June 23, 2025

Iran-Israel Conflict Update

Intensifying tensions in the Middle East

Israel launched "Operation Rising Lion" on 13th June, initiating extensive airstrikes against Iran's nuclear and missile infrastructure. Israeli Prime Minister Benjamin Netanyahu also indicated that while the fall of Iran's regime is not an official objective, it could be an unintended consequence of the ongoing conflict. In response, Iran retaliated with missile strikes against Israeli cities, escalating the conflict further, while Yemen's Houthi forces also joined in attacks against Israel.

Amid the rising tensions, U.S. President Donald Trump left the G7 summit early to address the escalating conflict. He subsequently authorised U.S. attacks on three critical Iranian nuclear sites over the weekend, ahead of his earlier stated "two-weeks" decision timeframe. Iran, in turn, intensified its missile assaults on Israel and warned of "everlasting consequences" in retaliation.

Muted market reaction so far

The events marked a significant escalation of geopolitical tensions in the Middle East. However, the market reaction has been relatively muted (as of 20th June). For instance, the S&P 500 and MSCI Asia ex-Japan have retreated only about 1% since Israel's attack on 13th June. Safe-haven assets such as the 10-year U.S. Treasury (UST) yield as well as gold were also relatively unchanged. The only exception is oil, with Brent crude prices jumping more than 10% to near USD 80/barrel.

Nevertheless, the direct involvement of the U.S. has escalated the conflict and may lead to more significant market impact. All eyes are now on Iran to see how it will retaliate against the U.S. attacks. Notably, Iran's Parliament has approved the closing of the Strait of Hormuz though the final decision will be taken by the Supreme National Security Council. The U.S. is also urging China to dissuade Iran from closing the Strait of Hormuz, with China perceived as an ally of Iran alongside Russia.

Figure 1: Intensifying tensions in the Middle East since 13th June

Date	What happened?
13-Jun	Israel initiated "Operation Rising Lion" with air strikes on Iran, targeting nuclear and missile sites; Iran retaliated with missile strikes; Yemen's Houthis joined attacks shortly after
17-Jun	Trump left G7 summit early to deal with escalating Iran-Israel conflict
19-Jun	Israel Prime Minister Netanyahu said the fall of Iran's regime is not an official objective but could be a consequence of the ongoing conflict
21-Jun	U.S. attacked 3 key nuclear sites in Iran ahead of President Trump's "2-weeks" decision timeframe ; Iran subsequently stepped up strikes on Israel and warned of "everlasting consequences"

Source: Bloomberg | 22 June 2025

Figure 2: Market reaction has been relatively muted

Indices (Last closed)	12-Jun	20-Jun	Change
S&P 500	6045	5968	-1.3%
Euro Stoxx 600	550	537	-2.4%
Nikkei 225	38173	38403	0.6%
MSCI Asia ex-Japan	785	778	-0.9%
Hang Seng	24035	23530	-2.1%
Brent Crude (USD/bbl)	69.4	77.0	11.0%
Gold (USD/oz)	3386	3368	-0.5%
Dollar Index (DXY)	97.9	98.7	0.8%
10-Yr U.S. Treasury (%)*	4.36	4.38	+1.6 bps

*10Y U.S. Treasury yield change in basis points (bps)

Source: Bloomberg | 20 June 2025

Risks may not have been priced in

The Strait of Hormuz is a critical transit point between Iran and Oman, responsible for about 20% of global oil shipments. Should Iran proceed to block the passage, oil prices could surge sharply, potentially exceeding USD 100 per barrel. Such a spike would have profound implications for global inflation and the broader markets. Coupled with ongoing uncertainties surrounding U.S. tariff policies and fiscal measures, these risks could lead to lower economic and earnings growth.

Despite the heightened uncertainties, market volatility remains subdued, suggesting the downside has not been fully reflected. Notably, U.S. equity valuation remains elevated, with the S&P 500 trading at a forward price-to-earnings ratio of 22x, well above its 5-year average of 20x.

