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US-Israel war on Iran

Overview and assessment

Conflict developments

— A direct confrontation between the US-Israel alliance and Iran erupted in late February 2026 under the military campaign "Operation Epic Fury," plunging the Middle East into full-scale war. The coalition conducted extensive airstrikes targeting critical military infrastructure and reportedly eliminated multiple senior Iranian commanders and high-ranking officials. In response, Iran retaliated with ballistic missiles and one-way attack drones targeting Israel, as well as US military bases in Qatar, Bahrain, Kuwait, and the UAE. The conflict escalated further when Iran struck major international airports in Dubai, Kuwait City, and Manama, inflicting substantial infrastructure damage and forcing a complete suspension of civil aviation operations across the region.

Two primary scenarios could unfold

— Scenario 1 - War of attrition and disruption in the Strait of Hormuz
Under this scenario, following the initial wave of airstrikes, Iran would shift toward asymmetric naval warfare and leverage proxy forces to target and sabotage energy infrastructure across neighboring countries. The Strait of Hormuz would not be fully closed; however, it would remain in a sustained state of elevated risk. Such conditions would keep war-risk insurance premiums and freight rates structurally elevated, reinforcing upward pressure on global energy markets.

— Scenario 2 - Regime collapse and regional destabilization
This scenario would materialize if US and Israeli strikes were to significantly undermine the political foundations of power in Tehran. Iran could descend into factional infighting or even civil war, prompting the US to attempt a broader reshaping of the regional order in the Middle East. While such an outcome could facilitate a faster normalization of oil prices, it is considered less probable. A regime-change operation would likely require the deployment of hundreds of thousands of ground troops—given Iran's complex terrain and large population—an undertaking the US is currently unlikely to pursue.

Implications for global commodity markets and supply chains

— While military engagements represent the visible dimension of the crisis, the more profound economic repercussions are likely to stem from disruptions to commodity markets and critical maritime trade routes.

1. *Supply-demand dynamics and oil price scenarios*
   According to Citigroup, Morgan Stanley, and Goldman Sachs, in a scenario of short-term supply disruption, crude oil prices could rise to USD80-85 per barrel. However, in the event of a prolonged conflict coupled with a full Iranian blockade of the Strait of Hormuz, oil prices could surge beyond USD90, potentially exceeding USD100 per barrel, driven by several key factors:

- Direct supply shock: Iran ranks among the world's top ten oil producers and is the third-largest producer within OPEC, with output of approximately 3.5 million barrels per day, accounting for roughly 3.5-4.5% of global oil production.
- Risk of supply disruptions from neighboring producers: Countries such as Saudi Arabia and Kuwait rely heavily on export routes transiting the Strait of Hormuz. Although OPEC+ has convened emergency meetings and agreed to raise output to offset potential shortfalls, such efforts would prove ineffective if tanker traffic through the Persian Gulf is materially disrupted. Roughly 20%-30% of globally traded crude oil and LNG volumes transit the Strait, underscoring its systemic importance to energy markets.
- China's oil demand dynamics: China currently imports up to 90% of Iran's crude exports. While this volume accounts for only around 8% of China's total oil consumption, it represents a discounted supply source—typically priced at USD8-11 per barrel below the international Brent benchmark—and constitutes approximately 40%-50% of feedstock input for certain large independent refineries.

2. *Global shipping crisis and logistics disruption*

   Not only oil, but the supply of commodities in general has also been in turmoil. Giant shipping corporations like Maersk have decided to cancel all shipments through the Bab el-Mandeb Strait (Red Sea) and the Strait of Hormuz due to the exacerbating security situation. The change in shipping routes from the Suez Canal (accounting for 12% of total international cargo traffic) to a route around the Cape of Good Hope (South Africa) has caused domino effects:

   - Shipping time: The average time has been extended by 10 to 15 days per shipment from Asia to Europe and the US East Coast.
   - Soaring freight rates: Routes to the Mediterranean and the US East Coast are at risk of localized disruptions, strongly impacting freight rates due to pressure from operating costs and war insurance costs.

