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Executive Assessment

The past week marks a decisive structural transition in the Iran war. What began as a high-intensity regional military confrontation has now evolved into a systemic energy conflict embedded in global markets, maritime routes, and financial systems. The escalation sequence is clear and cumulative: U.S. strikes on Kharg Island established oil export infrastructure as a legitimate military threshold; Israeli operations expanded into leadership decapitation and strategic industrial targeting; and the conflict ultimately crossed into full-scale reciprocal energy warfare, including strikes on the South Pars gas field, Qatar's Ras Laffan LNG complex, Gulf refining infrastructure, and Israeli energy assets.

The most consequential development is the loss of approximately 17% of Qatar's LNG export capacity, with a 3–5-year repair timeline, transforming the crisis from a volatility-driven oil shock into a prolonged global gas supply disruption. This is not a temporary dislocation but a structural impairment of one of the world's central energy nodes. At the same time, crude markets reflect both physical disruption and political signaling, with Brent repeatedly testing the $115–119 range before stabilizing above $110, while WTI remains near $98. These price levels, combined with evidence of ~12 million barrels per day in disrupted flows, confirm that markets are pricing sustained supply stress rather than episodic risk.

Simultaneously, the conflict is entering a more unstable phase defined by a widening gap between political messaging and operational reality. U.S. statements about "winding down" coexist with continued force deployments, sustained strike tempo, and expanded operational geography. Iran is responding with a hybrid strategy combining regional pressure, long-range missile signaling, and—critically—selective control of maritime flows through the Strait of Hormuz, effectively converting a chokepoint into a politically managed corridor. The result is a conflict that now operates as a three-layer system—military, energy, and financial—each reinforcing the other, with no clear pathway to near-term de-escalation.

Security and War Developments

The military trajectory over the week reflects both intensification and structural evolution. Early operations centered on degrading Iranian military infrastructure but quickly expanded into leadership targeting and strategic industry disruption. Israeli strikes eliminating senior figures such as Ali Larijani and the intelligence minister indicate a deliberate shift toward decapitation strategy, historically associated with increased escalation risk due to its direct impact on regime

stability and decision-making coherence. At the operational level, the scale of activity is unprecedented in recent regional conflicts. U.S. strike tempo alone demonstrates sustained high-intensity engagement:

Phase	**Estimated Strike Volume**
Initial escalation (Mar 1)	~1,000
Early wave operations	800–1,000 per wave
Peak phase (Mar 7–9)	~2,000
Subsequent waves	1,300 / 450 / 250
Total (3 weeks cumulative)	**~8,000**

This tempo reflects a shift from signaling strikes to persistent attritional warfare combined with strategic targeting of infrastructure and command nodes. Iran's response has been calibrated but increasingly expansive in scope. Missile and drone operations have continued across Iraq, Saudi Arabia, the UAE, Kuwait, Bahrain, and Israel, demonstrating sustained regional reach. More importantly, the attempted long-range strike toward Diego Garcia—approximately 2,400–2,500 miles from Iran—represents a qualitative escalation in deterrence signaling, extending the perceived conflict envelope beyond the Gulf and into broader strategic space.

Despite U.S. claims that Iran's maritime threat has been "degraded," operational evidence suggests otherwise. Continued missile launches, drone incursions, and successful strikes on energy infrastructure indicate that Iran retains sufficient capability to maintain escalation pressure. The key shift is not capability loss but adaptation: Iran is increasingly leveraging asymmetric tools, proxy networks, and economic targeting rather than direct conventional confrontation.

Energy and Maritime Risk

Energy systems are now the central battlespace of the conflict, with both oil and LNG markets reflecting structural disruption rather than short-term volatility.

Indicator	**Current Level**
Global oil via Hormuz	~20%
Daily flow through Hormuz	~20 million bpd
Asian dependence on Hormuz	~80%
Oil price increase since war start	~40%

The oil market is now driven by a combination of physical supply loss and political signaling. While temporary calming statements can pull prices back from intraday highs, underlying structural factors—damaged infrastructure, disrupted flows, and constrained logistics—

continue to exert upward pressure. Replacement barrels are trading at premiums of $10 per barrel or more, particularly in Asia, indicating real scarcity rather than speculative positioning.

