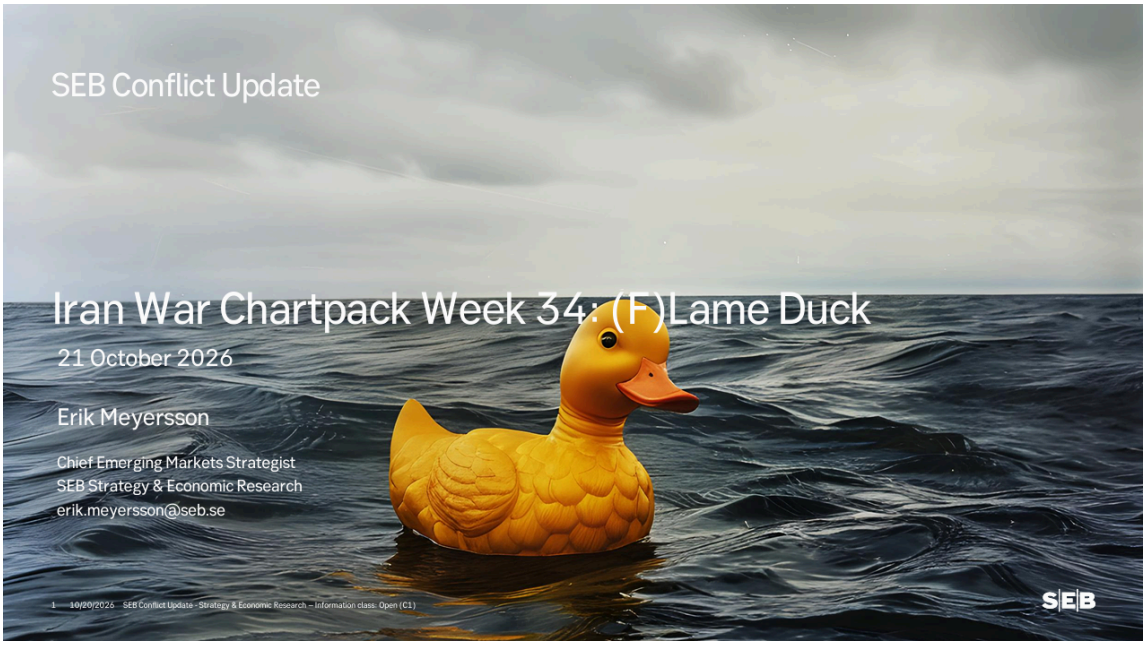
Conflict Update

21 October 2026

Iran War Chartpack Week 34: (F)Lame Duck

Key points

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



Dynamics & What to Watch: F(L)ame Duck?

State of Conflict in Week 34

- **Concerns over post-midterm renewed fighting**
  - A poor result for the Republicans may not necessarily limit Trump's incentives for renewed conflict, opening for a remaining "flame" duck president until the 2028 elections.
  - Reports of attempted Israeli renewal of attacks post-midterms, and risks of Iranian retaliation/preemption points to a volatile last quarter of the year.
  - The outlook for another round of fighting looks precarious amid reports of extremely heavy munitions being discussed, and given the risk of mutually assured energy destruction.

  Iranian tanker attacks have become more numerous, severe, and may intensify ahead of US midterms.
- **Houthi attacks on Saudi infrastructure show ongoing vulnerabilities beyond tanker transit**
- **Elevated crude oil prices and ongoing disruptions in downstream products** point to growing concerns over shipping security, conflict escalation risks, stockpiles, global demand.

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 Iraqi militias and the Houthis in Yemen.
- Will Saudi Arabia deal directly with the Houthis?

Israeli Oct 27 election incentives pose escalation risks:

- Political cycle intertwined with the Iran War

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.

