The situation in the Middle East remains highly fluid, but recent developments offer some cautious grounds for reassurance. Proposals for a ceasefire and a broader "letter of intent" have helped stabilise sentiment, with oil prices easing from recent highs and equity markets responding positively. These moves suggest that, for now, markets are willing to price in the possibility of de-escalation.

Beyond an immediate ceasefire, the framework outlines a more ambitious pathway, including potential sanctions relief, the release of frozen Iranian assets and commitments to avoid further military escalation, alongside a longer-term goal of ending hostilities across the region, including through proxy groups. A second phase of negotiations is expected to address more entrenched issues – such as the presence of US forces and Iran's nuclear activities – although these remain major sticking points and are likely to take time to resolve.

Energy flows through the Strait of Hormuz remain significantly disrupted, although there are some tentatively positive signs. A limited number of vessels, including oil tankers, have been able to transit the strait in recent days. However, the scale and consistency of flows remain well below normal levels. Tehran has also made initial steps to establish a formal mechanism to manage and charge ships for transit, highlighting its intention to exert control over the route.

Heightened geopolitical risk is likely to weigh on global growth while adding to inflationary pressures, particularly if energy prices remain volatile. Should the conflict persist or escalate, these headwinds could intensify, complicating the outlook for central banks and financial markets alike. We continue to believe that we are still in the second scenario of the three in the table below.

Scenario	Oil Price	Likelihood
Ceasefire / De-escalation: A ceasefire (or durable stand-down) keeps the Strait of Hormuz open with no material disruption to oil or LNG flows. Markets remain sensitive to headlines, military movements, and political statements, but there is no sustained interruption to shipments. Energy prices continue to reflect a degree of geopolitical risk, though not one associated with a physical supply shock.	**<$80**	**30%**
Protracted escalation: The Strait of Hormuz remains open for limited transit, but repeated interference disrupts shipping for several weeks, reducing traffic and raising costs. This results in a modest supply loss that can be largely offset through storage drawdowns and alternative transport channels.	**$80-$100**	**50%**

Raymond James Wealth Management Limited
Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY
T 020 7739 8200 **F** 020 7739 7798

www.charles-stanley.co.uk

Charles Stanley is a trading name of Raymond James Wealth Management Limited, which is a member of the London Stock Exchange, is authorised and regulated by the Financial Conduct Authority and is part of the Raymond James Financial, Inc. group of companies. Raymond James Wealth Management Limited is registered in England No. 1903304. Registered office: Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY.

Strait of Hormuz closure and escalation: Iran effectively halts transit through the Strait for a meaningful period, forcing large-scale rerouting and an acute energy supply shock. The shock is compounded by direct strikes on energy infrastructure. Inventories are depleted, policy responses intensify, and prices re-rate to reflect a true supply shock.	**>$100**	**20%**

Against this backdrop, it is important to focus on portfolio resilience. We continue to manage diversified portfolios designed to navigate precisely these kinds of uncertainties. While geopolitical events can drive short-term volatility, maintaining broad exposure across asset classes, regions and sectors remains the most effective way to manage risk and capture opportunities over the long term.

Yours sincerely,

Patrick Farrell

Chief Investment Officer