Conflict Update

07 October 2026

Iran War Chartpack Week 31: Unstable Equilibrium

Key points

- War & Politics
  - Conflict Dynamics and What to Watch
  - Goals and strategies in the 2026 Iran War
  - Yemen's Civil War Reignited
  - What Do Prediction Markets Say?
  - Conflict Scenarios
- Chartpack
  - Market overview
  - Commodities
  - Supply Chains
  - Equities
  - FX
  - Credit risk
- Appendix

********** See attached PDF for details and chartpack **********

Dynamics & What to Watch: Unstable Equilibrium

State of Conflict in Week 31

- **Crude oil transit through the SoH has recovered to pre-war levels.**
- **Facilitating this is a logistical reorientation that has led to rising transportation costs**, and on ca 40% of Middle East crude exports using SoH bypass mechanisms.
- **Elevated crude oil prices and ongoing disruptions in downstream products** point to growing concerns over shipping security, conflict escalation risks, stockpiles, global demand.
- **Fears over renewed US attacks post-midterms, and Iranian retaliation/preemption** points to a volatile October month ahead.
- **The US naval blockade is keeping pressure on the Iranian economy**, resulting a growing economic crisis.
- Meanwhile, **questions are being raised over the sustainability of the US military operation to secure SoH transit**, protect allies in the region, and retain geopolitical dominance from an Iranian regime that appears more risk-tolerant.
- **Predicting an endgame to the conflict has become more difficult.**

An unstable equilibrium may unwind

Absent a diplomatic breakthrough, the prevailing geopolitical equilibrium in the Middle East is inherently unstable.

- The Iranian regime has demonstrated that it is willing to withstand the blockade for several months…
- … before pressure on the regime builds to the point where it could potentially be more amenable to concessions.
- **Some analysts believe the US Navy may have less than than "six months" to uphold an effective blockade of Iran in the SoH.**

Centripetal forces imply risks of gravitation towards war

- The Iranian regime may choose resumption of war over waiting for the blockade (SoH closure) to force it into more concessionary negotiations
- Absent durable diplomatic progress - the road to intensified conflict remains open and may be inversely correlated with the actual pressure on the Iranian regime going forward.
- Iranian demonstrated resilience coupled with perceived US strategic weakness risks emboldening the Iranian regime to exert greater military pressure in the region.

What to Watch / Open Questions

Trump's options

- **Continuing the blockade**, hoping costs materialize faster in Iran than in the global economy, even if it risks another round of fighting.
- **Acquiescing to Iranian demands**, accepting the new status quo, facilitating SoH reopening and alleviating market pressure, but with a strategic cost to US and allies in the region.
- **Intensifying the war**, with greater risks and unclear means of achieving strategic achievements.

Saudi Arabia exemplifies ongoing vulnerabilities

- Gulf oil facilities remain vulnerable to attacks from militias in Iraq and Yemen.

Israeli election incentives pose escalation risks:

- Lead-up to Israeli elections on Oct 27 make the conflict increasingly intertwined with the domestic Israeli political cycle

What level of economic pressure in Iran could trigger political instability?

- As the blockade remains in place, economic pressures increase…
- … but the regime has demonstrated a high tolerance for repression and brutality, potentially raising the threshold for renewed large-scale protests.

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Yemen's Civil War Reignited

The Civil War in Yemen has restarted, now as part of the Iran War

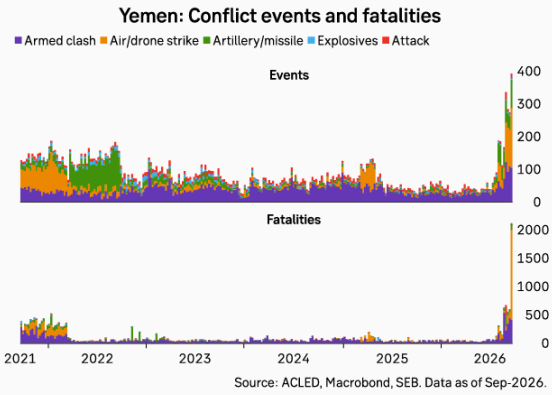
- Ansar Allah ("Supporters of God", also known as "the Houthis") joined the conflict on Iran's side, striking Israel (March 28) then Saudi Arabia (from July onwards), after Saudi strike on Sanaa airport.

Domestic front

- Ground fighting between the Ansar Allah and the Presidential Leadership Council (PLC, Yemen's internationally recognized government) has escalated sharply, culminating in a Sept 3 Ansar Allah offensive along the Red Sea coast and a PLC counteroffensive in recent days.
- NYT: "The militia's stunning triumph over the Bab al-Mandab, which unfolded in a single night of chaos and panic, triggered a cascade of events that has plunged Yemen into a war with global reverberations."

Bab al-Mandeb as a second chokepoint with Yanbu workaround exposed

- Ansar Allah attacks and a declared blockade on Saudi-linked vessels have reduced traffic in the SoH and put upward pressure on oil prices.
- The recent escalation may serve the Iranian regime, which has sought to increase pressure on the US and the global economy, amid a crippling US naval blockade on Iranian seaborne exports.



Source: ACLED, Macrobond, SEB. Data as of Sep-2026.

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