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Israel's War on Iran:
What's The Endgame?

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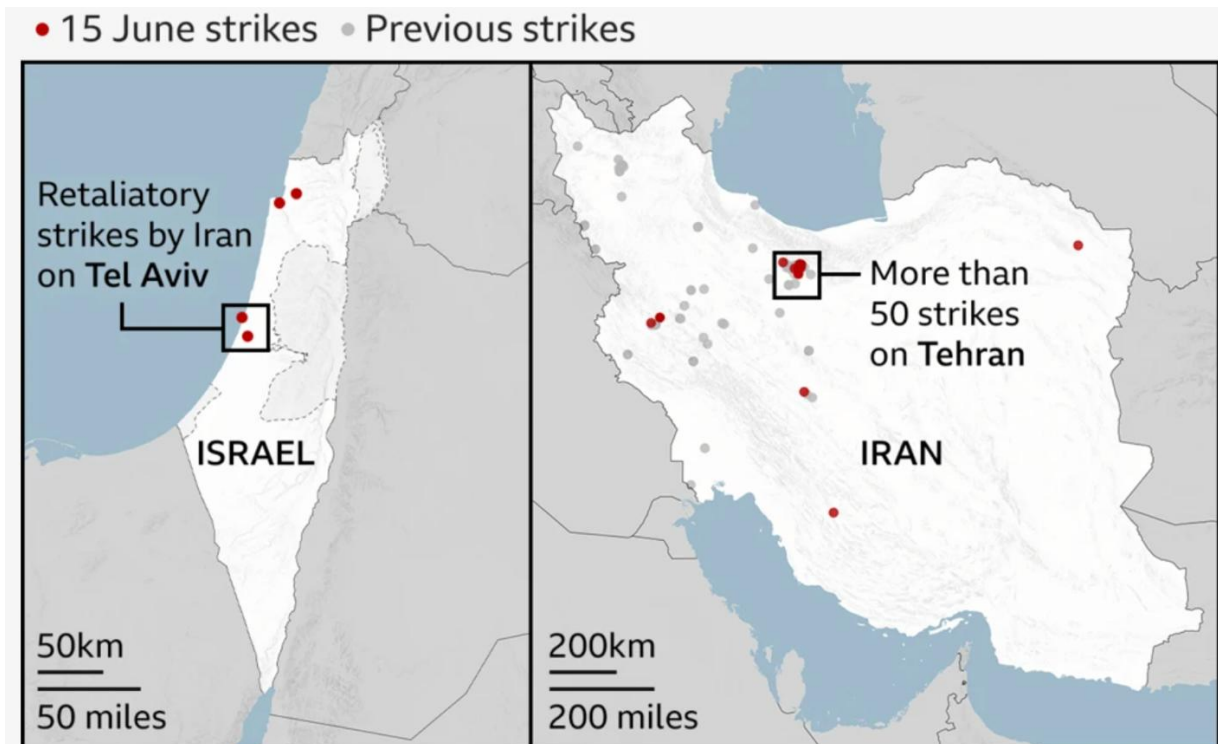
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Executive Summary

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- ✦ The Israelis blew up American-Iranian nuclear diplomacy by waging "Operation Rising Lion" on 13 June.
- ✦ Iran has, thus far, absorbed the initial phase of Israeli strikes and proved capable of waging effective counterstrikes against Tel Aviv and other major Israeli cities.
- ✦ Although Israel has sought to justify its decision to wage this war on the grounds that Iran's nuclear program threatens another "holocaust," Tel Aviv has other motivations such as creating conditions on the ground in Iran that could open the door to Iranian regime change.
- ✦ A host of countries, including Russia, Turkey, and Gulf Arab monarchies, have been seeking to establish effective diplomatic backchannels in order to pave the way for dialogue that could potentially result in a reduction of hostilities and, ideally, a ceasefire between Israel and Iran.
- ✦ Whether Iran decides to close the Strait of Hormuz is a high-stakes issue with much potential to shape the war's trajectory.
- ✦ Iranian society has reacted to Israel's war by unifying and rallying around the flag.
- ✦ Whether the Trump administration decides to pursue the path of de-escalation and rein in Israel or become more directly involved in the war on Tel Aviv's side will heavily influence the direction of this conflict.
- ✦ The leaders of Gulf Arab monarchies are terrified by the Israel-Iran war, fearing that this conflict can destabilise the Gulf sub-region, possibly making Gulf Cooperation Council (GCC) members collateral in this conflict.

