

SITUATION OVERVIEW

Two-Week Pause Opens Talks, But Gulf Exposure Remains Acute

The conflict has shifted abruptly from an expected US strike window to a fragile two-week pause linked to mediated talks in Islamabad after Trump said planned attacks on Iran would be suspended if Hormuz is reopened and negotiations proceed. Iranian officials are presenting this as a political victory, arguing that Washington has accepted Tehran's 10-point proposal as a basis for talks, even though that does not yet amount to agreement on substance or implementation. Overnight developments nevertheless showed how unstable the pause remains. Iran continued attacks across the Gulf, Israel struck in Iran and Lebanon, UAE and Kuwaiti air defences stayed active, and a fire at Habshan highlighted ongoing infrastructure risk. Markets may welcome the pause, but military, energy and commercial exposure across the region remains severe.

COUNTRY KEY DEVELOPMENTS

Iran

- Entering Islamabad talks while portraying the pause as a strategic victory.

Israel

- Continued strikes in Iran and Lebanon despite the announced pause framework.

United Arab Emirates

- Air defences remained active; Habshan gas facility fire adds infrastructure concern.

Saudi Arabia

- Remains exposed despite interception success and previous Eastern Province impacts.

Kuwait

- Air defences were active again as missile and drone threats persisted.

Qatar

- Hormuz access remains central to Doha's LNG and mediation calculus.

Oman

- Muscat remains essential to any durable passage and de-escalation arrangement.

Iraq

- Rubio announced release of kidnapped American journalist, highlighting militia risk.

Lebanon

- Israeli strikes continued, showing wider front pressures remain unresolved.

Türkiye

- Ankara remains part of the wider regional push for negotiated de-escalation.

Yemen

- Red Sea and Bab al-Mandab risk remain elevated despite pause diplomacy.

Egypt

- Cairo still faces energy and economic pressure despite renewed talks.

Syria

- Syria remains vulnerable as regional military activity continues across fronts.

RISK INDICATORS

Security Risk: The pause reduces immediate US strike risk, but ongoing attacks, interceptions and cross-border strikes show escalation pathways remain active.

SEVERE

Aviation Risk: Gulf air-defence activity and uneven ceasefire compliance keep disruption risk elevated for routing, schedules and airport operations.

HIGH

Maritime Risk: Hormuz may reopen more safely during talks, but passage is still conditional, politicised and vulnerable to rapid reversal.

SEVERE

Energy Risk: The diplomatic pause may ease immediate price spikes, but damage, outages and lost supply will take longer to unwind.

HIGH

OPERATIONAL IMPACT

Aviation

- Italian airports averted jet-fuel disruption only after local suppliers stepped in.
- Pilots' groups are demanding final authority to refuse war-zone operations.
- Qantas is exploring redeploying more capacity into Europe as network economics shift.
- Batik Air Malaysia cut domestic capacity by 36% in "crisis-mode" conditions.

Logistics & Supply Chain

- Afreximbank has launched a \$10 billion response programme to cushion the conflict's impact on African economies, banks and businesses.
- Global supply-chain pressure has intensified enough to raise wider recession concerns, with Reuters highlighting Indian factory closures and rising strain across Asia and Europe.

Maritime

- Humanitarian shipping disruption is worsening across African and Asian corridors.
- India is preparing sovereign guarantees to keep Gulf shipping insurance available.
- Sri Lankan ports have been congested by cargo diverted from Dubai, delaying vehicle imports.
- Iranian oil kept moving while neighbours' exports stalled, distorting regional trade flows.

Energy Markets

- Oil may ease further on the pause, but supply recovery will lag market sentiment.
- Roughly 300 million barrels in regional losses will not be restored quickly.
- Infrastructure damage and stop-start operations mean normality remains some distance away.
- Turkey's energy bill rises by \$400 million for every \$1 increase in oil.

OUTLOOK (NEXT 72–96 HOURS)

The next few days are likely to be shaped by a fragile diplomatic pause rather than a clean de-escalation. Pakistan has emerged as the key mediator and Washington has agreed to use Iran's 10-point proposal as a basis for talks, which is politically significant and may reduce the immediate risk of large-scale US strikes on Iran. A decline in drone and missile attacks across the GCC is possible if the truce begins to hold more consistently. However, the fact that attacks still occurred after the pause was announced suggests uneven implementation, delayed command transmission, or incomplete control over all Iranian military and partner elements. The wider regional conflict also remains active. Iraq's militia environment is still a live variable, as shown by the recent release of abducted American journalist Shelly Kittleston, which underlines the coercive reach of armed groups inside Iraq. The Houthis remain an important uncertainty for Israel and Red Sea security. Open conflict in Lebanon and Gaza also continues. Israel may still reserve the option to act independently if it judges threats remain unresolved, even without direct US involvement. The more likely near-term scenario is therefore a coercive truce: some military pressure may ease, but maritime, militia and multi-front regional risks remain high and reversible.

ADVISORY NOTE

Companies should treat the current pause as an opportunity for contingency review, not as a signal that the operating environment has normalised. The immediate risk of large-scale US strikes may have receded for now, but continued missile and drone activity, active Gulf air defences, and infrastructure incidents show that disruption can still occur with limited warning. Businesses should use this period to reassess voyage and routing assumptions, fuel and inventory buffers, utility resilience, staff communications and remote-working readiness. Maritime and energy teams should be particularly cautious about assuming that any improvement in Hormuz access will quickly translate into lower insurance, easier scheduling or full supply restoration. Management should also rely on official statements and trusted security channels rather than social media claims alone, as both sides are already competing to frame the pause as a political victory.