

Update Report
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Impact of US-Israel and Iran warfare



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US-Israel and Iran warfare timeline

From tension to escalation

- The US and Iran held talks on the nuclear issue in February 2026, but all were unsuccessful. On the morning of 28 February 2026, the US and Israel launched a large-scale attack on Iran. Supreme Leader Ali Khamenei and many high-ranking Iranian officials and generals were killed.
- The US-Israeli conflict with Iran is the focus of global financial markets due to the escalating geopolitical risk. This US military campaign against Iran is significantly different from the US campaign against Venezuela in January 2026. Firstly, in terms of scale, the Iranian conflict is much larger than the Venezuelan conflict. Not only the US, Israel, and Iran are involved in the war. The United Arab Emirates (UAE), Saudi Arabia, Oman, Iraq, Qatar, and Kuwait have all been attacked. Second, in terms of the roles of Iran and Venezuela in the global energy market. Iran is the third largest oil producer in the Organization of Petroleum Exporting Countries (OPEC). Finally, there's the location of the Strait of Hormuz (the north bordered by Iran). The Strait of Hormuz handles 20% of the world's annual oil trade. On 3 March 2026, Iran threatened to blockade the Strait of Hormuz. This could drive up oil prices and put economic pressure on the US.
- The extent of the impact of a US-Israel and Iran conflict on the global economy will be determined by how long the conflict lasts. Besides the intensity of Iran's response, the actions of other major powers (China, Russia) will also influence the duration of the conflict. A prolonged conflict would significantly impact oil supply, potentially leading to higher oil prices and inflation.

Timeline	Events
Jun 2025	Israel, in coordination with the US, launched an attack on Iranian territory. The war lasted 12 days, ending when both sides reached a ceasefire agreement.
6 Feb, 25 Feb, 26 Feb 2026	The US and Iran held talks on nuclear issues in Oman and Geneva.
27 Feb 2026	A report issued by the International Atomic Energy Agency (IAEA) states: "The vehicle regularly operates around the entrance to the tunnel complex at Isfahan (Iran), where uranium enriched to 20% and 60% U-235 is stored."
Morning 28 Feb 2026	The US and Israel launched a large-scale attack on Iran.
28 Feb – 2 Mar 2026	The two sides clashed. Iran retaliated against Israel and attacked US military bases in the Middle East.
3 Mar 2026	Iran threatens to blockade the Strait of Hormuz