Key Picture: Israel and Iran Mutual Strikes as of 15 June 2025



Source: *ISW and AEI's Critical Threats Project (15 June 22:00 GMT) on BBC*

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1. Introduction

The ongoing Israel-Iran war erupted on 13 June when the Israeli military carried out hundreds of strikes across Iran. During the conflict's first several days, the Israeli military's operations were centered on attacking Iranian military bases, nuclear facilities, and missile factories, as well as assassinating high-ranking military commanders and the country's nuclear scientists. Although Iran was initially caught off-guard, the Islamic Republic managed to activate its air defence system, maintain its chain of command, and retaliate with a massive wave of counterattacks that started 18 hours after the Israelis launched "Operation Rising Lion."

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At this early stage, it is difficult to predict how the war will play out. But there are valid concerns about it becoming a protracted conflict without a decisive victor. As two heavily-armed states, neither Israel nor Iran is blinking as this war shows only signs of possible further escalation without a ceasefire appearing on the horizon.

The scope of the ongoing Israeli military campaign has expanded significantly with Tel Aviv targeting a wide array of critical infrastructure across Iran. In recent days, Israel has extended its strikes beyond traditional military targets to include the aviation, electronics, and aerospace industries. These have been hit alongside energy installations, manufacturing plants, administrative buildings, and even local law enforcement facilities.

Among the most consequential strikes was the targeting of the South Pars gas field—one of the largest natural gas condensate fields in the world—and the Shahrin oil depot.^{1, 2} These attacks strike at the heart of Iran's energy economy, potentially disrupting both domestic energy supplies and international exports. For ordinary Iranians already enduring years of economic hardship, sanctions, and inflation, the destruction of such infrastructure threatens to push daily life to the brink of collapse. Access to electricity, fuel, and basic services could become increasingly limited, further compounding public despair and discontent.

The most symbolic escalation, however, occurred on 15 June, when Israeli forces struck the Hashemi Nejad International Airport in Mashhad—located in northeastern Iran, approximately 2,300 kilometers from Israeli territory.³ This move serves not only as a tactical strike on a strategic transportation hub but also as a powerful message: Israel is willing and able to hit targets deep within Iranian territory, regardless of their proximity to the front lines or their civilian nature.

In essence, Israel's recent actions underscore a deliberate shift to southern suburbs. By targeting infrastructure integral to Iran's economic and civilian life, Tel Aviv appears to be signaling that no part of the Islamic Republic's domestic architecture is immune from military engagement. This widening of the conflict raises profound questions about the future trajectory of the war and its consequences for regional stability and civilian well-being.

2. Causes of Escalation and Israeli Motivations for War

Israel's official reason for waging this war on Iran is to prevent a "nuclear holocaust."⁴ Tel Aviv points to Iran's nuclear activities as an "existential threat" to the Jewish state and frames this conflict as one which Israel must fight to ensure its mere survival. Nonetheless, this depiction of the perceived Iranian nuclear threat is greatly exaggerated, and other factors help explain Israel's decision to launch "Operation Rising Lion."

The Israeli leadership has long maintained a fantasy about regime change in Tehran and Tel Aviv is optimistic about the war creating conditions that will lead to such an outcome.

Additionally, Prime Minister Benjamin Netanyahu was determined to sabotage American-Iranian diplomacy, which has been a result of this conflict with the nuclear negotiations coming to a halt and Tehran refusing to speak with Washington until Israel stops bombing Iran.

An Israeli assessment was that the time was opportune for waging devastating strikes on Iran. With the Islamic Republic and its non-state actor allies, partners, and surrogates in the Arab world—collectively known as the "Axis of Resistance"—having suffered a major decline in light of Lebanon's Hezbollah suffering major blows amid its war with Israel in 2023/24 and the fall of the former Syrian government led by President Bashar al-Assad on

8 December 2024, Tel Aviv perceived Iran to be in a weak position and most vulnerable to the Israeli war machine. As demonstrated by the high-ranking military and regime officials killed in the earliest stages of “Operation Rising Lion,” Israel’s decades of espionage in Iran had enabled Tel Aviv’s spy agencies to penetrate Iran to a significant degree, underscoring the Islamic Republic’s vulnerability to covert and clandestine Israeli activities on Iranian soil that provided the Mossad with extensive amounts of intelligence on Iran’s security apparatus and nuclear program.