3 10/20/2026 SEB Conflict Update - Strategy & Economic Research – Information class: Open (C1)

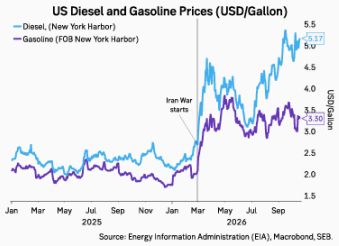
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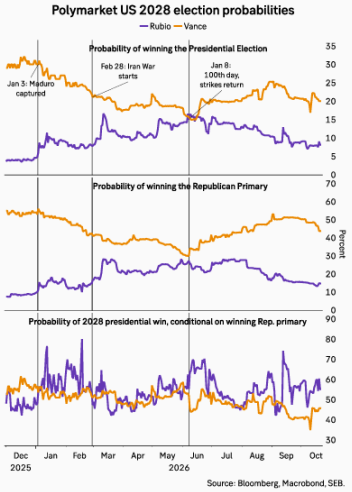
US politics: impacts on upcoming midterms and beyond

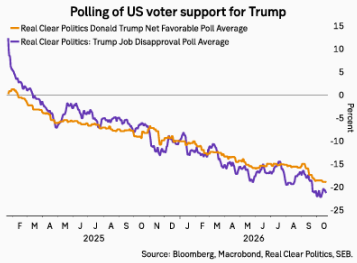
The Iran War may have ramifications for US politics, not just the midterms but also the 2028 presidential elections.

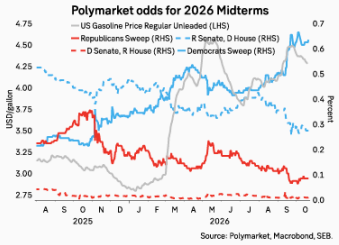
Vance remains a favorite in the Republican primaries

But conditional probabilities suggest could Rubio appear to stand a greater chance of being elected president









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Scenarios: The Iran War in Three Months

Description: Right-hand table gauges different scenarios in three months time and their estimated associated Brent oil prices. The weighted average of these scenario price estimates are then compared with the three-month Brent oil futures price.

For more details see "Iran's Survival Calculus, Institutional Entrenchment and the Limits of Decapitation," SEB Geopolitical Update, Mar 1, 2026, https://shorturl.at/ZXktv

Iran War Scenario Outcomes and Futures-Implied Brent oil price in 3 months

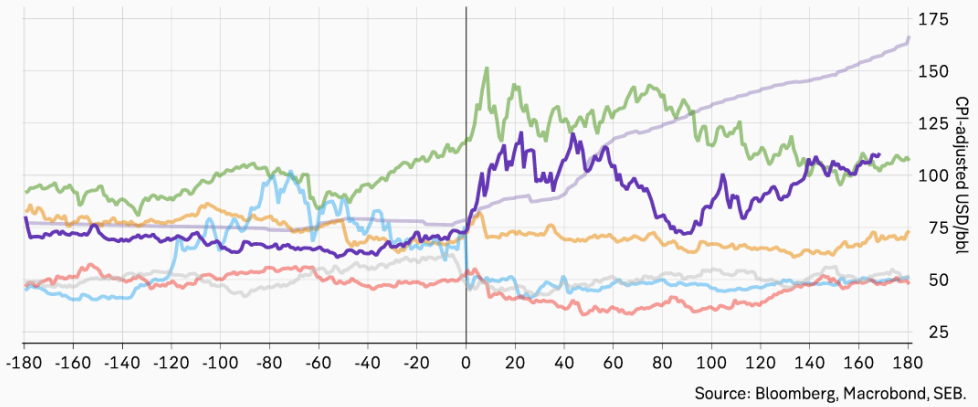
	Scenario prevailing in 3 months	Strait of Hormuz future	Iran acquires of nuclear weapons	Regime change in Iran?*	Continued disruption of energy infrastructure	Market outcomes	Oil price USD/b**	Estimated probability
Iran overcome	1 US and Israel jointly overwhelm Iran	Rapid return to normal levels	No	Unlikely	No	*Positive despite initial increase in volatility; conflict risk premia dissipates in oil markets; stong recovery in regional equity markets*	50-60	0.05
						Probability that Iran capitulates		0.05
Negotiations	2 Negotiations amid continued energy disruption	Large/ moderate disruption	Possible	No	Yes	*Pressure on energy markets intensity, supply chain disruption and demand destruction take a toll on market outcomes*	75-95	0.15
	3 Negotiations amid energy normalization	Limited disruption	Possible	No	No	*Positive, as the energy disruptions and bilateral Iran-US talks are compartmentalized*	80-90	0.2
						Probability of negotiations		0.35
Continuation	4 Low-intense / unfinished conflict	Significant disruption	Yes	No	Threat of future strikes remain	*Conflict risk premia remain in oil markets, uncertainty keeps regional stocks subdued, and elevated risk of future conflict*	80-100	0.2
	5 Regime destabilization	Limited/ moderate disruption	No	Possible	Limited by regime degradation	*Conflict risk premia remain in oil markets, uncertainty keeps global and regional stocks subdued*	90-100	0.05
	6 Renewed conflict	Large disruption	Yes	Unlikely	Yes	*Large sustained disruption of energy and shipping markets*	100-150	0.35
						Probability of prolonged conflict		0.6
	Scenario-implied probabilities		0.73	0.16	0.55	Brent oil in 3m: scenario-weighted implied vs latest market price (USD/b)***	Implied: 99.0	Current: 103.3