Investment implications

In view of the above, prudence is warranted. We maintain our cautious stance towards equities, favouring domestic-oriented sectors with a focus on margin of safety. While oil and defense-related stocks may experience a tactical bounce due to recent geopolitical tensions, investors should remain mindful of their respective valuations.

As for fixed income, we continue to seek stable carry from high-quality credits with a preference for investment grade over high yield bonds. However, Middle East issuers may experience increased price volatility in the near term due to ongoing geopolitical uncertainties in the region. Meanwhile, our positive outlook on gold remains unchanged with the precious metal likely to re-test its high of USD 3,500/oz should Middle East tensions escalate. In addition, investors should look to maintain a cash buffer and reduce portfolio leverage if necessary.

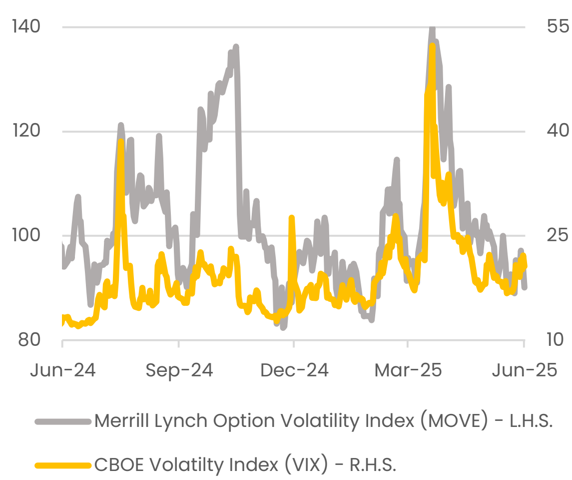
While we are adopting a defensive stance in the near term, there remain hopes that diplomatic efforts will help ease the Middle East conflict even though it may take time. Hence, should markets over-react and valuations become more attractive, we are prepared to increase risk exposure selectively. For now, we will continue to exercise valuation discipline and maintain a well-diversified portfolio to enhance return resilience.

Figure 3: Iran may retaliate against the U.S. by blocking Strait of Hormuz

The Strait of Hormuz is a crucial transit point for about 20% of the world's oil shipments

Sources: CNBC, Britannica | 20 June 2025

Figure 4: Risks likely not priced in with subdued market volatility



Source: Bloomberg | 20 June 2025

Disclaimer

This advertisement has not been reviewed by the Monetary Authority of Singapore or by the relevant authorities in Malaysia, Hong Kong and Indonesia.

This report is for information purposes only and under no circumstances is it or any part of it to be considered or intended as nor constitutes or forms the basis of an offer to sell or a solicitation of an offer to buy any of the securities, financial instruments or investment products referred to herein (each, a "Product", and collectively, "Products"), or an offer or solicitation to any person to enter into any transaction or adopt any investment strategy or enter into any legal relations, or an invitation to subscribe to any Products or an advice or a recommendation with respect to such Products. To the extent that any transaction is subsequently entered into between a recipient and Maybank, such transaction shall be entered into upon such terms as may be agreed by the parties in the relevant documentation.

Investments in collective investment schemes ("Fund(s)") are not obligations of, deposits in, or guaranteed by the distributors or any of their affiliates. Investors should read the Prospectus, obtainable from Maybank, before deciding whether to subscribe for units in the Fund(s). All applications for units in the Fund(s) must be made on the application forms accompanying the Prospectus.

Investors should note that income from and/or values of such Products, if any, may fluctuate and that each Product's price or value may rise or fall depending on market conditions. Accordingly, investors may receive back less than what they have originally invested or they may also not receive back anything at all from what they have originally invested (i.e. loss of the entire sum invested). All investments involve an element of risk, including capital and principal loss. Past performance is not necessarily a guide to or an indication of future performance. Any scenarios, assumptions, historical or simulated performances, indicative prices or examples of potential transactions or returns are for illustrative purposes only. Maybank does not guarantee the underlying investment, the principal or return on investments.

