## Key points

- President Trump set a 10–15 day deadline for Tehran on a nuclear deal, with US and Israeli forces seemingly positioning for a potential weeks-long military campaign. The US endgame could be to curb Iran's nuclear and missile capabilities through targeted strikes and diplomacy, rather than regime change, because there isn't a viable alternative.
- US interest in Venezuelan oil highlights energy security motives possible behind its Iran policy. The US likely aims to use Venezuelan crude to relieve domestic supply pressure, influence global oil prices, and counter Russia's market leverage, which has previously included pressuring India to stop buying Russian oil.
- Geopolitical risks have pushed Brent crude above $70, gold remains buoyed, equities are lower, and the USD is stronger, with emerging-market currencies like the ZAR under pressure. While short-term risk aversion supports the dollar, prolonged conflict or oil supply disruptions could weigh on the greenback.

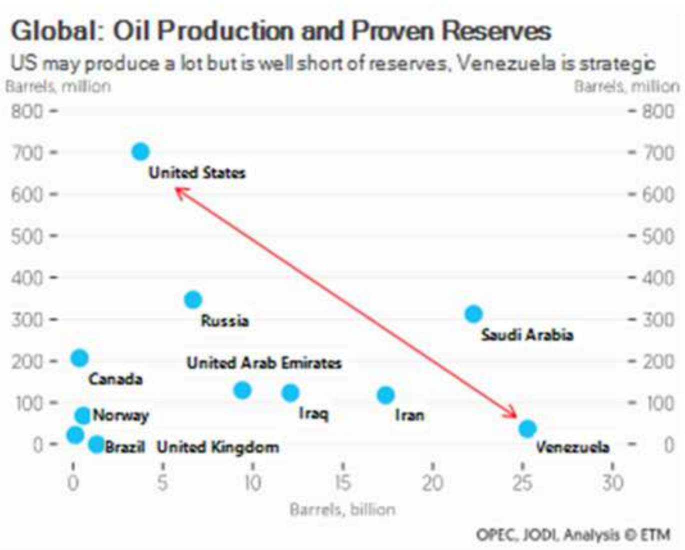
**BASELINE VIEW: Strong commodity prices, particularly gold, are helping support the ZAR by partially offsetting the effects of heightened risk aversion. Record-high gold prices, driven by global volatility, safe-haven demand, and central bank buying, have boosted South Africa's export revenues and improved its terms of trade, supporting the trade balance and minimising the current account deficit. As a result, the ZAR is better insulated against potential market turbulence arising from the ongoing US-Iran tensions.**

Dominating headlines are intensifying tensions between the US and Iran, with US President Trump setting a 10–15-day deadline for Tehran to reach a substantive nuclear agreement, warning of serious repercussions if it fails. This follows preliminary talks on February 17 that established basic frameworks but did not resolve key disagreements.

Reports suggest the US and Israel may launch a broad, weeks-long military campaign if diplomacy fails. The US appears to be positioning itself for such a scenario by deploying aircraft carriers, fighter jets, warships, and over 150 cargo flights carrying weapons to the region. The US military buildup is undoubtedly raising tensions, making conflict appear imminent, but the main challenge for Washington is defining a realistic and achievable endgame.

The US endgame with Iran is likely focused on limiting Tehran's nuclear and missile capabilities through targeted military pressure while pushing it toward a negotiated agreement, rather than pursuing regime change, given the entrenched political system and lack of a viable alternative government.

### Strategic US Focus on Venezuelan Oil Signals Drive Behind Its Iran Policy




The US's recent focus on Venezuelan oil offers insight into how energy considerations could be driving the US's potential military action against Iran. As shown in the chart, although the US pumps a lot of oil, it has relatively little oil left underground compared with other major producers.

That contrasts sharply with Venezuela, which sits at the extreme opposite end, with relatively low production, but by far the largest proven crude reserves in the world, highlighting why Venezuelan oil is strategically attractive to Washington. Access to Venezuela's crude allows the US to relieve pressure on its own declining reserve base while keeping domestic producers active with cheaper-to-produce feedstock.

It also gives the US leverage in global oil markets. Expanding Venezuelan supply can weigh on prices and counter OPEC influence. Beyond domestic concerns, Venezuelan oil has been leveraged as a geopolitical tool. By supplying global markets with US-approved crude, Washington can restrict Russia's influence, potentially increasing pressure on Moscow to reconsider its war strategies.

Recall that the US pressured India to halt purchases of Russian oil by signalling potential economic consequences for continuing imports while offering an olve branch in the form of reduced tariffs. In that context, political pressure on Venezuela's leadership was not ideological; rather, it aligned closely with long-term US energy security and geopolitical strategy.

## Market reaction to US threats against Iran


Iran, another major heavy crude exporter and Russian ally, appears to be the next focal point of the US administration. In terms of market reaction to date, the Geopolitical risk index has, in fact, declined in recent days and remains significantly down on levels reached in June 2025 when Israeli forces, later joined by the US, carried out an extensive bombing campaign in Iran.

While the VIX has increased to almost 21 from a recent low of 13 at the end of last year, it remains sharply lower than 52 in April 2025, when Trump implemented his so-called Liberation Day tariffs.

Nevertheless, a geopolitical shock and an increase in inflation risk will pose major headwinds for already volatile stock markets. Interest rate-sensitive sectors such as technology are in a highly sensitive phase at the moment, and any external shocks could trigger notable drawdowns, with broader effects on other risk-sensitive assets.