Source: SEB. * Regime change here is assessed in the short run. Any scenario could potentially lead to changes in the regime in the longer term.** These scenario-based oil prices indicate where the oil price is at the point of realization of a scenario and does not necessarily capture short-term volatility. ***The probabilistic Brent oil price is a weighted average of the mid-range oil price under the different scenarios and does not constitute a forecast. SEB's oil price forecasts are available at https://research.sebgroup.com/macro-ficc

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Brent front-month futures price around selected dates

Prices are deflated using US consumer prices rebased to the date of the latest release.



Source: Bloomberg, Macrobond, SEB.

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Feedstocks and Petrochemicals

Naphtha - dominant cracker feedstock, simultaneously generates all three olefins (ethylene, propylene, butadiene) and aromatics precursors in a single pass

Natural Gas Liquids (NGLs) - hydrocarbons extracted from natural gas streams

- **Ethane** - Lightest NGL; almost exclusively cracked into ethylene in steam crackers
- **Propane** – Petrochemical feedstock and traded as liquid petroleum gas (LPG)
- **Butane** – Petrochemical feedstock and traded as liquid petroleum gas (LPG)

Olefins - building blocks of plastics and synthetic materials.

- **Ethylene** - Highest-volume petrochemical globally; polymerises into polyethylene (PE), also used for PVC, PET
- **Propylene** - Polymerises into polypropylene (PP); also used for acrylics and epoxies
- **Butadiene** - Key monomer for synthetic rubber (SBR, polybutadiene); extracted from C4 cracker streams
- Styrene

Aromatics - primarily used for fibres, resins, and plastics

- **Benzene** - Simplest aromatic; feedstock for styrene, nylon, polycarbonate
- **Paraxylene** - Oxidised into purified terephthalic acid (PTA), which is then polymerised into PET — the resin in plastic bottles and polyester fibres
- **Orthoxylene** - Tyres (SBR), plastics (PS, ABS)
- **Toulene** - Third BTX pillar; polyurethane chain (TDI)

Global Petrochemical Dashboard

Weekly data in USD/Mt unless otherwise noted. Changes are in percentages and in standard deviations in parenthesis. Columns with numbers in parenthesis are heatmapped based on standardized value changes and the rest are heatmapped based on their displayed values. The right-hand graph are date-specific values relative to the post-war low-high range.

