



## MUTUAL TRUST

**MONDAY, 2 MARCH 2026**

### **Iran conflict – Implications of rising geopolitical instability**

You will be aware that coordinated U.S. and Israeli strikes in Tehran have resulted in the death of Iran's Supreme Leader and several senior officials. In response, Iran has launched missile and drone attacks on Israel, U.S. bases in the Gulf, and major regional cities.

Tensions across the region have escalated sharply, and the outlook remains highly uncertain, with the potential for either rapid de escalation or a more prolonged conflict. While the human cost is paramount, financial markets have reacted quickly, with safe haven assets strengthening and energy and precious metal prices expected to remain elevated in the near-term.

**At the time of writing, oil prices have risen by around 13%, the gold price is roughly 3% higher, the U.S. Dollar Index has strengthened modestly, and U.S. 10 year Treasury yields have moved lower as investors seek safety.**

The most immediate economic impact is expected to come through energy markets. Even though the Organisation for the Petroleum Exporting Countries (OPEC) members have signalled a willingness to increase supply, the key challenge is the ability to move oil through the Strait of Hormuz – one of the world's most critical shipping lanes – which Iranian forces have threatened to close. Any significant disruption could keep upward pressure on oil prices and, by extension, short term inflation.

If the conflict stabilises quickly, the inflationary impact is likely to be temporary and should be looked through from a central bank perspective. However, if tensions persist, there is a risk that elevated oil prices feed into longer term inflation expectations – a scenario which policymakers are keen to avoid.

For now, we expect overall market sentiment to remain cautious and volatility to stay elevated. Some sectors, such as energy, gold, and defence, may benefit in the near-term.

Meanwhile, industries sensitive to fuel costs or discretionary spending, such as airlines and consumer-focused companies, may face headwinds. Financials may also come under pressure in the current risk-off environment, as the sector is closely tied to broader economic conditions and consumer activity.

**At Mutual Trust, we do not attempt to predict or trade around geopolitical events – they are inherently unpredictable. Instead, we concentrate on what we can control – building diversified, high-quality portfolios designed to withstand a range of scenarios over the long-term while maintaining flexibility. This allows us to stay the course through periods of disruption while remaining agile enough to take advantage of opportunities as they emerge from sharp or unwarranted market movements. It is critical to maintain discipline and stick to a long-term investment strategy. We will continue to closely monitor developments – please speak with your Mutual Trust Advisor if you have any queries.**

Kind regards,

**Hemant Govan**

Partner, Head of Research & Portfolio Management