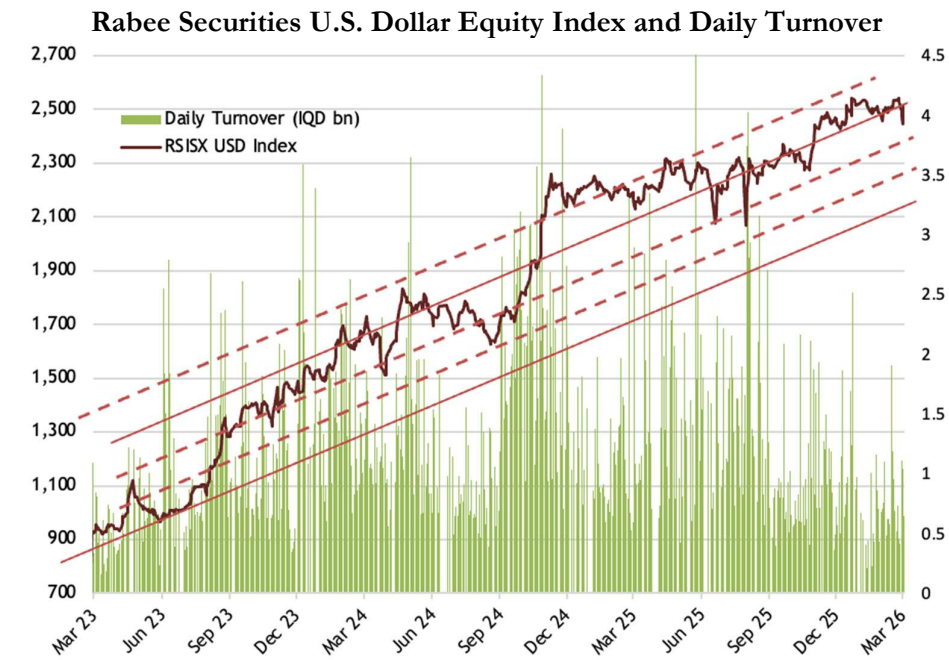


“Early Days: Markets Discount a Near-term End to the War”

Ahmed Tabaqchali, March 5th, 2027

The market, as measured by the Rabee Securities U.S. Dollar Equity Index (RSISX USD Index), was up 1.5% for February, and up 0.6% for the year. The market’s action throughout February was that of ticking up higher just as the “beautiful armada” was building up, with the average daily traded value increasing by about 26.5% above January’s low level –yet still about 42.1% below that of 2025– and thus, supporting the assertion made last month in [“Equity Market Discounts Regional Tensions”](#).

Trading on Sunday March 1st, the market’s first trading day following the start of the U.S.-Israel war on Iran, seems to support this assertion further, as the RSISX USD Index was down 1.4% by the end of the day, recovering about half of its losses earlier in the day. The daily traded value was up by about 51.3% above the average for February 2026, at about 87.6% of the 2025 average. While prices initially drifted lower over the next few days, declining by 3.2%, before recovering over half of these losses to an estimated decline of 0.7% by the end of the trading week on March 5th (*). The initial selling was met by local buying interest, and was clearly not that of panic selling or selling driven by expectations of a war that is devastating for Iraq. From a technical analysis perspective, the decline is viewed in the context of the market pulling back from all-time highs, which, as asserted here often in the past, should be within its multi-month uptrend (chart below).

