drone strikes against:
 - Saudi oil facilities
 - UAE ports
 - LNG terminals in Qatar

Strategic implication:

Energy markets would react immediately.

Likely consequences:

- oil prices spike dramatically
- US naval response
- NATO maritime coordination

1.3 Attack on US Military Bases

Potential targets:

- **Al Udeid Air Base (Qatar)**
- **Al Dhafra Air Base (UAE)**
- **Naval Support Activity Bahrain**

Strategic implication:

Direct Iranian attack on US forces would trigger **expanded American military involvement.**

Probability of a sustained regional war rises above **65%.**

2. Operational Escalation Indicators (2–6 Weeks)

These developments suggest a **strategic expansion of the war.**



2.1 Closure or Mining of the Strait of Hormuz

Indicators:

- Iranian naval mine deployment
- harassment of oil tankers
- seizure of commercial shipping
- missile launches against shipping lanes

Strategic consequences:

- disruption of **20% of global oil supply**
- immediate global economic shock
- multinational naval response

2.2 Sustained Israeli Deep Strike Campaign

Indicators:

- repeated Israeli strikes on Iranian infrastructure
- expanded target list including:
 - energy infrastructure
 - military bases deep inside Iran
 - nuclear research facilities

Strategic implication:

Iran could respond with **large-scale missile saturation attacks**.

2.3 Collapse of Iranian Internal Command Structure

Indicators:

- elimination of multiple senior **Islamic Revolutionary Guard Corps (IRGC)** commanders
- disruption of military communications
- emergency political restructuring inside Tehran

Strategic implication:

A weakened command structure increases the risk of **uncoordinated escalation or overreaction**.



3. Strategic Escalation Indicators (1–4 Months)

These indicators suggest the conflict is transitioning into a **systemic regional war**.

3.1 Iranian Nuclear Breakout Attempt

Indicators:

- rapid enrichment activity
- movement of nuclear materials
- expulsion of international inspectors

Strategic implication:

Israel may initiate **large-scale strikes on nuclear facilities**.

This scenario carries a high probability of:

- prolonged regional war
- global economic instability.

3.2 Russian or Chinese Strategic Support to Iran

Indicators:

- intelligence sharing
- weapons transfers
- diplomatic protection at the UN Security Council

Strategic implication:

The conflict could evolve into a **broader geopolitical confrontation** between major powers.

3.3 Collapse of Iranian Domestic Stability

Indicators:

- mass protests
- internal military fragmentation
- regime legitimacy crisis

Strategic implication:



Iran could enter a period of **internal instability or regime transition**, dramatically reshaping the strategic landscape of the Middle East.

4. De-Escalation Indicators

These signals suggest the conflict may stabilise.

Diplomatic Channels Opening

Possible intermediaries:

- Austria
- Oman
- Qatar
- Switzerland

Indicators:

- backchannel negotiations
- ceasefire discussions
- reduction in missile exchanges.

Reduction in Strike Frequency

Indicators:

- reduced Israeli air operations
- decline in Iranian missile launches
- proxy forces standing down.

International Mediation

Indicators:

- UN Security Council emergency diplomacy
- joint statements by major powers
- pressure from global energy markets.



5. Probability Matrix (Current Estimate)

Scenario	Probability	Description
Contained Israel–Iran Conflict	50–60%	Continued strikes without regional war
Regional Multi-Front War	25–35%	Hezbollah, Gulf targets, US escalation
Strategic Global Shock	10–15%	Hormuz closure, energy crisis

6. Strategic Watch Points for the Gulf

Particular attention should be paid to developments affecting:

- **UAE**
- **Saudi Arabia**
- **Kuwait**
- **Qatar**
- **Bahrain**

These states host critical infrastructure including:

- US military bases
- global energy export terminals
- aviation hubs
- international financial centres.

While the region maintains strong defensive capabilities, its proximity to Iran places it within **missile and drone range of multiple Iranian systems.**

7. Strategic Outlook (Next 90 Days)

The conflict is likely to remain **high-intensity but strategically contained** in the near term.