Strait of Hormuz location



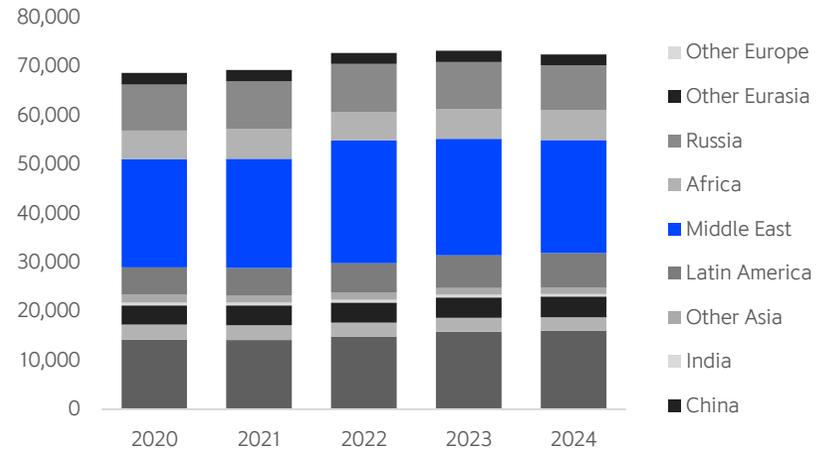
Source: Reuters, SSV

Roles of Iran and Middle East countries

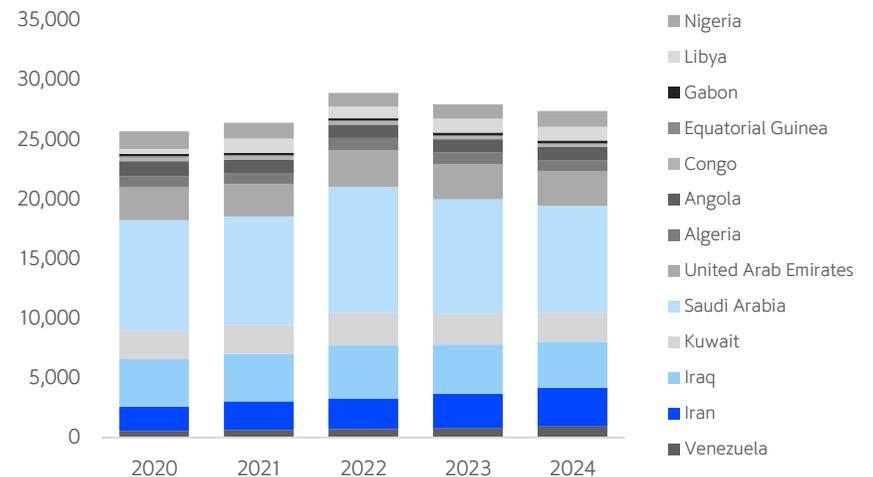
Key roles

- The Middle East; led by Saudi Arabia, Iran, Iraq, the UAE, and Kuwait; plays a central role in the global energy supply chain. The region provides approximately 30% of the world's oil production and about 20% of global LNG trade. It also possesses the largest reserves of readily extractable oil and gas on the planet, resulting in low production costs. Some fields in Saudi Arabia and Iran have extraction costs below \$10 per barrel. This allows the Middle East to maintain its role as a fundamental source of supply throughout all oil price cycles. Furthermore, the production regulation mechanisms through OPEC and OPEC+ make the region a decisive factor in the liquidity and elasticity of the global oil market.
- Within this picture, Iran holds a strategic key position due to its combination of vast resources, unique geopolitical location, and regional security capabilities. Iran possesses approximately 208 billion barrels of oil, equivalent to nearly 13% of global reserves, along with about 33.9 trillion cubic meters of natural gas – among the world's largest reserves. With a production of around 3.3 million barrels per day, Iran currently ranks third in OPEC after Saudi Arabia and Iraq. Despite sanctions, the country maintains its role as a strategic supplier, especially to emerging economies like China.
- Beyond oil, Iran also possesses approximately 60 billion tons of mineral resources, including copper, iron, zinc, gold, lithium, and rare earth elements, creating a potential foundation for deeper involvement in the mineral supply chain to support the clean energy transition.

Global oil production (thousand barrels/day)



OPEC oil production (thousand barrels/day)