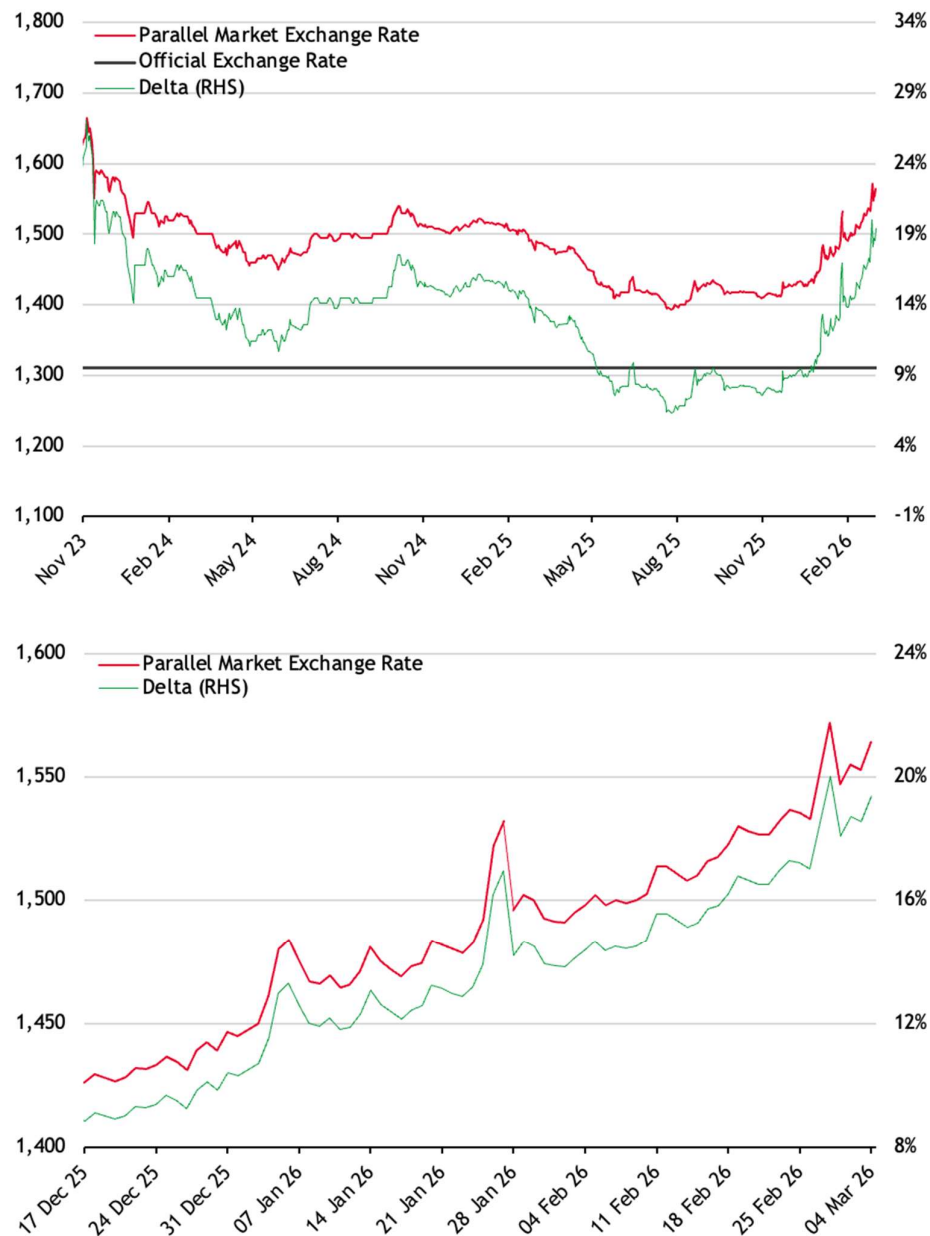


(Source: Iraq Stock Exchange, Rabee Securities, AFC Research, daily data as of March 5th (*).

Note: daily turnover adjusted for block trades)

While a few days do not make a trend, nor a month for that matter, especially in this highly fluid and dangerous period, the action of the Iraqi dinar (IQD)’s parallel market exchange rate against the U.S. dollar (USD) is in line with that of the equity market. As [argued](#) last month, the delta of the parallel market exchange rate over the official exchange rate, has been increasing since mid-December due to domestic reasons related to the government’s implementation and automation of customs tariffs. That meant that the still informal section of importers faced difficulties in effecting cross-border transfers, leading to greater demand for USD in the parallel market, driving the rise of the delta; which continued increasing throughout February. It popped by a mere 2.5% on the day of the war’s start, but has since then declined to levels in line with the trend of increasing delta that prevailed just before the onset of the war (charts below).