However, escalation could occur rapidly if any of the following occur:

- Hezbollah enters the conflict at scale
- Iranian attacks on Gulf infrastructure
- direct attacks on US forces.

The next **30–90 days** will therefore represent the **critical strategic window determining whether the conflict stabilises or expands into a wider regional war.**



Annex B

Strategic Actors Map Secondary Power Positioning

1. Russia

Strategic Position

Russia has adopted a **measured but opportunistic posture**.

Moscow maintains long-standing strategic relations with Iran while simultaneously preserving working diplomatic channels with Israel.

Russia's current objectives appear to include:

- preserving Iran as a **regional counterweight to US influence**
- avoiding direct confrontation with Israel
- leveraging the conflict to weaken Western geopolitical cohesion.

Operational Behaviour

Russia has not intervened militarily but is likely providing:

- intelligence cooperation
- electronic warfare insights
- diplomatic shielding at the United Nations.

Russia is also likely monitoring the conflict closely to evaluate **Western military tactics and missile defence performance**.

Strategic Assessment

Russia benefits strategically if:

- Western resources become tied down in the Middle East
- global energy prices rise
- Western diplomatic cohesion weakens.

However, Moscow has no interest in **Iranian regime collapse**, which could produce regional instability along Russia's southern strategic perimeter.



2. China

Strategic Position

China's primary concern is **energy security and trade stability**.

China imports significant quantities of oil from the Persian Gulf, and disruption to maritime trade routes would have immediate economic consequences.

Beijing's strategic priorities therefore, include:

- maintaining stability in the Gulf
- avoiding disruption to energy supplies
- preventing escalation into a global confrontation.

Diplomatic Behaviour

China is likely to pursue:

- calls for a ceasefire and diplomatic resolution
- coordination with Gulf states
- limited political support for Iran.

However, China is unlikely to provide **direct military assistance to Iran**.

Strategic Assessment

China's long-term strategy is to position itself as a **global diplomatic stabiliser**, particularly in regions where Western influence is perceived to be declining.

3. Turkey

Strategic Position

Turkey occupies a highly complex position due to its:

- NATO membership
- regional ambitions
- strategic relations with both Israel and Iran.

Ankara's current objectives appear to include:

- preventing regional instability along its southern borders
- maintaining influence in Syria and Iraq
- positioning itself as a potential mediator.



Strategic Behaviour

Turkey is unlikely to participate militarily in the conflict, but may increase:

- intelligence activity
- border security operations
- diplomatic engagement with regional actors.

Strategic Assessment

Turkey seeks to maintain **strategic autonomy**, balancing relations with NATO, Russia, and regional powers.

4. Gulf States (UAE, Saudi Arabia, Kuwait, Qatar)

The **Gulf Cooperation Council states** occupy the most strategically exposed position in the conflict.

Their territory hosts:

- US military bases
 - major energy export infrastructure
 - global aviation and logistics hubs.
-

United Arab Emirates

The UAE has adopted a **stability-first strategic posture**.

Key priorities include:

- protection of aviation hubs
- safeguarding financial markets
- maintaining investor confidence.

The UAE's advanced air defence systems significantly reduce vulnerability to missile and drone attacks, but geographic proximity to Iran remains a structural risk.



Saudi Arabia

Saudi Arabia remains the most strategically exposed state in the Gulf due to:

- its oil infrastructure
- geographic proximity to Iranian missile ranges
- previous experience with missile and drone attacks.

Riyadh is likely to prioritise:

- energy infrastructure protection
 - coordination with US defence forces
 - defensive military posture.
-

Qatar

Qatar hosts **Al Udeid Air Base**, the largest US military installation in the Middle East.

As a result, Qatar could become strategically exposed if Iran chooses to target US military assets.

However, Qatar also maintains diplomatic channels with Iran and could serve as a **mediating actor**.

Kuwait

Qatar hosts **Al Udeid Air Base**, the largest US military installation in the Middle East.

As a result, Qatar could become strategically exposed if Iran chooses to target US military assets.

However, Qatar also maintains diplomatic channels with Iran and could serve as a **mediating actor**.