This report is prepared for Maybank's clients and is not intended for public circulation and/or distribution. It is not intended to provide personal investment advice and does not take into account the specific investment objectives, financial situation and particular needs of any particular recipient or reader and thus should be read with this in mind. Before acting on the information, an investor should therefore independently and separately evaluate and assess each Product and consider the suitability of the Product, the appropriateness of investing in the Product and the risks involved or the investment strategies discussed or illustrated in this report, taking into account the investor's specific investment objectives, financial situation, risk tolerance and particular needs, and seek independent financial, audit, tax, legal and/or other professional advice as necessary, before dealing, transacting and/or investing in any of the Products mentioned in this report or communicated to the investor as a follow-up to this report. Prior to any investment, it is the investor's own responsibility to obtain legal and/or tax opinions regarding the legal and tax consequences of the investment. All investments will be made solely upon and in reliance on the investor's own judgment and discretion, notwithstanding any opinion, commentary or recommendation this report, Maybank or its Relationship Managers/Client Advisors/Personal Financial Advisors/Appointed Representatives and/or its other employees may provide. Unless expressly agreed otherwise, Maybank offers no investment, financial, legal, tax or any other type of advice to recipients or readers of this report. Maybank has no fiduciary duty towards any such recipients and readers, and makes no representation and gives no warranty as to the results to be obtained from any investment, strategy or transaction, or as to whether any strategy, security or transaction described herein may be suitable for the financial needs, circumstances or requirements of the recipients and readers.

Disclaimer

The information herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank and consequently no representation and/or warranty is made as to the accuracy or completeness of this report for any particular purpose by Maybank and it should not be relied upon as such. Maybank may have issued other documents, investment proposals, reports, analyses or emails expressing views different from the contents hereof and all views expressed in all documents, investment proposals, reports, analyses and emails are subject to change without notice. The information or opinions or recommendations contained herein are subject to change at any time without prior notice. Maybank and its officers, directors, associates, connected parties and/or employees, including persons involved in the preparation or issuance of this report, may from time to time have positions or be materially interested in the Products referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such Products and may also perform or seek to perform investment banking, advisory or other services in relation thereto. One or more directors, officers and/or employees of Maybank may be a director of any of the corporations of the Products mentioned in this report to the extent permitted by law. Accordingly, Maybank may have a conflict of interest that could affect the objectivity of this report.

This report may contain information such as valuation, performance, yield or the like, derived from a variety of valuation metrics, all of which may change at any time without notice and investors are cautioned not to place undue reliance on such information. This report may also contain forward looking statements which are often but not always identified by the use of words such as “anticipate”, “believe”, “estimate”, “intend”, “plan”, “expect”, “forecast”, “predict” and “project” and statements that an event or result “may”, “will”, “can”, “should”, “could” or “might” occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made by and/or information currently available to Maybank and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Investors are cautioned not to place undue reliance on these forward looking statements. This report is current as at the date of its publication and Maybank expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events. This report may also contain charts, diagrams or graphs, including sample portfolio overview, which may differ or vary from the actual charts, diagrams or graphs, including any portfolio overview, which an investor may receive separately.

In this report, references to “Maybank” mean Malayan Banking Berhad, Maybank Singapore Limited, PT Bank Maybank Indonesia Tbk and/or its/their subsidiaries, affiliates and related corporations[1] worldwide. The information herein and the contents of this report remain the intellectual property of Maybank. The contents of this report are confidential and its circulation and use are restricted. This report is prepared for the use of Maybank’s clients and/or prospective clients and may not be reproduced, altered in any way, copied, published, circulated, distributed or transmitted to any other party in whole or in part in any form or manner or by any means (including electronically, photocopying, recording or via any information storage and retrieval system) without the prior express written consent of Maybank. Maybank and its officers, directors, associates, agents, connected parties and/or employees accept no liability whatsoever for the actions of third parties in this respect and shall not be liable or responsible for any losses, costs or damages including costs on a solicitor-client basis suffered or incurred by the investor that may arise from the use of, reliance on or any action taken in connection with this report.