Impact on the macroeconomic situation and the Vietnamese equity market

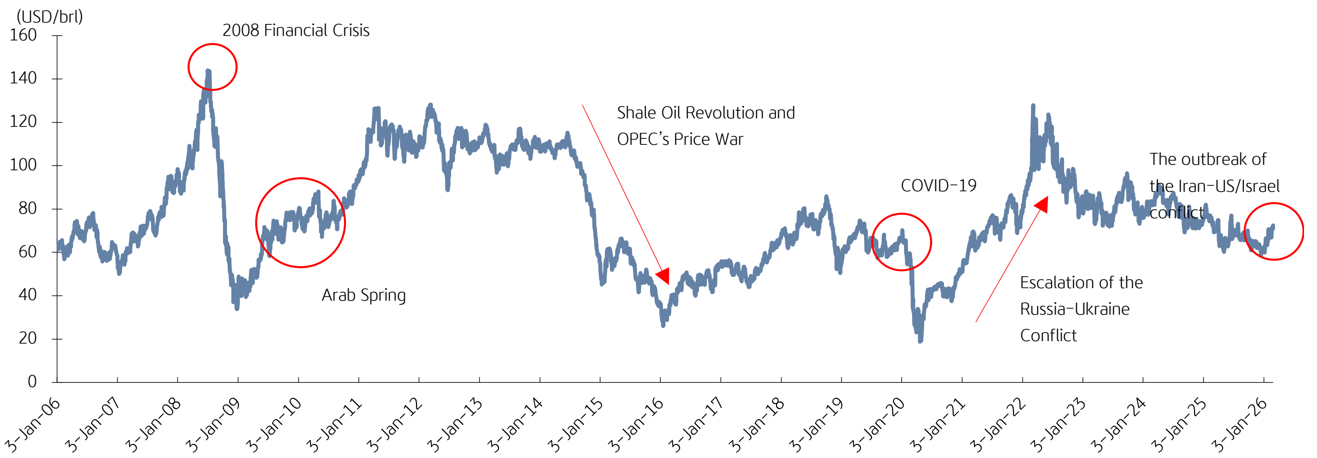
— KBSV Equity Research believes that the escalating conflict in the Middle East will not directly impact Vietnam's economy because the proportion of exports, imports, and FDI from these two countries is quite small. Vietnam's total import and export turnover with Israel is around USD3 billion in the last two years (corresponding to about 0.4% of Vietnam's total turnover), while the turnover with Iran is very small and lack of statistical data. Furthermore, the proportion of FDI from both countries in Vietnam is less than 0.1%.

— However, indirect impacts from cost-push inflation risks due to energy price pressure and transportation costs should be considered. At the same time, geopolitical instability may prompt investors to seek safe-haven assets (gold & USD) if the DXY rises again in the near term, weighing on the exchange rate.

— In the short term, the Vietnamese stock market will also be negatively affected by the downtrend of global stock markets. However, in the medium term, the extent of the impact on the market depends on whether the two sides can soon sit down at the negotiating table and find common ground. If the conflict continues, escalating tensions will disrupt supply chains, especially crude oil, potentially affecting inflation and exchange rates (similar to the situation in 2022 with the Russia-Ukraine conflict). Emerging stock markets, including Vietnam, may face protracted downward pressure.