Although Iran was caught off guard by Israel’s sudden military campaign, the country quickly proved capable of subjecting Tel Aviv and other parts of Israel to an intense wave of counterattacks. What followed on 15 June was a wave of Israeli attacks on Iran’s gas fields, including South Pars (the Iranian part of the world’s largest natural gas field, which Tehran shares with Qatar). By targeting Iran’s energy sector, Israel is taking its war to the heart of Iran’s economy, which was already suffering from a host of serious problems prior to the eruption of this new conflict.

3. US Involvement

In the immediate aftermath of Israel’s first strikes on Iran, the Trump administration stressed that this was a unilateral action taken by Tel Aviv. The US immediately called on Iran to avoid targeting US assets and personnel in the region, and vowed to come to Israel’s defense in the event of Iranian retaliation. US President Donald Trump himself addressed the escalating crisis by telling the media that he was supportive of Israel’s war on Iran, and that it took place 61 days after the nuclear talks began in Oman, which was one day past the 60-day deadline which he gave Tehran for reaching a deal.

A widespread understanding among many analysts is that the Trump administration was not negotiating in good faith with the Iranians, and that the White House, in coordination with Netanyahu’s government, was not going to agree to a deal that permitted Iran to enrich uranium. Some observers have concluded that the Trump administration allowed five rounds of talks to occur in order to catch Tehran off guard by the time of Israel’s strikes.

Notably, the US evacuated many military families and diplomats from Gulf Cooperation Council (GCC) states and Iraq shortly before Tel Aviv launched “Operation Rising Lion,” which, in hindsight, many analysts believe was indication of the Trump team’s plans for protecting US personnel and interests from the fallout of what would soon be the Israeli war on Iran. Regardless of what the Trump administration knew in advance of Israeli plans, it is safe to conclude that Netanyahu could have only launched this operation with a green light (or at least a yellow light) from the White House.

4. Regime Change?

The Islamic Republic’s overthrow has long been an Israeli objective. A likely motivation that Netanyahu’s government had for waging this war on Iran was to create conditions on the ground that would lead to Iranian citizens with grievances about their ruling regime rising up to topple the government in Tehran. Since Tel Aviv launched “Operation Rising Lion,” Netanyahu has repeatedly used rhetoric aimed at pitting Iranian citizens against the ruling authorities, frequently framing the Israeli war as one against the Tehran regime as opposed to Iran as a country.

Whether Israel’s intense military strikes against Iran will result in the Islamic Republic losing or consolidating its power is a question that remains open. Many Iran experts caution that Tel Aviv’s strategy could backfire against the Israeli government’s interests and serve to bring about a “rally around the flag” effect in Iran, which seems likely. In fact, so far, many Iranian citizens, including those who have no love for the Islamic Republic, have displayed unity against the foreign power waging war on their country. The death of more innocent Iranian civilians will probably make the regime more successful in its use of the “nationalist card” while Israeli military strikes against densely populated urban areas in the capital and other major cities continue.

In the wake of the "Woman, Life, Freedom" movement that captured global attention and challenged the status quo in Iran during 2022–23, several opposition groups have made efforts to build a unified coalition of anti-Islamic Republic factions and activists. However, internal divisions—particularly regarding the vision for Iran's political future—have thus far hindered the formation of a cohesive alliance. Debates around the nature and structure of governance in a post-Islamic Republic era remain contentious and unresolved.

Within this fragmented landscape, certain officials in Tel Aviv may view specific figures, such as Reza Pahlavi—the exiled son of Iran's former Shah, deposed in the 1979 revolution—as potential partners or interlocutors. Pahlavi, who has long lived in exile, has sought to amplify his international presence through outreach to foreign governments, including symbolic visits to Israel.⁵ He retains a measure of support among segments of the Iranian diaspora in the US and Europe, particularly within monarchist circles. However, the prospect of Reza Pahlavi returning to Iran as a governing figure in the event of a foreign-backed regime transition remains, at present, highly speculative and unlikely.

