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Executive Assessment

The war has entered a new phase in which U.S. messaging is trying to separate military end-state from systemic stabilization, but markets and regional actors are not accepting that separation. President Trump's latest address framed the campaign as "very close" to completion and suggested that core U.S. objectives are nearing fulfillment, while at the same time threatening to hit Iran "extremely hard" over the next two to three weeks and explicitly tying any ceasefire consideration to an "open, free, and clear" Strait of Hormuz. That combination has had the opposite of a calming effect: oil prices moved higher, stock rallies reversed, and diplomatic anxiety widened because the speech offered escalation authority without a credible mechanism for reopening Hormuz or restoring normal commercial traffic.

What matters strategically is that the conflict is now being managed as a two-track system. On one track, Washington is signaling a finite U.S. campaign horizon, including suggestions that the U.S. could wind down direct involvement soon. On the other, the core drivers of disruption remain active: Iran continues missile and drone strikes across Israel and the Gulf, maritime traffic remains constrained, and allied governments are openly debating how to reopen Hormuz after — not during — active hostilities. This means the conflict is shifting from a war of immediate battlefield attrition into a broader contest over who controls the conditions for post-strike commerce, energy access, and alliance burden-sharing.

The most important analytical conclusion is that the war can de-escalate militarily before it de-escalates economically. That is why the address failed to calm markets. A shorter U.S. combat timeline does not by itself reopen the strait, lower insurance premiums, restore tanker confidence, refill diesel and jet fuel supply chains, or end retaliatory infrastructure targeting. In practical terms, the conflict is now best understood as a persistent disruption regime with a potentially shrinking U.S. combat role but an unresolved energy and trade crisis.

Security and War Developments

Operationally, the conflict remains intense across multiple theaters even as Washington speaks in terms of nearing completion. Iran carried out fresh attacks on Israel, the UAE, Bahrain, Kuwait, and an oil tanker off Qatar, while Israel continued strikes on regime-linked sites in Tehran and pressure on Hezbollah networks in Lebanon. The overnight pattern described across the files is important because it shows that Iranian retaliation capacity remains intact enough to sustain regional pressure despite repeated U.S. claims of overwhelming military success. Iranian messaging has reinforced this, rejecting the idea that its capabilities have been meaningfully neutralized and instead promising "lasting regret, and ultimate surrender" for the U.S. and Israel.

The Gulf front remains particularly significant because Iran is targeting not just military assets but the economic scaffolding of Gulf diversification strategies. A fresh day of attacks saw the UAE report engagement against 19 ballistic missiles and 26 drones, while earlier reporting had already established the cumulative scale of Gulf interceptions in the hundreds. The operational point is not only the volume of projectiles, but the strategic choice of targets: airports, tankers, industrial facilities, banking and tourism-linked economies, and trade corridors. In this sense, Iran is increasingly prosecuting a campaign against the Gulf's post-oil transition model rather than only against oil output itself.

Recent incidents illustrate the targeting logic clearly. Kuwait's airport fuel tanks were hit and set ablaze, a UAE-owned tanker chartered by Qatar Energy was struck near Ras Laffan, another tanker was attacked off Qatar, and previous attacks on major Gulf energy infrastructure — including Ras Laffan and the Riyadh refinery — remain part of the conflict's active memory and risk calculus. These are not isolated tactical events. Together they show an effort to keep transport fuel, petrochemical processing, and export logistics inside the battlespace.

The Levant remains the conflict's most politically sensitive secondary front. Israel's campaign in Lebanon continues to generate heavy civilian casualties and mounting concern about de facto territorial restructuring. Lebanese officials and UN voices are increasingly warning that southern Lebanon is being pushed toward a buffer-zone or occupation logic, while Israeli statements about Hezbollah leadership targets underscore that Lebanon remains tied directly to the Iranian war system rather than operating as a separate file.

A separate but important security layer is the expansion of conflict spillover into Europe and allied domestic spaces. French authorities are pursuing terrorism charges in a foiled bombing case with suspected links to pro-Iranian incitement, Austria has rejected U.S. requests to use its airspace for Iran-related operations, and Spain and Italy have also resisted operational support for the campaign. These developments show that the war is increasingly generating security and political friction far outside the immediate battlefield.

Security indicator	Current signal	Strategic implication
UAE interceptions in last day	19 ballistic missiles, 26 drones	Iranian regional strike capacity remains credible
U.S. military posture	Third carrier movement and continued deployments	Wind-down rhetoric coexists with reinforcement logic
Lebanon casualties	At least 50 killed in 24 hours in one reporting window	Secondary front remains active and politically destabilizing
Tanker attacks	Off Qatar / near Ras Laffan / near Dubai	Maritime energy trade remains an active target set

Energy and Maritime Risk

The energy system remains the war's primary transmission channel, and the key fact is that disruption persists even when headlines imply partial relief. Brent and diesel rallied again after Trump's address, with Bloomberg and other live coverage emphasizing that the speech snapped a stock rally and revived fears of prolonged war. Even where prices were still below the most

extreme March highs, the directional signal was clear: markets interpreted the speech as extending strategic uncertainty, not shortening it.