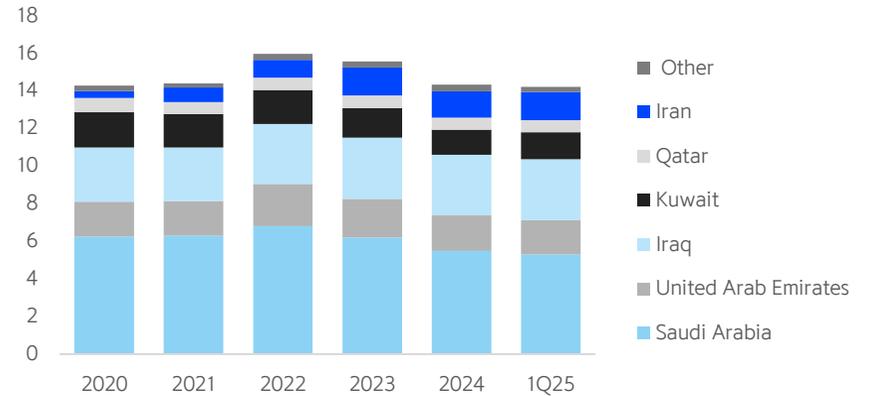
Source: EIA, SSV

The strait of Hormuz

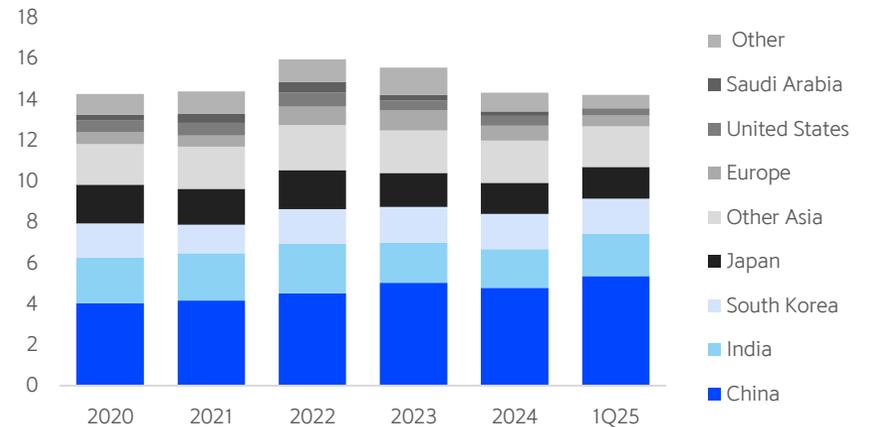
Strategic geographical location controls the northern shore of the Strait of Hormuz.

- Geographically, Iran is located at the crossroads of the Middle East, Central Asia, and South Asia; bordered to the north by the Caspian Sea and to the south by the Persian Gulf and the Gulf of Oman. This geographical structure makes Iran a crucial link in the International North-South Transport Corridor (INSTC), connecting India with Russia and Europe, significantly reducing shipping time and costs compared to the Suez Canal route. Furthermore, Iran expands its strategic depth through a network of allies and proxy forces in Iraq, Syria, Lebanon, and Yemen, forming a "belt of influence" stretching from Tehran to the Mediterranean.
- The Strait of Hormuz, located between Oman and Iran, is the only sea route connecting the Persian Gulf to the Indian Ocean. It is the only strategic sea lane for exporting oil and gas from many Middle Eastern countries, occupying a pivotal position in the global oil and gas logistics chain.
- Hormuz has long been considered a strategic link in global trade, with approximately one-fifth of seaborne crude oil, one-fifth of liquefied natural gas (LNG), and one-third of international urea trade passing through this region. Notably, about 70% of this volume is exported to Asia, with China, India, and Japan being the main importing markets.
- These figures show that any negative developments in the Strait of Hormuz can immediately be reflected in energy prices and the international supply chain.

Volume of crude oil and petroleum products transported through the Strait of Hormuz, by country of origin, 2020 – Q1/2025 (million barrels/day)



Crude oil shipments through the Strait of Hormuz, by destination, 2020 – Q1/2025 (million barrels/day)



Source: EIA, SSV

Scenarios of conflict, oil prices, and logistics costs

The consequences will be severe if the conflict prolongs

- The oil price will be determined by the military development on the Strait of Hormuz and a conflict between the US, Israel, and Iran could go into three scenarios:
 - 1) In the most optimistic scenario, the conflict would only last in few days similar to 2025, with both sides reaching an agreement and declaring they had achieved their military goals. The 2025 conflict lasted for 12 days. However, this scenario is unlikely. The reasons that the US is declaring a military campaign in Iran are far more complex than simply aiming to destroy Iran's nuclear facilities by 2025. US President Trump has mentioned the goal of destroying the nuclear program and "freeing" the Iranian people, while Secretary Hegseth and Secretary of State Marco Rubio have spoken of retaliation and a preemptive strike against Iran because the US risks becoming a target.
 - 2) In the second, more likely scenario, the surviving Iranian leaders would rebuild their ranks. While Israel might achieve its military goal of destroying Iran's nuclear and military capabilities, the potential risks of future conflict are significant if Iran regains its strength. In this scenario, geopolitical risks are significantly increased.
 - 3) The final scenario is the worst-case scenario: Iran descends into chaos, factional conflicts erupt, and Iran's nuclear fuel stockpiles risk falling into the hands of extremist groups. If the Strait of Hormuz is disrupted, Brent crude oil prices could rise to \$80-\$120 per barrel, or even \$130 per barrel in a crisis.
- Regarding transportation costs, conflict will drastically increase shipping costs as ships have to anchor, change course, wait for orders, or travel slowly. This increases war risk insurance premiums, insurance surcharges, fuel costs, port waiting fees, and the potential for emergency surcharges. Marine insurance premiums are expected to increase sharply; hull insurance in the Gulf could rise by 25%–50% in the short term, or even higher if commercial vessels are directly attacked and the Strait of Hormuz is blockaded.