5. Retaliation by Iran

Despite the Israeli blitz at the onset of this war, Iran has denied Tel Aviv anything resembling a decisive or crippling blow. Within less than 18 hours of Israel's opening salvo, the Islamic Republic launched a coordinated and highly aggressive counteroffensive, firing a barrage of missiles that lit up the Tel Aviv skyline.⁶ This swift and unrelenting retaliation—targeting critical infrastructure including Israel's Ministry of Defence—demonstrated the vulnerability and weaknesses of even Israel's most sophisticated air defense systems. The speed and scale of Iran's response swiftly undercut any illusion of Israeli dominance in the early stages of the conflict, revealing how transient its early advantage truly was on 13 June.

The Iranian counterstrikes have sown widespread disruption and alarm throughout Israel, targeting not only strategic installations but also major urban centers. Cities such as Tel Aviv, Haifa, Ashkelon, and Bat Yam have come under direct attack, with several missiles striking residential areas and civilian buildings. In parallel, Iran has expanded its military objectives to include energy and infrastructure targets—most notably launching an attack on one of Israel's oil refineries and inflicting damage on sections of the national power grid.⁷ These assaults have had tangible consequences. Ben Gurion Airport, Israel's primary international gateway, remains shuttered amid a wave of explosions, fires, and general instability.

The psychological and logistical impact of Iran's response has been profound, signaling that this war is far from one-sided. It has demonstrated Iran's capacity not only to absorb an initial blow but to strike back forcefully and at a strategic depth that few anticipated. This tit-for-tat escalation has blurred the boundaries between military and civilian domains, raising serious concerns about the sustainability of Israel's internal security infrastructure.

Within Iran, the appetite for escalation appears to be growing. Mojtaba Zarei, a member of the Iranian parliament's national security and foreign policy committee, has publicly advocated for a direct strike on the Negev Nuclear Research Centre near Dimona—home to Israel's nuclear weapons program.⁸ This suggestion, issued in the wake of Israeli attacks on Iranian nuclear facilities and the assassinations of Iranian nuclear scientists, points to a growing willingness within Iran's government to raise the stakes significantly. Should such a strike be authorised, it would represent a dangerous crossing of red lines and a potential entry point into a far broader, and far more destructive, phase of the conflict.

Taken together, Iran's rapid and forceful response has not only reshaped the battlefield dynamics but has also punctured the perception of Israeli military invulnerability. As the war deepens, both sides appear increasingly committed to a strategy of mutual escalation—with potentially catastrophic consequences for both countries and potentially the region at large.

6. Regional and Global Implications for the Gulf Arab Monarchies

This war has profoundly unsettled members of the GCC. The growing risk that hostilities between Israel and Iran could spill over into the Arabian Peninsula alarms Gulf Arab leaders, who remain committed to fostering regional stability but now find themselves watching the Middle East lurch in the opposite direction.

Oman was the first Gulf Arab monarchy to issue a formal denunciation of Israel's strikes on Iran, which was not surprising.⁹ The Sultanate has invested more diplomatic effort than any other state in attempting to mediate and facilitate American-Iranian nuclear talks over the past year. From Muscat's perspective, Israeli military action against Iran is profoundly destabilising and threatens to derail delicate diplomatic initiatives that Oman has worked hard to cultivate. Officials in the Sultanate now worry that their country's value as a strategic intermediary to Washington may be diminished. Oman, which views dialogue and patient diplomacy as the key to resolving US-Iranian tensions, sees this Israeli war on Iran as a devastating blow to those aspirations.¹⁰ Furthermore, as a country that shares the Strait of Hormuz with Iran, any closure of this artery by Tehran could have extremely serious ramifications for the Sultanate's national security, sovereignty, and economic health.

Saudi Arabia, the second GCC country to condemn Israel's actions, remains deeply concerned about Iran's ballistic missile and drone capabilities, as well as its continued backing of regional non-state actors—phenomena long perceived by Riyadh as existential security threats and ideological challenges. In the Saudi view, nothing Israel has done in this war has served to meaningfully reduce the threat posed by the Islamic Republic. Instead, Iranian humiliation and a mounting desire for revenge could amplify the destabilising effects of Tehran's behavior across the region.