This matters because oil pricing is now being formed by three stacked risks rather than one. The first is the direct risk of physical disruption in Hormuz. The second is the indirect risk of wider logistics dislocation through diesel, jet fuel, and freight markets. The third is the political risk that no actor is assuming full responsibility for restoring free navigation. The International Energy Agency chief has already warned that the war has removed about 12 million barrels per day of oil supply and damaged roughly 40 key regional energy assets, while also stressing that the biggest immediate shortage is in jet fuel and diesel, with Europe expected to feel that pressure in April or early May after Asia.

The Strait of Hormuz remains the hinge variable. Trump is now saying he is prepared to consider a ceasefire when Hormuz is "open, free, and clear," yet his broader posture suggests the U.S. may reduce direct responsibility for reopening it. Meanwhile, the UK is convening more than 35 countries, and in some reporting more than 40, to discuss maritime security, demining, reassurance, and reopening mechanisms once active fighting subsides. France has explicitly ruled out immediate military action to reopen the strait, calling such an option unrealistic while leaving open a possible escort role later if conditions calm. This means the war's central economic corridor is being discussed primarily in terms of post-conflict management, not immediate restoration.

At the same time, there are signs of selective permeability rather than total closure. Pakistan has received oil shipments after Iran permitted more ships through Hormuz, and the Philippines says Iran has assured safe passage for its ships and oil imports. Bloomberg's earlier reporting on "secret codes" and yuan-denominated fees suggested that passage is increasingly conditional, politicized, and transactional rather than universally blocked. This is a crucial distinction. Hormuz is no longer functioning as a simple chokepoint; it is functioning as a managed access regime in which transit is possible for some actors under specific political and commercial conditions.

The market consequence is that partial reopening does not equate to normalization. Commercial confidence depends on predictability, not isolated ship movements. That is why even limited resumed flows have not prevented renewed price spikes after hardline U.S. rhetoric. And that is also why allied planners are already discussing mine clearance and defensive reassurance. In effect, the system is pricing the possibility that military hostilities could slow before commercial normality returns.

Energy / Hormuz indicator	**Latest signal**
Brent crude	Near $106–110
U.S. gas price	$4.08/gallon average
Oil supply loss estimate	~12 million bpd
Global oil dependence on Hormuz	~20% of world oil consumption
Shipping governance	35–40 country reopening consultations

Global Market Transmission

Markets are now responding less to battlefield facts than to the credibility gap between political messaging and economic reality. Trump's address tried to project strength, progress, and a narrowing timeline. Instead, it triggered a cross-asset response in the opposite direction: stocks fell, oil climbed, and hopes for a relief rally were cut short. Bloomberg described the speech as snapping a stock rally; New York Times and CNN coverage likewise emphasized that the address failed to calm nerves because it offered no clear exit strategy while renewing threats of escalation.

This is why the current market regime is not simply "risk-on / risk-off." It is better described as a struggle between **ceasefire hope** and **persistent disruption conviction**. Bloomberg cited this explicitly through investor commentary that markets are pricing "ceasefire hope" rather than genuine "peace conviction," while also navigating a "victory rally" narrative against the reality of high oil prices and the expectation of more attacks. That formulation is analytically useful because it explains why rallies are shallow and reversible: markets can temporarily believe in a shorter war, but they cannot yet believe in a functioning post-war system.

The equity response has been global. U.S. futures and European stocks declined after the speech, and Asian equities also fell, with Japan's Nikkei down around 2.1%, South Korea's Kospi down roughly 3.9%, Hong Kong's Hang Seng down about 1%, and mainland Chinese indices also weaker. These moves fit a familiar pattern from the previous phase of the war, but the context is more severe now because gasoline, diesel, and jet fuel shortages are becoming more visible, not less.

The fuel transmission story is now especially important. CNN's charted price series shows U.S. gasoline at $4.08 per gallon on April 2, up 37% since the start of the war and up $1.08 since March 2, a steeper one-month climb than the price spikes following Hurricane Katrina or the 2022 sanctions shock after Russia's invasion of Ukraine. Bloomberg notes that California is approaching $6 gasoline, and that accidental pipeline damage inside the United States is compounding the war shock. This means the war's consumer impact is no longer a pure foreign-policy story; it is interacting with domestic infrastructure fragility, making the political cost of prolonged conflict potentially much higher than headline oil prices alone suggest.

The downstream implications are already being articulated by policymakers and energy officials. The IEA chief warns that jet fuel and diesel shortages are the most immediate challenge and that Europe is likely to feel the pain after Asia as cargoes dispatched before the war dry up. Airlines are already raising fares and cutting flights, and air freight on Asia–Middle East routes had previously jumped about 95% in March, approaching pandemic-era records.

This matters because it extends the war's market impact beyond fuel retail into aviation, freight, tourism, food distribution, and broader consumer inflation.

