

# US-Iran Flashpoint: Ceasefire Offers Breather, But Fragile Risks Persist

## Context Setting – What’s Happening

In the early hours of 22 June, the United States launched a large-scale airstrike on Iran — a dramatic escalation in Middle East tensions that stunned observers worldwide. The strike targeted three nuclear-related facilities — **Fordow, Natanz, and Isfahan** — damaging core uranium enrichment infrastructure. Though casualty figures remain unconfirmed, both Iranian authorities and the IAEA have acknowledged significant physical destruction. The move marked a sharp reversal from Washington’s earlier posture of restraint. For weeks, US officials had insisted on non-intervention, framing the Iran-Israel conflict as a regional matter. The sudden, unilateral action — carried out without a UN Security Council mandate — reignited concerns over US military transparency and drew parallels to the early phase of the 2003 Iraq War.

However, momentum shifted swiftly. **On 24 June, a provisional ceasefire was declared**, brokered through Qatari-led diplomacy and discreet Chinese support. The agreement reflects growing international pressure to prevent further destabilisation. While the truce is a welcome sign of restraint, its durability remains uncertain. Both sides have publicly signalled commitment to pause further aggression — but mistrust, political pressure, and proxy dynamics continue to pose risks. This fast-evolving episode underscores how quickly geopolitical flashpoints can move from conflict to diplomacy — and back again. For markets and policymakers alike, it’s a timely reminder that in today’s fragmented global order, escalation and de-escalation often coexist uneasily.

## Iraq 2003, Iran 2025: Déjà Vu in US Military Strategy

The unfolding crisis has not only shifted immediate regional dynamics — it has also **revived familiar patterns in US foreign policy**. While Washington has denied any intention to launch a wider campaign, the current episode **draws clear comparisons** to the early phases of the **Iraq War** — particularly in how military action is being framed, sequenced, and executed.

## Similarities of US Military posture in Iraq 2003 vs Iran 2025

### Narrative

In both cases, the US justified its strikes on the basis of defending regional stability and preventing future threats — despite limited or unverified evidence of imminent danger.

### Targeting Strategy

Strikes on nuclear and weapons facilities mirror early Iraq moves, where military and WMD-related infrastructure were the first to be hit.

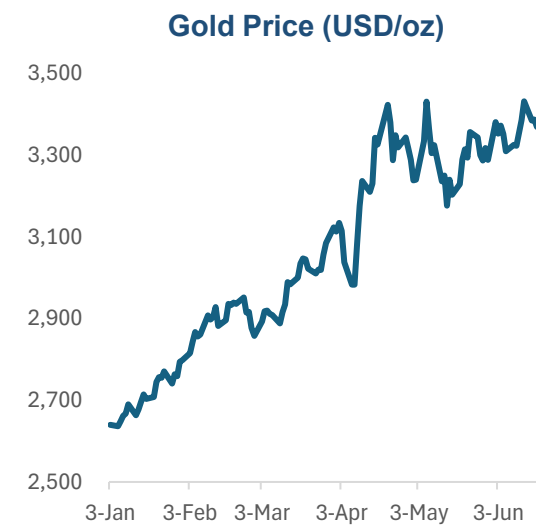
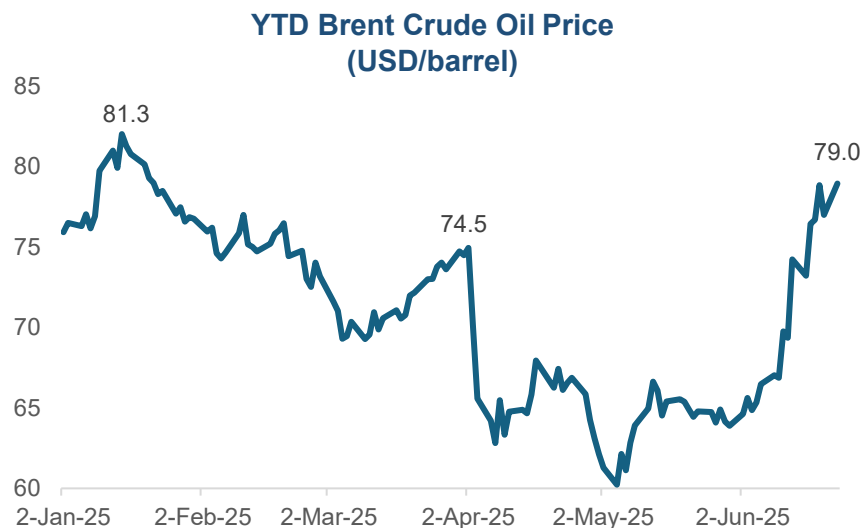
### Messaging mismatch

Public assurances of non-intervention gave way to unilateral action, without UN Security Council mandate or multilateral coordination.