For a kingdom intent on promoting long-term regional calm, Israeli strikes—judged in Riyadh as illegal and reckless—are seen as undermining that goal. At the same time, by promptly issuing a condemnation, Saudi Arabia aims to signal to Tehran its disapproval of the Israeli campaign and to disassociate itself from the consequences. Fundamentally, Saudi policymakers are working to prevent the kingdom from becoming collateral damage in a wider conflict—an objective that will necessitate careful and sustained diplomatic outreach to Iran in the weeks ahead.¹¹

The United Arab Emirates (UAE) strongly denounced Israel's attacks on Iran, urging all actors to show the "utmost self-restraint and judgment to mitigate risks and prevent the expansion of the conflict."¹² Abu Dhabi's continued engagement with Israel since the events of 7 October 2023 illustrates the distinctive nature of Emirati foreign policy—one defined by calculated pragmatism in a region marked by ideological divides and mounting tensions. The UAE's role as the Arab driver of the Abraham Accords grants it Abu Dhabi a unique diplomatic posture, allowing it to serve as a bridge between parties that otherwise lack direct channels of communication.

Abu Dhabi has already demonstrated such a role in its dealings with both Israel and post-Ba'ath Syria, and may now position itself similarly between Israel and Iran. Rather than severing ties or abandoning its commitments, the UAE is likely to leverage its diplomatic assets to present itself to Washington and global stakeholders as a key interlocutor—capable of engaging nearly all players in the region, regardless of ideological enmity. As the war between Israel and Iran deepens, Abu Dhabi appears poised to raise its international profile further, seeking a central role in early-stage crisis management and regional de-escalation.

Across the GCC, a shared concern centers on the US response to Israeli aggression. Under the Trump administration, there appears to be a calculated effort to avoid full entanglement in Israel's campaign against Iran—an approach Gulf Arab leaders quietly welcome. These governments understand that any tangible or perceived American support for Israel's military actions could provoke Iranian retaliation against US personnel and installations stationed throughout the Gulf.

Iran has already threatened to target US military assets in the region, and its capability to do so effectively is not in doubt. Preventing such a scenario has become a priority for the Gulf Arab monarchies, helping to explain their eagerness to distance themselves diplomatically from Israel's military operations. Yet this distancing presents its own dilemma: all six GCC states remain deeply reliant on the US as their principal security guarantor. Should

the Israel-Iran conflict intensify, this dependence will only grow, making the need for a balanced American approach all the more vital.

At the strategic level, the Gulf Arab monarchies now find themselves navigating an increasingly turbulent regional environment, as the eruption of full-scale hostilities between Israel and Iran raises the prospect of a far-reaching and long and drawn-out security crisis, possibly with global ramifications. The potential for escalation has made Gulf Arab governments acutely aware of their own strategic exposure in a region already characterised by fragile alignments and overlapping rivalries.

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This rapidly unfolding crisis will almost certainly influence how Gulf leaders evaluate the credibility and reliability of US foreign policy, particularly with Trump back in the Oval Office. As the conflict evolves, regional expectations of American leadership will be shaped less by rhetorical assurances and more by Washington's ability to maintain a consistent, principled approach to crisis diplomacy.

During his recent visit to the region in mid-May 2025, Trump's messaging—emphasising trade partnerships and regional stability—was well received by GCC officials, who prioritise economic development and political pragmatism. However, his unwavering support for Israel's illegal military actions has stirred considerable concern. Although Gulf Arab states have grown adept at managing complex, sometimes contradictory relations with Washington, their long-term confidence in American leadership hinges on policies that promote regional balance and foresight. A US strategy that empowers Israel to act unilaterally and recklessly stands to quickly erode the very stability that Gulf Arab leaders have worked to preserve.

In essence, the Gulf Arab monarchies are looking for more than transactional diplomacy or symbolic alignment. They seek a US partner capable of exercising restraint, foresight, and a commitment to de-escalation. In the current context, they are likely to view American policies that prioritise short-term tactical gains at the expense of long-term regional security with increasing skepticism.

