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# US-Israel-Iran conflict scenarios

## VN-Index outlook across scenarios

The ongoing conflict involving the US, Israel, and Iran continues to drive significant volatility in global financial markets. During the morning session today (Vietnam time), Brent crude oil briefly surged to nearly USD120 per barrel. Beyond weighing on investor sentiment, escalating tensions in the Middle East (as highlighted in our US-Israel war on Iran macro note) pose notable risks to macroeconomic stability and the outlook for the equity market, primarily through two key variables: oil prices and the US Dollar Index (DXY).

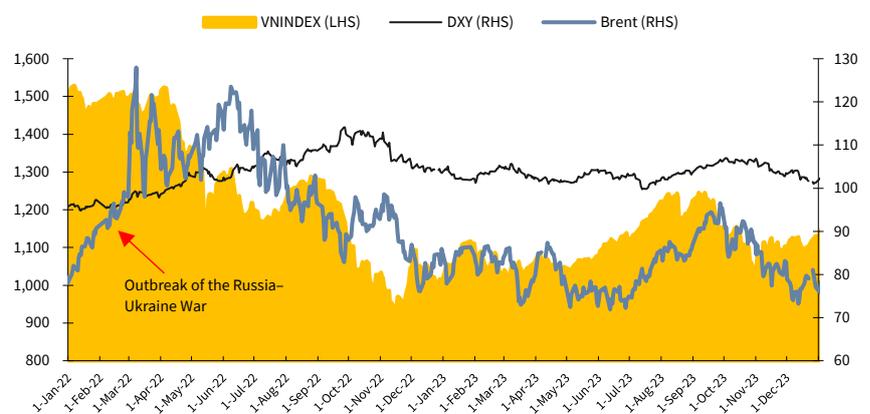
More specifically, the recent surge in oil prices and the DXY over the past few sessions has placed renewed pressure on the domestic accommodative monetary policy stance, as risks related to inflation and the exchange rate re-emerge. Upward pressure on interest rates—already evident since early 4Q25—therefore represents the most significant risk to the medium-term outlook for the Vietnamese equity market. The current situation bears some parallels to 2022, when the Russia-Ukraine war disrupted global supply chains, pushed commodity prices and the DXY sharply higher, and triggered a steep decline in the Vietnamese stock market. Nevertheless, while the current conflict may be less likely to persist for an extended period, its potential impact could prove more pronounced and harder to predict.

To provide a clearer framework for assessing potential developments and their market implications, we outline three key scenarios and their corresponding impacts on the Vietnamese equity market as follows:

- **Scenario 1 (30% probability):** Tensions escalate rapidly but peak within roughly two weeks before easing. Oil prices could rise to around USD120 per barrel before correcting and gradually returning to the USD70–80 range seen prior to the conflict. This outcome would likely require the parties involved to recognize the substantial economic and social costs of further escalation. In such a case, Iran could reopen the Strait of Hormuz under third-party supervision in exchange for certain concessions from the US. Under this scenario, the VN-Index could establish a near-term bottom around 1,580 points before resuming a recovery trend.
- **Scenario 2 (60% probability):** Tensions persist for around four weeks, pushing oil prices to the USD130–140 per barrel range. Prices could remain elevated for some time before gradually easing to below USD100 per barrel. While neither side would secure a decisive victory, the growing economic and strategic costs would likely prompt all parties to seek a gradual exit while claiming partial achievements. Given the uncertainty over the conflict's resolution, oil prices may take longer to normalize. As a result, macroeconomic pressures and equity market volatility could persist, with the VN-Index potentially declining to the 1,480–1,500 range and consolidating for a period before gradually recovering.

- **Scenario 3 (10% probability):** Tensions persist beyond one month, potentially driving oil prices to USD150 per barrel or higher and keeping them elevated for an extended period. In this scenario, the possibility cannot be ruled out that the US may deploy ground forces to rescue prisoners or strike Iran’s nuclear facilities, raising the risk of a prolonged and costly military engagement. While this outcome is considered less likely—given the complex terrain and large population of Iran—it would significantly heighten macroeconomic risks, particularly through rising inflation and interest rates. Under such conditions, the VN-Index could face a medium-term downtrend. After a brief technical rebound around the 1,500 level, the index may resume its decline, potentially falling below 1,400 points before forming a medium-term bottom.

Fig 1. VN-Index, DXY, Brent crude oil prices (point, USD/barrel)



Source: KB Securities Vietnam

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## Investment ratings & definitions

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### 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

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