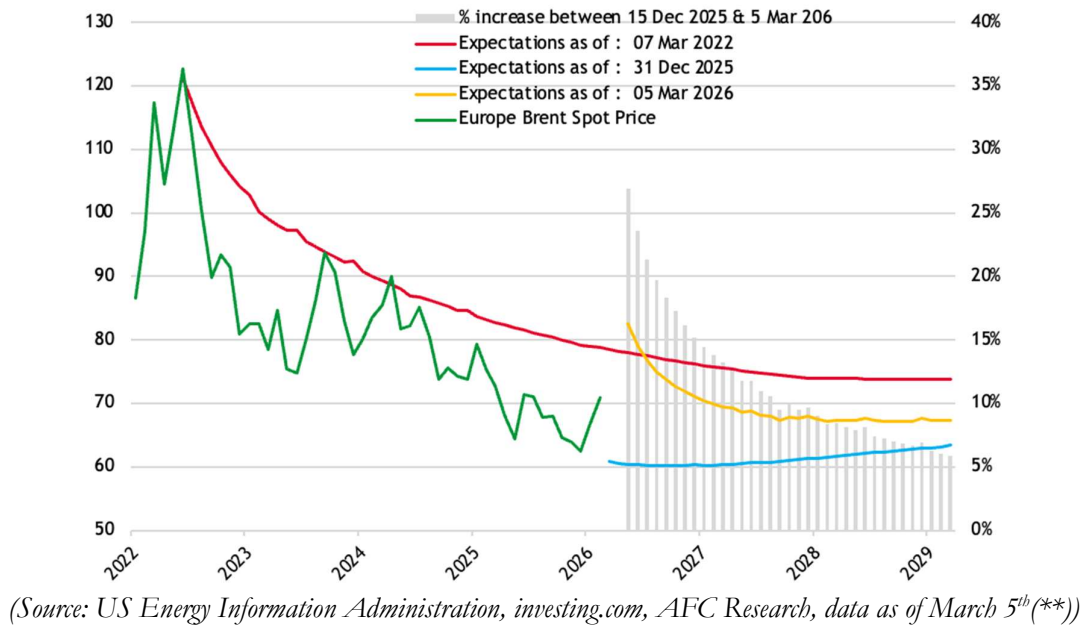
Dinar Parallel Market Exchange Rate vs. the Dollar and its Delta over the Official Exchange Rate



(Source: Iraqi Central Statistical Organization, Iraqi Foreign Exchange Houses, AFC Research, data as of March 4th. Note: second chart focuses on the period from December 17th to March 4th to provide greater granularity)

Finally, oil markets, that resumed trading on March 2nd, in which market expectations for future oil prices, as measured by Brent Futures contracts, spiked significantly as the war progressed; however, the spike is mostly in expectations for the immediate term, and decline meaningfully after that. This change, in context, is evident in comparing the current expectations (orange line in chart below) against the extremely pessimistic ones at the end of 2025 (blue line in chart below), in which the increase (grey bars in chart below) is high in the immediate term but declines meaningfully after that. Moreover, current expectations are very different in scope and shape from those that prevailed following the invasions of Ukraine (red line in chart below).

Market Expectations for Future Oil Prices As measured by Brent Futures Contracts (USD per barrel)



The three markets' logic, is most likely being that the expansion of the war, the attacks and counter attacks, raised the costs of the war considerably higher for the world at large –the sharp increases in gas prices, the re-routing of trade flows, the rise of fertilizer prices and their effects on food prices– and thus raised incentives for all concerned, direct and indirect combatants, for a quick resolution. While, such a resolution is likely to be as badly framed as the reasons for the war's start were, yet it could postpone a full resolution by a few years.

While being fully cognizant of the effects of the geopolitical risks on Iraq's economy, the argument made in the [outlook for 2026](#), is still valid, in that both of the two key dynamics, discussed here often, –the cumulative positive effects of the relative stability and structural banking developments– are in the early stages of their transformation of the economy, a process that should continue to unfold over the next few years. However, considerable risks remain, in that this war would escalate considerably beyond the control of participants, direct and indirect, and become an all-out war engulfing the region filled with all the nightmare scenarios that are popping in the media, by experts and “experts”, yet these seem to be extreme scenarios... at least as of now.

Note:

(*) The index's March 5th close, is estimated based on the close of trading for the day, but before the release of the official closing pricing later in the day.

(**) Contract prices as of March 5th are for the months up to April 2027, while most of the rest are as of March 4th.

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