5. Europe

European governments have adopted a cautious diplomatic posture.

Strategic priorities include:

- preventing regional war
- protecting global energy markets
- preserving the nuclear non-proliferation framework.

European states are unlikely to engage militarily but may increase:

- naval presence in the Gulf
 - diplomatic mediation
 - humanitarian support.
-

6. Non-State Strategic Actors

Several powerful non-state actors significantly influence the conflict.

These include:

Hezbollah

Hezbollah represents Iran's most powerful regional proxy and possesses:

- large missile inventories
- extensive combat experience
- strong integration with Iranian strategic planning.

Hezbollah's decision whether to enter the conflict at scale remains one of the **most critical escalation variables**.

Houthi Movement

The Houthi movement in Yemen has demonstrated the ability to:

- conduct long-range drone attacks
- disrupt maritime trade
- target energy infrastructure.

If activated fully, the Houthis could threaten **Red Sea shipping routes**, further expanding the economic impact of the conflict.



7. Strategic Alignment Overview

The conflict currently divides actors into three broad camps.

Coalition Supporting Israel

- United States
- certain Western allies
- covert intelligence cooperation from regional partners.

Actors Supporting Iran

- Iranian proxy network
- limited political support from Russia
- diplomatic sympathy from some states opposing Western intervention.

Strategic Balancers

Several actors seek to **avoid direct alignment** and instead maintain diplomatic flexibility.

These include:

- China
- Turkey
- Gulf states.

8. Global Strategic Consequences

The conflict represents a **major stress test of the international system**, with implications including:

- global energy market volatility
- increasing geopolitical fragmentation
- growing reliance on regional alliances rather than global institutions.

The outcome will likely shape **Middle Eastern security architecture for the next decade.**



Strategic Conclusion

The United States–Israel–Iran conflict represents a **transition from shadow conflict to overt interstate confrontation**.

However, the ultimate trajectory will be determined less by the primary actors themselves and more by the **strategic behaviour of secondary powers and proxy networks**.

Monitoring the behaviour of these actors is therefore essential for assessing whether the conflict remains contained or escalates into a wider regional war.



Annex C

Strategic Timeline & Decision Windows (Next 180 Days) Conflict Trajectory (Estimates)

This timeline evaluates likely developments across three domains:

- **Military escalation pathways**
- **Political decision points**
- **Economic and energy system reactions**

The assessment using AIM assumes continued confrontation between Israel and Iran with strong backing from the United States.

However, the trajectory will increasingly be shaped by the behaviour of regional actors, particularly the Gulf states.

Phase 1: Immediate Conflict Stabilisation Window

0–30 Days

Expected Developments

The first month will likely involve continued tactical strikes and signalling behaviour rather than full-scale regional war.

Likely characteristics include:

- Israeli precision strikes against Iranian-linked targets
- Iranian missile or drone retaliation
- proxy force activity in Lebanon, Syria, Iraq, and Yemen
- elevated US military readiness across the Gulf.

Military forces based in the Gulf—including those in Qatar, Bahrain, and the United Arab Emirates—will remain on heightened alert.



Critical Escalation Triggers

Within this first month, escalation risk increases dramatically if any of the following occur:

- 1. Large-scale missile attacks on Israeli cities**
- 2. Iranian strikes on US bases**
- 3. Hezbollah entering the war fully**

If none of these occurs, the conflict may remain strategically contained.

Phase 2: Regional Alignment Pressure

30–90 Days

During the second phase, the conflict begins to shift from military exchanges to geopolitical realignment pressures.

This phase will be shaped heavily by Gulf state positioning.

Gulf Strategic Friction with Washington

Recent reporting suggests that officials and influential business leaders in Saudi Arabia, Bahrain, and the United Arab Emirates are increasingly concerned about the risk of being drawn into a US–Iran confrontation.

Key concerns include:

- vulnerability of Gulf infrastructure to Iranian missiles
- disruption to aviation and logistics hubs
- financial market instability
- reputational risk to the region's role as a global investment centre.