Category	Region	First date of week	Last Quote	Feb 27th value	Post-war chg %(σ)	WoW chg %(σ)	YTD chg %(σ)	Scaled post-war distribution* 0.0 0.2 0.4 0.6 0.8 1.0
Naphtha	Europe	12/10	920.8	587.8	56.7 (2.9σ)	-0.4 (-0.1σ)	93.0 (3.9σ)	
	US	12/10	905.3	566.2	59.9 (2.4σ)	-2.4 (-0.4σ)	114.2 (3.4σ)	
	Asia	12/10	976.5	637.0	53.3 (2.9σ)	0.6 (0.1σ)	84.2 (3.8σ)	
Propane	Europe	12/10	815.5	588.3	38.6 (2.0σ)	-3.6 (-0.6σ)	72.1 (3.1σ)	
	US	12/10	580.8	340.1	70.8 (2.2σ)	11.7 (1.6σ)	80.5 (2.5σ)	
	Asia	12/10	965.3	624.5	54.6 (2.9σ)	1.1 (0.2σ)	78.4 (3.6σ)	
Butane	Europe	12/10	1007.8	513.3	96.3 (3.6σ)	7.6 (1.1σ)	116.3 (4.0σ)	
	US	12/10	805.4	393.1	104.9 (3.3σ)	10.8 (1.2σ)	129.6 (3.6σ)	
	Asia	12/10	1017.3	619.5	64.2 (3.1σ)	1.5 (0.2σ)	91.2 (3.8σ)	
Ethane	US (USD/gal)	12/10	30.9	21.6	43.1 (0.8σ)	6.6 (0.8σ)	29.8 (0.6σ)	
Ethylene	Europe	12/10	1190.0	730.0	63.0 (1.9σ)	2.1 (0.3σ)	75.0 (2.1σ)	
	US	12/10	1209.0	860.3	40.5 (0.8σ)	10.6 (1.5σ)	30.0 (0.7σ)	
	Asia	12/10	1165.0	715.0	62.9 (2.9σ)	0.9 (0.2σ)	55.3 (2.6σ)	
Propylene	Europe	12/10	845.0	905.0	-6.6 (-0.2σ)	-9.1 (-1.5σ)	35.2 (0.9σ)	
	US	12/10	870.8	738.5	17.9 (0.4σ)	1.3 (0.2σ)	38.6 (0.7σ)	
	Asia	12/10	1300.0	780.0	66.7 (3.5σ)	5.7 (1.9σ)	85.7 (4.1σ)	
Butadiene	US	12/10	1190.5	937.0	27.1 (0.6σ)	0.9 (0.2σ)	125.0 (1.6σ)	
	Asia	12/10	1525.0	1215.0	25.5 (0.9σ)	1.3 (0.1σ)	76.3 (2.0σ)	
Styrene	Europe	12/10	2010.0	1145.0	75.5 (2.9σ)	16.2 (2.6σ)	118.5 (3.6σ)	
	US	12/10	1746.1	1102.3	58.4 (2.3σ)	0.9 (0.1σ)	100.5 (3.1σ)	
	Asia	12/10	1370.0	970.0	41.2 (2.7σ)	-4.2 (-1.2σ)	59.3 (3.5σ)	
Benzene	Europe	12/10	1435.0	895.0	60.3 (2.4σ)	1.1 (0.1σ)	92.6 (3.1σ)	
	US	12/10	1217.2	670.4	81.6 (3.1σ)	2.8 (0.4σ)	100.7 (3.5σ)	
	Asia	12/10	1245.0	790.0	57.6 (3.1σ)	-0.8 (-0.2σ)	85.8 (3.9σ)	
Paraxylene	Europe	12/10	1405.0	895.0	57.0 (2.4σ)	-10.5 (-2.8σ)	65.3 (2.6σ)	
	Asia	12/10	1260.0	915.0	37.7 (2.4σ)	-3.8 (-1.1σ)	43.2 (2.7σ)	
Toulene	Europe	12/10	1370.0	820.0	67.1 (2.4σ)	-10.2 (-2.1σ)	90.3 (2.8σ)	
	US	12/10	1757.1	872.6	101.4 (3.5σ)	2.9 (0.6σ)	116.5 (3.8σ)	
	Asia	12/10	1210.0	720.0	68.1 (3.4σ)	-2.0 (-0.5σ)	90.6 (4.0σ)	
Orthoxylene	Europe	5/10	1490.0	985.0	51.3 (2.2σ)	0.0 (-0.1σ)	44.0 (2.0σ)	
	Asia	12/10	1385.0	865.0	60.1 (3.1σ)	2.6 (0.8σ)	83.4 (3.8σ)	

10/90th pctile Median 27-Feb 7-Apr Last

Source: Bloomberg, Nexant, PolymerUpdate, Oilchem, SEB. Values (unless stated otherwise) are in US dollars. US price quotes are converted from USD/gal or USD/lb to USD/Mt. Post-war is change since Feb 27th 2026. * The last, median, and 10/90th percentile values are scaled to the post-war low-high range.

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

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