Market transmission channel	Current evidence	Interpretation
Equities	U.S. futures down; Asian equities weaker after speech	Markets reject "war nearly over"
Consumer fuels	U.S. gasoline $4.08 avg; some states $6	War shock visible at household level
Distillates	Jet fuel and diesel shortages expected to hit Europe next	Signals logistics and aviation stress
Freight	Air freight had risen ~95% on Asia–Mideast routes	Confirms trade system repricing

Diplomatic Landscape

The diplomatic landscape is now unusually fragmented because every major actor is approaching the war through a different functional priority. The U.S. is trying to retain escalation leverage while shortening its own direct exposure. Europe is trying to contain economic fallout and preserve navigation. Gulf states want commerce restored but remain wary of becoming direct operational participants. China and Pakistan are prioritizing ceasefire and safe shipping. Iran is rejecting the U.S. narrative of progress while keeping military and maritime pressure alive. These positions overlap only partially, which is why diplomacy is active but not convergent. The most consequential diplomatic shift is in the U.S. alliance posture. Trump's repeated criticism of NATO, his description of it as a "paper tiger," and the suggestion that U.S. membership could be reconsidered if allies do not help reopen Hormuz all indicate that the war is being used to renegotiate alliance obligations in real time. CNN's chronology shows that this is not a one-offline but part of a sustained campaign of pressure on NATO and selected partners dating back through March. The implication is that Washington is not merely frustrated with allied caution; it is actively using the Iran war to test the limits of transactional alliance politics.

European responses have hardened. Macron has said that using military force to reopen Hormuz is "unrealistic," and French officials have explicitly argued that NATO is not designed for Hormuz operations. At the same time, France and Japan are jointly backing ceasefire, peace, and freedom of navigation, while Britain has moved beyond rhetoric by organizing a 35-country conference on restoring maritime security and planning for demining and reassurance once fighting stops. The message from Europe is therefore not passivity, but refusal to endorse the U.S. model of unilateral war followed by allied cleanup. Regional diplomacy is also becoming more structured. Pakistan is positioning itself as a credible host for U.S.–Iran talks and has already played a meaningful intermediary role in previous phases of the crisis. China has backed Pakistan in calling for an immediate ceasefire and safe passage for commercial and civilian shipping in Hormuz. The strategic significance of this is that a non-Western mediation track is now visible and increasingly relevant, especially as Western alliance cohesion frays.

Meanwhile, Gulf states are trying to preserve optionality. The UAE says it remains ready to support collective international efforts to ensure uninterrupted commerce through Hormuz, but insists any engagement must be coordinated, legal, and defensive in posture. That is a carefully calibrated signal: the Gulf wants maritime reopening, but not at the cost of being seen as volunteering for an offensive coalition under U.S. command. The UAE's simultaneous tightening of entry rules on some Iranian nationals also shows that these states are beginning to harden economically and socially, not only militarily.

The UN, for its part, is trying to elevate the war's global humanitarian and economic stakes. António Guterres has warned that the world is "on the edge of a wider war," that freedom of

navigation “must be upheld,” and that when Hormuz is strangled “the world’s poorest and most vulnerable cannot breathe.” This is more than standard diplomatic language: it is an attempt to reframe the conflict as a global system emergency, not a regional war to be managed piecemeal. The weakness of the current diplomatic picture is therefore not inactivity, but multipolar non-alignment of objectives. Washington wants leverage without liability. Europe wants navigation without escalation. Gulf states want trade without entrapment. China and Pakistan want stabilization without Western strategic dominance. Iran wants sanctions and military pressure relieved without surrendering coercive tools. Those objectives do not yet add up to a coherent settlement pathway.

Diplomatic actor / axis	Present priority	Constraint
United States	Finish campaign, preserve leverage, shift reopening burden	Exit messaging undermines stabilization credibility
NATO / Europe	Protect navigation, avoid ownership of unilateral war	Rejects automatic military follow-through for U.S. strategy
United Kingdom	Build multilateral maritime mechanism	Can organize, but not by itself guarantee reopening
Gulf states	Restore commerce, avoid direct exposure	Defensive posture and internal vulnerability persist
China–Pakistan	Ceasefire and safe passage	Limited coercive leverage over battlefield actors
United Nations	Prevent wider war, defend navigation and civilians	Moral authority exceeds enforcement capacity

Forward Look (Next 7 Days)

- Markets will track the gap between “war nearing completion” rhetoric and unresolved Hormuz disruption; risk premium likely persists
- Oil, gasoline, diesel, and freight costs remain elevated even if U.S. strikes slow
- Key indicator: actual Hormuz traffic flows, not political statements
- Partial or conditional tanker transit ≠ normalization; attacks on energy/logistics assets sustain pricing pressure
- Diplomatic activity will increase, but without convergence or operational outcomes
- No credible, coordinated plan yet to reopen Hormuz, diplomacy remains supportive, not decisive
- Core risk zones: Gulf (energy & shipping), Lebanon (escalation), Iraq (spillover risk)
- Iran strategy continues targeting economic infrastructure over purely military assets
- U.S. signaling suggests shorter direct involvement, but without resolving systemic disruption
- Base case: prolonged hybrid conflict and persistent global energy/market shock, not full de-escalation