As a result, some regional economic elites are reportedly discussing the possibility of reducing or slowing investment exposure to the United States if the conflict expands.

This does not represent a formal policy shift, but it signals growing unease among influential stakeholders.



Strategic Implications

Even a modest reduction in Gulf investment flows into US markets could produce several strategic consequences:

1. **Financial signalling:** Gulf sovereign wealth funds are among the largest global investors. Changes in their capital allocation strategies are closely watched by financial markets.

2. **Political leverage:** Gulf governments may use investment decisions as quiet leverage to encourage de-escalation by Washington.

3. **Strategic autonomy:** Regional powers increasingly seek to balance relations between the United States, China, and other major actors.

Phase 3: Structural Strategic Shift

90–180 Days

If the conflict persists beyond three months, it begins to reshape the regional security architecture.

Three potential trajectories emerge.

Scenario 1	Scenario 2	Scenario 3
Contained Strategic Standoff	Regional Multi-Front War	Strategic De-Escalation
Moderate–High	Moderate	Low–Moderate
<p>Israel and Iran continue intermittent strikes but avoid full regional war.</p> <p>Characteristics:</p> <ul style="list-style-type: none"> • ongoing proxy conflict • periodic missile exchanges • diplomatic pressure from major powers. <p>Energy markets remain volatile but functional.</p>	<p>Hezbollah, Iraqi militias, and the Houthis escalate attacks.</p> <p>Consequences:</p> <ul style="list-style-type: none"> • disruption of shipping near the Strait of Hormuz • attacks on Gulf infrastructure • large-scale US military engagement. <p>This scenario would produce severe global energy shocks.</p>	<p>Backchannel diplomacy—potentially mediated by:</p> <ul style="list-style-type: none"> • Oman • Qatar • China <p>leads to a stabilisation framework.</p> <p>Possible outcomes:</p> <ul style="list-style-type: none"> • informal ceasefire • limited sanctions adjustments • renewed nuclear negotiations.



Structural Trend: Emerging Multipolar Gulf Strategy

One of the most significant long-term developments to watch is the strategic repositioning of Gulf states.

Over the past decade, countries including:

- Saudi Arabia
- United Arab Emirates
- Qatar

have increasingly pursued multi-aligned foreign policies.

These states maintain strong security partnerships with the United States while simultaneously expanding economic and diplomatic ties with:

- China
- India
- Russia
- emerging global markets.

If Gulf political and business leaders begin adjusting investment flows away from the United States, it could signal a broader shift toward strategic diversification rather than dependence on a single security partner.

Key Strategic Watch Points (Next 180 Days)

Analysts should closely monitor:

- 1. Hezbollah mobilisation levels**
- 2. Iranian missile deployment patterns**
- 3. US naval movements in the Gulf**
- 4. energy shipping disruptions**
- 5. Gulf sovereign wealth fund investment signals**
- 6. backchannel diplomatic activity**

These indicators will provide early signals of whether the conflict is moving toward containment, escalation, or negotiated stabilisation.



STRATEGIC ASSESSMENT

The US–Israel–Iran confrontation is unlikely to end quickly.

Instead, the conflict is likely to evolve into a prolonged period of calibrated confrontation, shaped by regional power balancing and global economic pressures.

The most decisive variable may ultimately be how Gulf states choose to position themselves between Washington, Tehran, and emerging global power centres.



Annex D

Global Economic & Energy System Implications

Strategic Impact of the US–Israel–Iran Conflict

1. Overview

The confrontation between Israel, Iran, and the United States has the potential to generate significant disruptions across global energy markets, financial systems, and international trade networks.

While the immediate military confrontation remains geographically concentrated in the Middle East, the economic consequences of escalation would likely be global in scope.

Three sectors are particularly exposed:

- energy markets
- maritime trade
- financial capital flows.

2. Global Energy Market Vulnerability

The Middle East remains the central node of global hydrocarbon supply.

Several of the world's largest energy producers operate within missile range of Iran.

These include:

- Saudi Arabia
- United Arab Emirates
- Qatar
- Kuwait

Any sustained disruption to these production systems could produce immediate supply shocks.