Oil price scenarios based on shipping conditions in the Strait of Hormuz

Scenarios	Oil price
Normal shipping	70 – 78 USD/barrel
Limited activity (not closed, but alternative routes chosen)	80 – 90 USD/barrel
Partial lockdown (weeks)	92 – 105 USD/barrel
Prolonged lockdown (>30 days)	108 – 130 USD/barrel

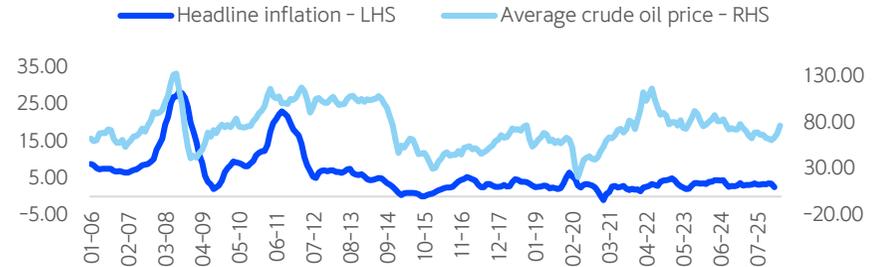
Source: Citigroup, SSV

Impact on Vietnam – Current Risks

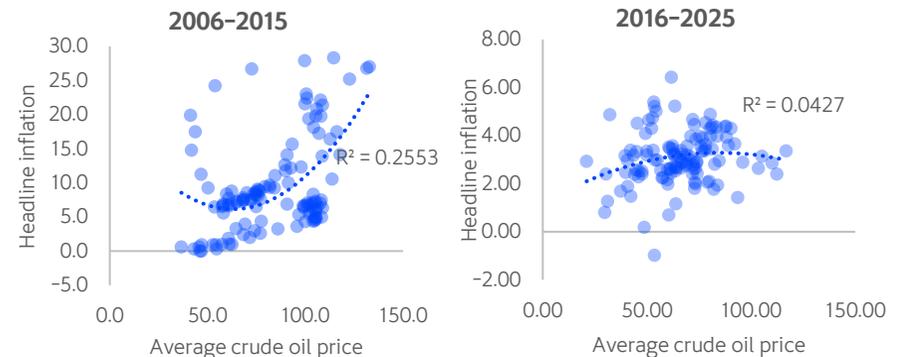
Energy risks are not too serious. Inflation is the notable risk.

- Currently, the Nghi Son refinery, with a capacity of 10 million tons per year, is designed to primarily use crude oil imported from Kuwait. Therefore, the majority of Vietnam's imported crude oil serves the operation of the country's largest oil refining facility. The Nghi Son refinery supplies approximately 35–40% of domestic oil demand. Over 80% of Vietnam's crude oil imports came from Kuwait between 2020 and 2025. Fortunately, however, on 14 January 2026, the Nghi Son refinery successfully processed its first batch of oil from sources outside Kuwait. The refinery can now seek alternative sources of oil supply to replace Kuwait.
- **Unless prolonged, the Vietnamese oil market will not be significantly impacted.** PVOil and Petrolimex (Vietnam's two leading petroleum retailers, holding over 70% of the market share) have inventories to ensure sufficient supply for the market in March.
- **Inflation could increase if fuel costs rise.** Fuel costs directly affect transportation costs, potentially pushing up the prices of goods sold on the market or impacting business profit margins. Although the impact is no longer as significant as during the 2006–2015 period, if oil prices increase by more than 10% in 2022 alone, it could push the overall CPI up by an additional 0.36%.
- **Interest rates showed initial reactions.** The overnight interbank interest rate surged to over 10% on 2 March 2026. This could be a reaction to the global situation as global capital flows showed signs of seeking safe-haven assets like USD and concerns about inflation caused by conflict. These factors pushed interest rates and the DXY higher. Although this is only temporary, interest rates may continue to remain at new high levels in the future.