### Ambiguity of objectives

Both campaigns began under the guise of “limited” responses yet left the door open to broader escalation.

# Market & Economic Reaction – Calm for Now, But Oil Risk Lingers



Source: Bloomberg

Markets initially treated the US strike as a contained event rather than the start of full-scale conflict. Brent crude spiked **briefly above USD 80/bbl** before **easing to the USD 77–78** range, reflecting a modest geopolitical risk premium. Other financial indicators — including the US Dollar Index, gold, and US Treasury yields — remained relatively stable, suggesting investors were still gauging the potential for sustained escalation.

The ceasefire announcement on 24 June **helped calm market nerves**, prompting a partial retracement in oil prices to USD66 at the time of writing. Still, the episode underscored just how sensitive energy markets remain to disruptions near critical chokepoints like the **Strait of Hormuz, which handles nearly 20% of global seaborne oil**. As we noted previously, geopolitical tensions — even short-lived — can meaningfully sway oil prices, especially when physical infrastructure or trade routes are perceived to be at risk. While these price reactions may not always be sustained, markets are quick to reprice in response to heightened uncertainty.

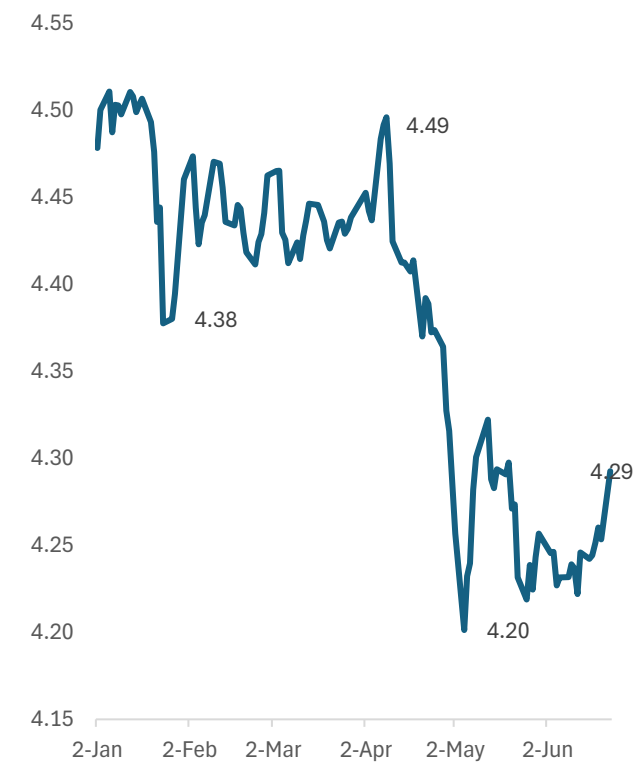
## What to Watch – Risks Recede, But Unease Lingers

The announcement of a **provisional ceasefire** has meaningfully lowered the immediate risk of open conflict, but the situation remains fluid. The risk of disruption to the Strait of Hormuz, while diminished, has not disappeared. Iranian authorities have made conflicting statements, and maritime activity in the Gulf bears close monitoring. Any shift in posture — whether through naval drills, drone surveillance, or proxy provocation — could reintroduce volatility to energy and financial markets. For now, diplomatic backchannels remain active, with continued involvement from Qatar, China, and regional partners. But as history has shown, truces in this part of the world can be fragile. Sustained calm will depend not just on political signalling, but also on restraint in operational theatres.

### Implications for Malaysia

Geopolitical tensions in the Middle East—particularly the risk of disruption to the **Strait of Hormuz**, now heightened following Iran's parliamentary approval and reported US-China backchannel efforts—have reintroduced volatility into global oil markets. While we do not expect Brent to breach USD 100/bbl under our base case, **our internal estimates suggest that if such a scenario materialises, the RON95 pump price could rise to RM3.73/litre—equivalent to roughly 80% above the current subsidised level.** This would significantly increase the government's fuel subsidy burden and **complicate the planned rollout of subsidy rationalisation in 2H2025**, as previously outlined. Rather than derailing reform altogether, it may influence the **pace or fiscal considerations surrounding its implementation.** Meanwhile, the ringgit remains relatively stable, currently trading around 4.29 against the USD. Prevailing technical indicators, including (RSI and stochastic oscillators), suggest that USD/MYR is hovering within a neutral range around 4.25, with immediate resistance and **support levels at 4.3348 and 4.2430**, respectively. A breakout above resistance could see the pair testing 4.3661 in the near term, particularly if geopolitical tensions intensify. While we maintain **our end-year forecast of 4.30**, we remain watchful of external volatility and potential shifts in global monetary dynamics, as geopolitical risks continue to linger.