For many years, arguably going back to the 1990s, GCC states have had major problems with aspects of US foreign policy in the Middle East, raising concerns in Gulf Arab capitals about Washington's capacity to be a driver of stability in the region. The Iraq war in 2003, the Obama administration's handling of the 2010/11 Arab Spring uprisings and Iranian nuclear issue, the first Trump administration's response to the 2019 Saudi Aramco attacks, and the Biden administration's botched withdrawal from Afghanistan in 2021 all informed this perspective of the US as a superpower which conducts a foreign policy that leads to instability in West Asia. Today, Trump's support for Israel's war on Iran will only further contribute to such perceptions of American leadership in the Middle East and add to GCC states' incentive to diversify their alliances and partnerships beyond the US.

7. Market Implications

The escalating hostilities between Israel and Iran carry a significant risk of both regionalising and internationalising. Such a trajectory could materially impact global oil markets, while also introducing heightened volatility and uncertainty across international equity markets.

As of 16 June, Brent crude futures climbed to USD 74.60 per barrel, marking a notable increase of nearly seven percent compared to levels observed on 12 June—the day preceding the outbreak of hostilities between Israel and Iran.¹³ This price movement underscores heightened sensitivity in global energy markets amid escalating geopolitical tensions in this oil-producing region.

Market analysts are closely monitoring developments surrounding the Strait of Hormuz, a critical maritime chokepoint situated between Iran and the Musandam Peninsula of Oman, through which approximately one-third of the world's seaborne oil supply transits daily. For decades, the Islamic Republic of Iran has intermittently signaled its willingness to obstruct this vital artery in response to any military assault by either the United States or Israel on Iran's nuclear facilities.

Should Tehran act upon such threats in the current context of open conflict with Israel, the closure of the Strait would almost certainly precipitate a sharp rally in oil prices, with profound and far-reaching implications for both the Iranian economy and the broader global energy landscape. The strategic calculus is further complicated by the centrality of China in Iran's foreign policy and economic planning. Given Beijing's substantial dependence on energy imports transiting through the Strait, any disruption would deal a significant blow to the Chinese economy. Tehran is acutely aware that such an escalatory move could harm its close ties with the Asian giant and risk provoking a broader regional conflagration, potentially drawing Washington into more direct military engagement—an outcome with deep strategic consequences.

Elevated oil prices inevitably exert upward pressure on production costs across a wide array of industries, particularly those with high energy intensity. Sectors such as chemicals, apparel manufacturing, and food production are especially vulnerable, as energy constitutes a substantial portion of their input costs. As these increased costs are passed through supply chains, end consumers face higher prices, thereby eroding purchasing power and contributing to broader inflationary trends.

For countries that are net importers of oil—many of which are already contending with fragile post-pandemic recoveries and external macroeconomic headwinds—the prolonged escalation of conflict in the Middle East risks compounding inflationary pressures while simultaneously dampening real GDP growth. The dual challenge of rising prices and slowing economic momentum represents a particularly precarious scenario for policymakers in these economies.

Of particular concern is the prospect of a sudden and sustained energy price shock, which would pose significant challenges for central banks, particularly within the G7. Having already deployed much of their monetary policy arsenal in recent years, these institutions face markedly diminished flexibility in responding to inflationary spikes without undermining economic stability. In this context, any further upward movement in oil prices driven by geopolitical instability would likely deepen the policy dilemma faced by major central banks, forcing a difficult balance between inflation containment and growth preservation.¹⁴

In the immediate aftermath Israel launching “Operation Rising Lion” on 13 June, global equity markets experienced a period of pronounced volatility, reflecting heightened investor anxiety and geopolitical risk repricing. However, in the ensuing four days, markets exhibited a notable degree of resilience, with volatility subsiding and indices broadly stabilising, which suggested a preliminary view among investors that the conflict, in its current form, may remain contained and may not yet constitute a systemic inflection point for global equities.¹⁵

Nonetheless, this relative calm remains precarious. Market participants are acutely aware that the situation possesses significant latent potential for further escalation. Should the conflict deepen or broaden in scope—particularly through the involvement of additional state or non-state actors—investor sentiment could shift rapidly, with renewed market dislocations likely to follow.

One particularly acute risk lies in the Strait of Hormuz. Any move by Tehran to close or significantly disrupt traffic through this critical chokepoint would almost certainly reverberate across equity markets, eroding valuations, and increasing risk premiums. Within this context, although current market behavior may appear composed, it belies the fragility of sentiment in the face of evolving and unpredictable geopolitical dynamics in the Middle East within the first week of the Israel-Iran war.

NOTES

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