Metric	Value
Brent (intraday peak)	~$119
Brent (recent close)	$112.19
WTI (current)	~$98.23
WTI daily change	+$2.68 (+2.8%)
WTI intraday range	$92.47 – $98.75

The damage to Ras Laffan represents the most significant structural shock of the week. Unlike oil markets, LNG systems lack rapid substitution capacity, meaning this disruption will persist across multiple years. Import-dependent economies—particularly in Asia—are already experiencing supply stress, with reduced LNG inflows, declining LPG consumption, and increased competition for replacement cargoes.

Indicator	Value
Qatar LNG capacity loss	~17%
Capacity offline	~12.8 mtpa
Repair timeline	3–5 years
Estimated annual impact	~$20 billion

Maritime Disruption: Strait of Hormuz

The Strait of Hormuz has undergone a fundamental transformation. It is no longer simply disrupted—it is being actively managed. Iran is allowing selective passage for certain vessels while restricting others, effectively converting the strait into a politically conditioned transit corridor.

Indicator	Pre-War	Current
Tanker traffic	100% baseline	~30% operational
Traffic decline	—	~70% reduction
Ships waiting outside Gulf	Minimal	Hundreds

This shift has profound implications:

- Market access is no longer governed solely by supply and demand
- Shipping decisions are increasingly political rather than commercial
- Effective supply is lower than nominal production

At the same time, U.S. and allied efforts to reopen the strait remain incomplete. Even with intensified operations, clearing Iran's layered maritime threat network is expected to take weeks, reinforcing a persistent risk premium in global energy markets.

Energy Infrastructure and Escalation Grid

Energy infrastructure is no longer a secondary escalation vector—it has become the primary operational battlespace of the conflict. What distinguishes this phase is not only the geographic spread of strikes, but the emergence of a reciprocal targeting doctrine in which both sides are explicitly linking military escalation to energy system disruption. The sequence of events—South Pars targeting, Ras Laffan damage, refinery strikes in Kuwait and Saudi Arabia, and the hit on Haifa—demonstrates that energy assets are now treated as legitimate and central targets rather than collateral risks.

Facility	Country	Strategic Role
South Pars gas field	Iran	World's largest gas field
Kharg Island terminal	Iran	~90% of exports
Ras Laffan LNG complex	Qatar	Global LNG hub
Ras Tanura refinery	Saudi Arabia	Major refining center
Mina Al-Ahmadi refinery	Kuwait	Key export refinery
Fujairah terminals	UAE	Regional export node
Haifa refinery	Israel	Domestic energy hub

This creates a highly unstable escalation grid. Each strike on energy infrastructure generates not only immediate supply disruption but also deterrence signaling for the next cycle. Iran's messaging that it will respond "to the same extent" and with "ZERO restraint" if its infrastructure is hit indicates a shift toward proportional economic retaliation, effectively tying oil, LNG, and refining systems directly to the military exchange cycle. In practical terms, this means that escalation is no longer bounded by battlefield logic—it is increasingly governed by economic leverage and systemic vulnerability.

A critical implication for clients is that energy infrastructure risk is now non-linear. Even limited strikes can produce disproportionate effects due to tight system interdependencies, particularly in LNG markets where substitution capacity is low. Moreover, the geographic dispersion of vulnerable nodes—from Iran to Qatar to Saudi Arabia and Israel—means that the energy system must now be understood as a single integrated risk network, where disruption in one node propagates rapidly across global supply chains.

Global Market Transmission

The past week confirms that the conflict has transitioned from an energy price story into a full-spectrum macroeconomic shock. Market behavior is no longer driven solely by expectations of

supply disruption but by the realization that the global energy system is operating under sustained stress. The divergence between elevated oil prices and declining equity markets reflects a classic stagflationary transmission pattern, where supply-side inflation coincides with weakening growth expectations.

Importantly, financial markets are beginning to price duration rather than volatility. The persistence of elevated crude prices above $100, combined with structural LNG supply loss and rising replacement costs, signals that investors no longer view the crisis as temporary. This is reinforced by capital flows: significant outflows from equities and simultaneous inflows into money markets indicate a systematic shift toward liquidity and capital preservation, rather than short-term hedging.

Region	Change
Americas	-2.7%
Global index	-4.5%
Europe	-7.8%
Asia	-8.2%

Equity Market Performance

The transmission channels are now broad and mutually reinforcing. Higher crude prices are feeding into transport and logistics costs, which in turn are being passed through to consumer prices, particularly in fuel-intensive sectors such as aviation and shipping. At the same time, physical market indicators—such as $10+ per barrel premiums for replacement crude—suggest that real supply constraints are tightening faster than financial indicators alone imply. This gap between financial pricing and physical scarcity is a key risk factor, as it indicates potential for further upward repricing if disruptions persist or deepen.