Strategic Chokepoints

The most critical energy chokepoint in the region is the Strait of Hormuz.

Approximately 20% of global oil supply passes through this narrow maritime corridor.

If Iran were to disrupt shipping through the strait using:

- naval mines
- missile strikes
- drone attacks
- seizure of tankers

the consequences could include:

- rapid oil price spikes
- emergency releases from strategic petroleum reserves
- multinational naval intervention.

Even a temporary disruption would produce significant market volatility.

3. Aviation and Logistics Risk

The Gulf region functions as one of the world's most important global aviation hubs.

Airspace disruptions would affect major international routes connecting:

- Europe
- Asia
- Africa.

Major hubs in the United Arab Emirates, Qatar, and Saudi Arabia handle a substantial proportion of long-haul passenger and cargo traffic.

Escalation could result in:

- airspace closures
- rerouting of major aviation corridors
- increased insurance costs for airlines and cargo operators.

These developments would have downstream impacts on global supply chains.



4. Maritime Trade Exposure

In addition to energy flows, the Gulf region supports significant volumes of global trade.

Major container shipping routes connect Asian manufacturing centres with European and African markets.

Escalation could disrupt maritime corridors through:

- the Persian Gulf
- the Red Sea
- the Arabian Sea.

Attacks on shipping by regional proxy forces—particularly those operating from Yemen—could threaten traffic moving through the Bab el-Mandeb Strait.

This would affect cargo passing between the Red Sea and the Indian Ocean.

5. Financial Market Reactions

Financial markets historically respond quickly to geopolitical instability in energy-producing regions.

Potential reactions include:

- oil price volatility
- increased commodity speculation
- capital movement into perceived safe-haven assets.

Global investors may shift capital toward:

- US Treasury bonds
- gold
- defensive equity sectors.

At the same time, emerging markets dependent on energy imports may face increased economic pressure.



6. Sovereign Wealth Fund Dynamics

One of the more subtle but potentially significant developments relates to the behaviour of Gulf sovereign wealth funds.

Funds associated with governments in:

- Saudi Arabia
- United Arab Emirates
- Qatar

collectively manage trillions of dollars in global assets.

These funds are major investors in:

- US technology companies
- European infrastructure
- international real estate
- venture capital markets.

If geopolitical tensions escalate, Gulf governments could reconsider the geographic distribution of their investment portfolios.

Possible outcomes include:

- diversification toward Asian markets
- increased domestic investment
- reduced exposure to US financial assets.

Such changes would likely occur gradually but could carry long-term implications for global capital flows.

7. Energy Price Scenarios

Three broad price scenarios could emerge depending on the level of escalation.

Scenario A	Scenario B	Scenario C
Limited Conflict	Infrastructure Disruption	Hormuz Closure
<ul style="list-style-type: none">• Oil prices rise moderately due to risk premiums but stabilise.• Energy markets remain functional.	<ul style="list-style-type: none">• Strikes on Gulf energy infrastructure reduce supply.• Oil prices rise sharply.• Major economies activate emergency reserves.	<ul style="list-style-type: none">• Sustained disruption to the Strait of Hormuz produces a severe global energy shock.



Potential consequences:

- recessionary pressure in energy-importing economies
- rapid inflation in the transport and manufacturing sectors
- emergency diplomatic intervention.

8. Strategic Economic Outlook

Despite the risks outlined above, several structural factors may help limit the economic impact:

- diversified global energy production
- strategic petroleum reserves
- multinational naval protection of shipping routes.

However, markets remain highly sensitive to perceptions of escalation risk.

Even limited military exchanges can produce significant economic volatility if investors believe the conflict could expand.

STRATEGIC CONCLUSION

The US–Israel–Iran confrontation represents not only a regional military crisis but also a potential stress event for the global economic system.

Energy markets, maritime trade routes, aviation networks, and international capital flows are all exposed to varying degrees of disruption.

While a contained conflict remains the most likely scenario, escalation affecting the Gulf's energy infrastructure or maritime chokepoints would produce immediate and far-reaching economic consequences.



End of Report