[1]As a prospect or client of Maybank Singapore Limited, no other Maybank affiliate or related corporation will be involved in your relationship with Maybank Singapore Limited.

Disclaimer

This report is not directed to or intended for distribution to or use by any person or entity who/which is a citizen or resident of or is located in the United States, Canada as well as any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or where Maybank may become subject to new or additional legal or regulatory requirements. The Products described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers or warnings may apply based on the geographical location of the recipient of this report.

In the same regard, services rendered by Maybank in connection with the Products referred to herein will not be performed in any jurisdiction where Maybank is not licensed or authorised to provide such services or may become subject to new or additional legal or regulatory requirements.

Note to recipients and investors in Singapore –

Maybank Singapore Limited is regulated only by the Monetary Authority of Singapore and no other regulatory or supervisory body.

For collective investment schemes which are included in the CPF investment scheme: An investor using CPF funds for investment should make reference to the CPF website or seek clarification from an appointed representative for the legislated annual interest rates on the Ordinary and Special Accounts in order to make an informed decision.

For collective investment schemes with dividend payouts: Actual dividend payment amounts of the Funds may be higher or lower than the potential dividend depending on market conditions. The actual dividend payment may be zero. Investors should note that dividend payments are not guaranteed and there is no guarantee that the potential dividend level can be achieved in any quarter or any dividend payments will be made.

Prohibition of sales to European Economic Area ("EEA") Investors: Effective 1st January 2018, Maybank Singapore Limited prohibits any offer and/or sale of any Packaged Retail and Insurance Based Investment Products ("PRIIPS") to investors in the EEA in accordance with the guidelines made to Regulation (EU) No 1286/2014. The EEA region includes the following countries: Austria, Belgium, Bulgaria, Croatia, Republic of Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain and Sweden.

Prohibition of sales to the United Kingdom and Switzerland Investors: Subject to the same or similar PRIIPS regulations.

Note to recipients and investors in Hong Kong –

This document is distributed in Hong Kong by Malayan Banking Berhad, a company incorporated in Malaysia with limited liability and acting through its Hong Kong Branch. It is registered as a Licensed Bank under the Banking Ordinance and regulated by the Hong Kong Monetary Authority. It is also registered with the Hong Kong Securities and Futures Commission to carry on the regulated activities of dealing in securities (Type 1) and advising on securities (Type 4) in Hong Kong.

Disclaimer

Note to recipients and investors in Malaysia –

In Malaysia, the purchase, sale or subscription of investment products is subject to governmental consent, regulatory approval or other formalities. This report is distributed in Malaysia solely for the benefit of and for the exclusive use of Maybank's clients and is not intended for public circulation and/or distribution.

By receiving this report and continuing to retain the same, the recipient is deemed to represent and warrant to Maybank that the disclaimers set out above are acknowledged and understood, and this report will not be relied upon and/or used in any manner not expressly authorised.

Note to recipients and investors in Indonesia –

This document is distributed in Indonesia by PT Bank Maybank Indonesia Tbk, which is licensed and supervised by Indonesia Financial Services Authority (OJK). Investment products that are offered by PT Bank Maybank Indonesia Tbk are third party products. PT Bank Maybank Indonesia Tbk is a selling agent for third party products such as mutual funds and bonds. Investments in mutual funds and bonds are not covered by the deposit insurance program of the Indonesian Deposit Insurance Corporation (LPS).

Maybank Singapore Limited (UEN: 201804195C)

Malayan Banking Berhad, Hong Kong Branch (Incorporated in Malaysia with limited liability) (Company Number: F000679)

Malayan Banking Berhad (196001000142 (3813-K))

PT Bank Maybank Indonesia Tbk (8120016120953)