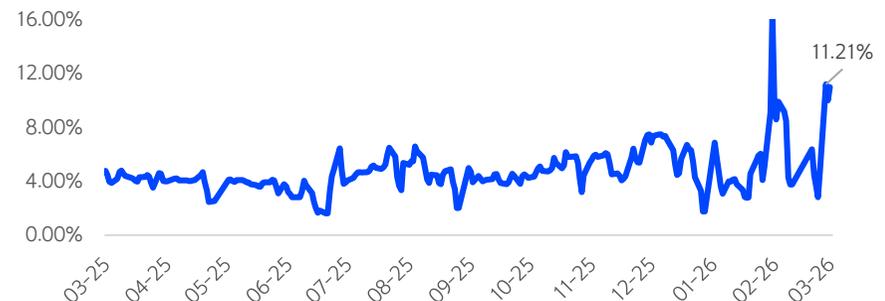
Vietnam's headline inflation rate (%) and crude oil price (USD/barrel)



Oil prices still have a direct impact on inflation, but not as significant as in the past.



Overnight interest rate in the interbank market



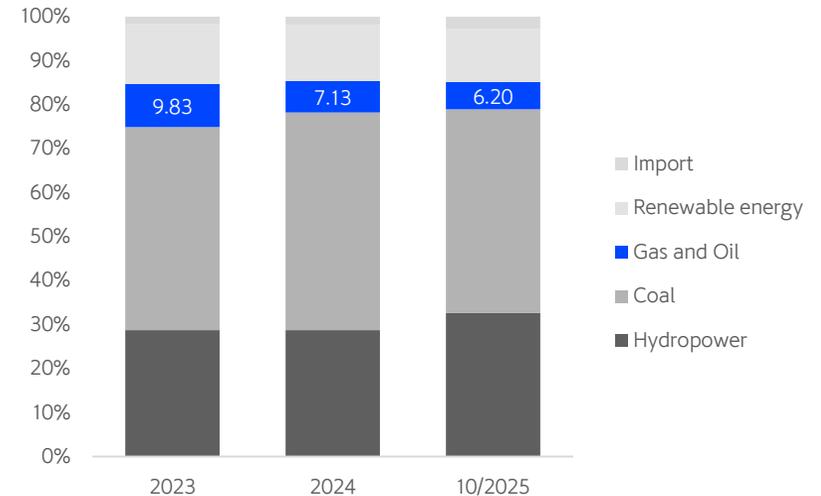
Impact on Vietnam – Challenges and Opportunities

Mix of challenges and opportunities

- **Regarding energy, Vietnam faces certain risks, but will only be significantly affected if the conflict continues.** If the conflict persists, refineries will face difficulties in their operational plans by the end of the second quarter and throughout the third quarter. Refineries have petitioned the relevant authorities and PetroVietnam to consider a preferential mechanism allowing them to purchase the maximum amount of domestically extracted crude oil and condensate.
- **Vietnam will also not experience electricity crisis like other Asian countries in the region, as its electricity consumption structure is not entirely dependent on natural gas.** In the last three years, the proportion of electricity generated from gas and oil has been decreasing. Although Vietnam plans to reduce the proportion of coal-fired power generation and will not aggressively develop this source, coal-fired power plants along with hydropower will continue to operate to maintain stability in supply, at least for the next few quarters, to ensure energy security.
- **Furthermore, instability in the Middle East could lead to capital shifts.** Two major international financial centers in Dubai and Qatar have been affected. Political stability is one of the key factors for financial centers. If Vietnam can complete its financial center soon, it can attract capital flows from this shift.

Furthermore, March is a crucial month for the Vietnamese market as FTSE assesses the possibility of opening up to "international brokers." It is highly likely that FTSE will approve this, as the Ministry of Finance recently issued Circular No. 08/2026/TT-BTC dated February 3, 2026, allowing orders to be placed through global brokerage firms, instead of requiring direct account opening at domestic securities companies.

Vietnam's power generation structure from 2023 onwards



FTSE assessment timeline

Timeline	Events
3/2026	FTSE Russell's midterm assessment addresses the issue of "opening up to international brokers".
4/2026	Announcing the results of the midterm evaluation (Interim)
9/2026	Official upgrade review
10/2026	Official announcement of the annual evaluation results (Annual)

Source: EVN, FTSE, SSV

Important Disclosure

Stock

-  **BUY:** Expected 12-month gain of 15% or more
-  **HOLD:** Expected 12-month loss of 15% to gain of 15%
-  **SELL:** Expected 12-month loss of 15% or more

Sector

-  **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY
-  **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated HOLD
-  **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL



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