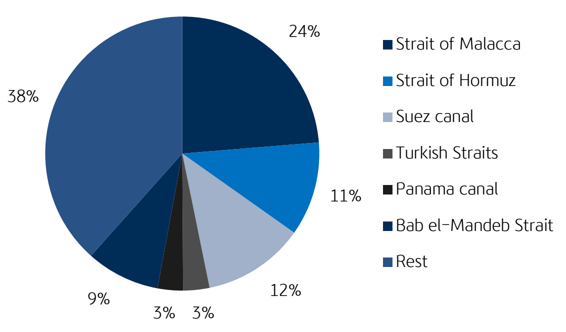
- **Impact on listed stock groups:**
  • Maritime shipping: As international shipping distances and times are extended, the demand for chartering will increase, pushing charter rates up and creating opportunities for shipping lines to benefit from better freight rates. Shipping companies (like PVT, HAH, and VOS) are expected to raise charter rates for floating-rate and term contracts after renegotiation.
  • Oil refining: Disruptions in the global petroleum supply chain will increase the demand for refinery operations, thereby increasing the crack spread in the short term. In this context, Binh Son Refinery - BSR may benefit from a more favorable business environment. On the other hand, rising and sustainably high oil prices are often accompanied by improved profit margins for oil refiners due to reduced provisions for inventory devaluation.
  • Energy: POW currently owns the Nhon Trach 3&4 power plants, which relies entirely on imported LNG and will therefore be subject to disruptions in petroleum supply. However, thanks to its diversified power generation (hydroelectric, coal-fired, and gas-fired), the company can minimize the impact on its business results. For power generation companies using coal and water as input fuels, the impact from gas shortages is negligible.
  • Fertilizer and chemicals: Urea fertilizer producers such as DPM and DCM often benefit during Middle East fertilizer supply disruptions. Natural gas accounts for 70-80% of fertilizer production costs, so when world gas prices rise, fertilizer prices are likely to increase. Vietnamese businesses with the advantage of domestic gas self-sufficiency can benefit from the price difference compared to international competitors.
  • Interest rate- and FX-sensitive sectors: Equities that are particularly sensitive to rising interest rates and exchange rate volatility—such as brokerage firms, companies heavily reliant on imported raw materials, and those carrying substantial USD-denominated debt—would face indirect downside pressure if elevated oil prices and shipping costs persist. Prolonged increases in input and financing costs could compress margins and weigh on earnings visibility.
  • Aviation, plastics, and rubber: The aviation sector (e.g., HVN, VJC) is likely to be among the hardest hit. Jet fuel (Jet A1) typically accounts for around 40% of operating expenses. A 30-40% increase in oil prices would materially strain profitability, particularly if airlines are unable to pass higher fuel costs on through ticket price adjustments. In addition, airspace closures across parts of the Middle East would force Europe-bound flights to reroute, increasing fuel burn and operating costs. For plastics and rubber manufacturers, most key inputs—such as PVC and PP resins—are petroleum derivatives. A sustained rise in input prices would directly compress gross margins for companies such as BMP, NTP, DRC, and CSM, especially if cost pass-through to end customers proves limited.

Fig 1. Global – Brent crude oil price movements (USD/barrel)



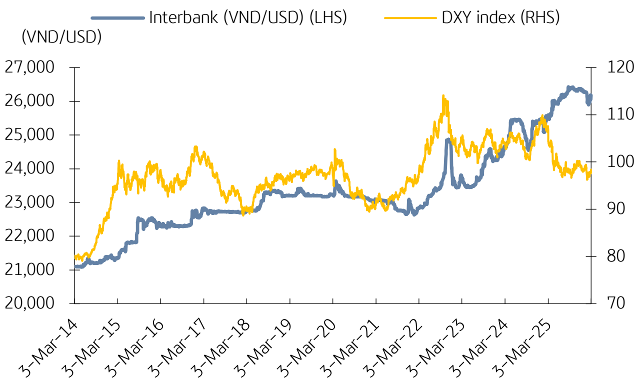
Source: Bloomberg, KB Securities Vietnam

Fig 2. Global – Maritime cargo throughput via major chokepoints (%)



Source: UNCTAD

Fig 3. Vietnam, US – Interbank USD/VND and DXY



Source: Bloomberg

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Investment ratings & definitions

Investment Ratings for Stocks
(Based on the expectation of price gains over the next 6 months)

Buy:	Neutral:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors
(Based on the assessment of sector prospects over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market