We have already seen global oil markets react sharply to the ongoing developments, anticipating potential supply disruptions from the oil-rich Middle East and from supply routes such as the Strait of Hormuz, which carries about 20% of global oil exports, including most of Iran's shipments to China. Brent crude has increased beyond $70 per barrel, and gold has surged towards all-time highs, equities are lower, and the USD is stronger amid heightened risk aversion.

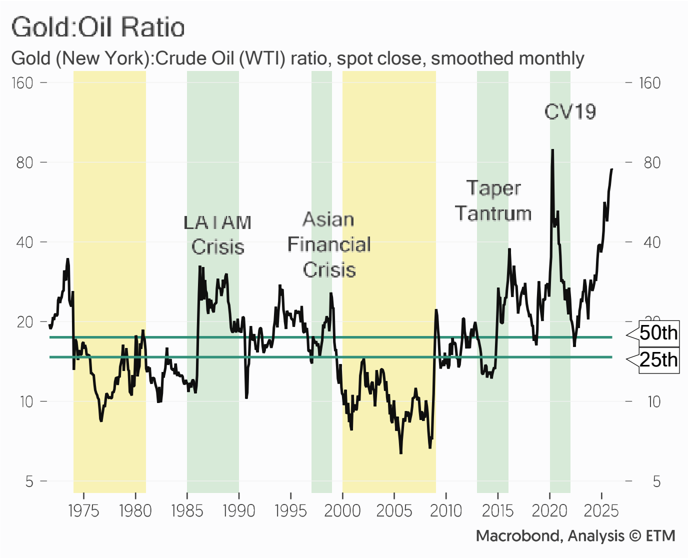
Past experience, like last year's 12-day conflict in the region, shows prices typically stabilise quickly unless disruptions persist for weeks, which could ultimately be the case this time around. However, the US elevated oil prices run counter to Trump's calls for OPEC to increase production to lower oil prices, thereby helping soften US inflation and, in turn, lower US interest rates.

## Geopolitical Tensions Boost USD, but Long-Term Risks Loom

Rising geopolitical tensions have pushed the USD to its highest levels since January 23 and appreciate against most major currencies amid fears of escalation. Emerging market currencies such as the ZAR have come under some pressure. The ZAR is currently trading around 16.11, up around 1% from recent lows of 15.80 at the end of January.

However, if military conflict deepens or drags on, sustained economic disruption, including prolonged oil price spikes alongside global growth fears, could eventually weigh on the USD longer term, depending on how markets perceive US economic resilience and policy responses. On a real effective basis, the USD remains some 14% overvalued, highlighting scope for the greenback to weaken.

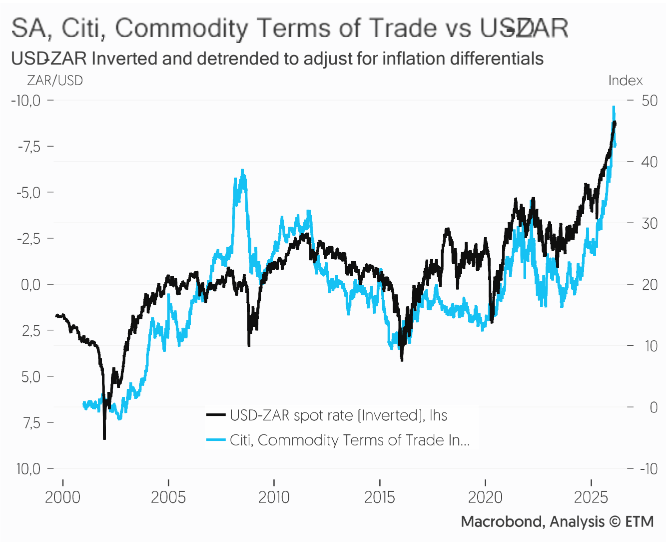
## Gold Buoyed Amid Middle East Tensions and Safe-Haven Demand, Supporting the ZAR




For the ZAR in particular, buoyed commodity prices provide partial mitigation to increased risk aversion. Even before the US military threats against Iran, gold prices surged to all-time highs due to a combination of heightened global uncertainty, financial market volatility, which increased its safe-haven appeal, expectations of lower interest rates that reduced the opportunity cost of holding non-yielding assets like gold, and strong institutional demand.

At the same time, heavy buying by central banks seeking to diversify reserves away from the USD, a softer USD, and persistent concerns about inflation and government debt have reinforced demand, pushing prices to record levels.

In the current environment, heightened fears of a more intense conflict in the Middle East, the risk of oil supply disruptions through strategic chokepoints like the Strait of Hormuz, and renewed inflation pressures from higher energy costs would likely turbocharge demand for gold as a safe-haven asset, pushing prices higher still and possibly to new all-time highs.




Higher commodity prices, particularly for gold, have already improved South Africa's terms of trade by increasing the value of its exports relative to imports. As gold and other key commodities fetch higher global prices, export revenues rise, boosting the trade balance, which has been in surplus in recent years and supporting foreign-exchange inflows.

SA's strong terms of trade are helping keep the current account deficit narrow and manageable. This, in turn, provides some insulation for ZAR against broader market risk aversion. In other words, it will offset some of the downward pressure expected if global risk aversion increases sharply if the current US-Iran standoff intensifies.



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