For import-dependent economies, especially in Asia, the impact is already tangible. Reduced LNG inflows, declining LPG consumption, and competition for replacement cargoes are early signs of demand-side adjustment under constraint, which historically precedes broader economic slowdown. In this context, the energy shock is no longer an external variable—it is becoming a core driver of global economic conditions.

Asset Class	Weekly Flow
Global equities	-$20.3B
U.S. equities	-$24.78B
Europe equities	-$2.13B
Asia equities	+$5.45B
Money markets	+$32.57B

Capital Flow Dynamics

Diplomatic Landscape

Diplomatic dynamics over the week remain fragmented, reactive, and structurally misaligned with the scale of escalation. While there is broad rhetorical support for maintaining freedom of navigation and protecting energy flows, there is still no credible operational framework capable of stabilizing the Strait of Hormuz or deterring further infrastructure strikes. This gap between strategic necessity and political willingness is one of the defining features of the current phase.

The United States is attempting to shift toward a burden-sharing model, urging allies and major energy importers to take a more active role in securing maritime routes. However, the response has been cautious at best and resistant at worst. European and Asian governments are balancing energy dependence against escalation risk, and most have opted for limited engagement rather than direct military involvement. Statements such as “this is not our war” and the absence of concrete naval commitments reflect a broader reluctance to become entangled in a conflict with unclear boundaries and objectives.

At the same time, U.S. messaging itself remains internally inconsistent. Public references to “winding down” coexist with continued escalation, additional deployments, and sustained strike operations. This creates uncertainty not only for allies but also for markets attempting to interpret the strategic trajectory. Iran’s diplomatic posture mirrors this ambiguity in a different form—defiant, distrustful, and explicitly signaling readiness for prolonged confrontation. Statements emphasizing that adversaries’ “security must be taken away” and warnings of retaliation beyond the region indicate that Tehran is not positioning for de-escalation but for extended strategic contestation.

The net effect is a diplomatic environment characterized by activity without convergence. There are multiple parallel efforts—coalition discussions, humanitarian corridor proposals, energy market stabilization measures—but none currently amount to a coherent pathway toward conflict resolution. For clients, this implies that diplomatic developments are likely to remain secondary to operational dynamics in the near term, with limited capacity to materially alter the trajectory of escalation.

Conflict Assessment

The past week demonstrates that the conflict has moved beyond episodic escalation and entered a structurally different phase in which disruption is no longer temporary but increasingly material and lasting. Energy infrastructure is now being physically degraded rather than merely threatened, and this distinction is critical. Damage to gas facilities, LNG export terminals, and refining capacity is creating constraints that will not be quickly reversible, meaning the supply side of the global energy system is beginning to adjust to loss, not risk.

At the same time, the Strait of Hormuz has effectively shifted from a contested chokepoint into a selectively controlled corridor. Access is no longer defined purely by military risk but by political conditions, signaling, and tacit permissions. This changes the nature of maritime

disruption: instead of a binary open-or-closed dynamic, the system now operates in a grey zone where flows continue, but in reduced, conditional, and strategically managed form. As a result, nominal supply and effective supply are diverging, reinforcing volatility and uncertainty in global markets.

These developments are feeding directly into a broader economic shift. What initially appeared as a sharp but potentially temporary price spike is now evolving into a “higher-for-longer” energy environment, where sustained disruption, infrastructure damage, and constrained logistics keep prices elevated even in the absence of new shocks. Markets are no longer reacting only to headlines; they are increasingly pricing in the persistence of structural instability.

Taken together, the conflict is now functioning as an integrated system. Military escalation leads to infrastructure damage; infrastructure damage constrains energy flows; and constrained energy flows transmit into financial markets, inflation, and macroeconomic stress. These linkages are reinforcing each other, making the crisis more durable, more complex, and significantly harder to stabilize through either military or diplomatic means alone.

Forward Outlook (Next 7–14 Days)
• Continued targeting of LNG and refining infrastructure
• Potential escalation toward additional strategic energy assets
• Persistence of selective Hormuz transit rather than full reopening
• Brent likely to remain in $105–120 range with upside risk
• Expansion of Iranian long-range strike signaling
• Continued fragmentation in coalition-building efforts
• Sustained stagflationary pressure across global markets