YTD USD/MYR



Source: Bloomberg



## Appendix:

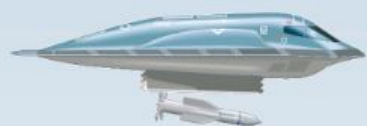
### ISRAEL-IRAN CONFLICT

## Bunker buster bombs

Bunker busters are used to destroy targets located deep underground that conventional bombs cannot reach.

### B-2 Spirit

The stealth US bomber is currently the only aircraft designed to deploy the GBU-57



Owned by Israel

### BLU-109

250 kg (550 pounds)  
carried by fighter jets

Used in 2024 to kill Hezbollah leader Hassan Nasrallah in his underground headquarters in Beirut

Owned by Israel

### GBU-28

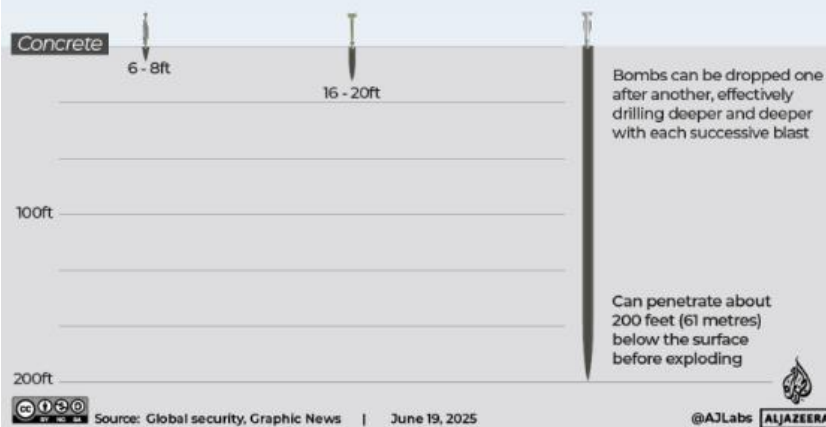
1,800-2,300 kg  
(4,000-5,000-pounds)  
carried by fighter jets

Owned by US

### GBU-57 Massive Ordnance Penetrator

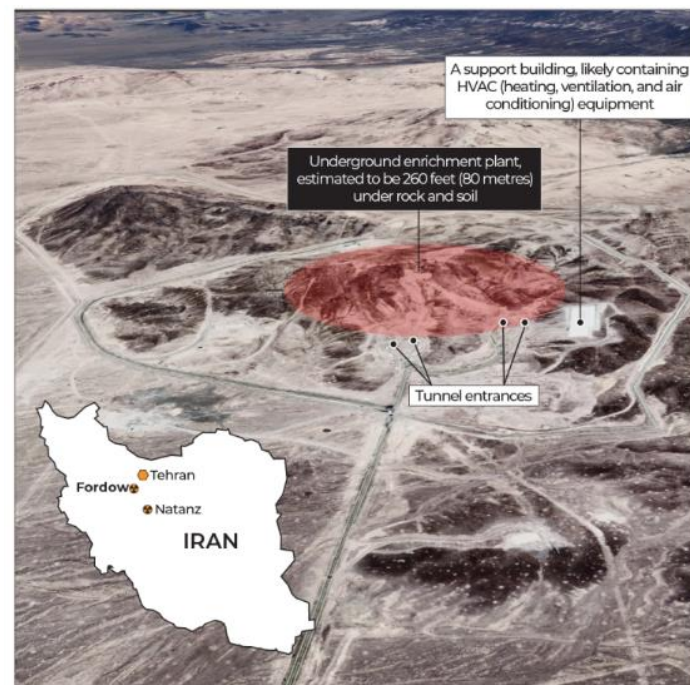
Total weight  
13,600 kg (30,000 pounds)

Warhead  
2,700 kg (5,952 pounds)



## Fordow fuel enrichment plant

Fordow is built into the side of a mountain near the city of Qom, about 95km (60 miles) southwest of Tehran.



Source: Institute for Science and International Security, Google Earth | June 19, 2025

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## Iran's nuclear and military facilities



Source: dia.mil | June 12, 2025

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Source: Aljazeera: [What is Iran's Fordow nuclear facility that the US has bombed?](#)