

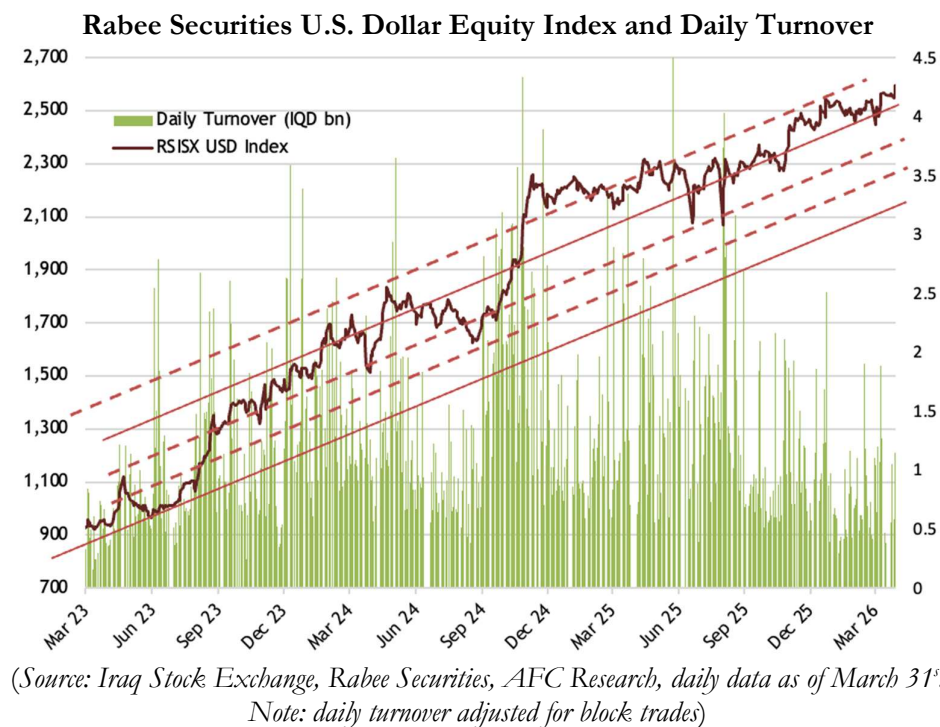
## “Market Reaches All-Time Highs as War Rages”

Ahmed Tabaqchali, April 5<sup>th</sup>, 2026

The market, as measured by the Rabee Securities U.S. Dollar Equity Index (RSISX USD Index), was up 2.6% for March, and up 3.2% for the year. The closing at an all-time monthly high just as the “Third Gulf War” rages around Iraq, with all the fears and risks that it entails, comes on the back of a solid three-year rally in which the RSISX USD Index was up 224.5%.

The icing on the cake for the market’s all-time monthly closing high, was Iraq’s 2-1 win over Bolivia to secure the country’s qualification for the 2026 World Cup, for the first time in 40 years. The win after a gruelling qualification journey, with 21 games in 28 months, and the ongoing war, was in typical Iraqi fashion, celebrated throughout the country with crowds filling the streets, and public spaces –not wishing to miss out on the celebrations, the government announced a two-day public holiday. The team’s individual stories, mirroring the country’s long conflict filled history, were encapsulated by the scorer of the opening goal in “I don’t think people understand how much we’ve been through as a country and people,” in an interview with the NYT’s [Athletic section](#).

The market’s action throughout March was similar to that of February, with prices ticking-up higher as the war raged on –by the end of the second week of the month, the market erased its early minor losses after the war’s start, that at worst were a decline of 3.2% from February’s close. Moreover, the selling was easily matched by buying interest, and was clearly not that of panic selling, or that of selling driven by expectations of a war that is devastating for Iraq. Also, similar to February’s price action, was the 22.1% month-over-month increase in the average daily traded value. From a technical analysis perspective, the market’s action continues to be that of consolidating its three-year gains, and that a continued consolidation or a pull-back should be within its multi-month uptrend (chart below).



The action of the Iraqi dinar (IQD)’s parallel market exchange rate against the U.S. dollar (USD) continues to be in line with that of the equity market. As explained a [couple](#) of months ago, the delta of the parallel market exchange rate over the official exchange rate, had been increasing since mid-December due to domestic reasons related to the government’s implementation and automation of customs tariffs. Driving this increase was greater demand for the USD in the parallel market that essentially came from two sources. The first from the still informal section of

importers who faced difficulties in effecting cross-border transfers at the official exchange rate. While, the second was due to the [mechanics](#) of the implementation and automation of customs tariffs, which included two significant changes: (1) replacing a flat-fee structure with a value-based tariff structure –legislated in 2010 but only implemented at start of 2026; and (2) linking cross border-transfers at the official exchange rate with the automated custom tariffs’ system. As such, to avoid the resultant higher custom tariffs on certain items, some importers sought USDs in the parallel market. These demand sources, drove the delta higher from mid-December, which continued increasing until early-March, after which it went sideways. The sideways action could be because the market is adjusting to the new system, or due to the government’s recent actions to ease the transition to the new system, or more likely because of declining demand for imports due to the closure of the Strait of Hormuz. However, the key observation is that is there is no evidence of panic demand for USD by Iraqis, given its safe haven status, as the war raged on.

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



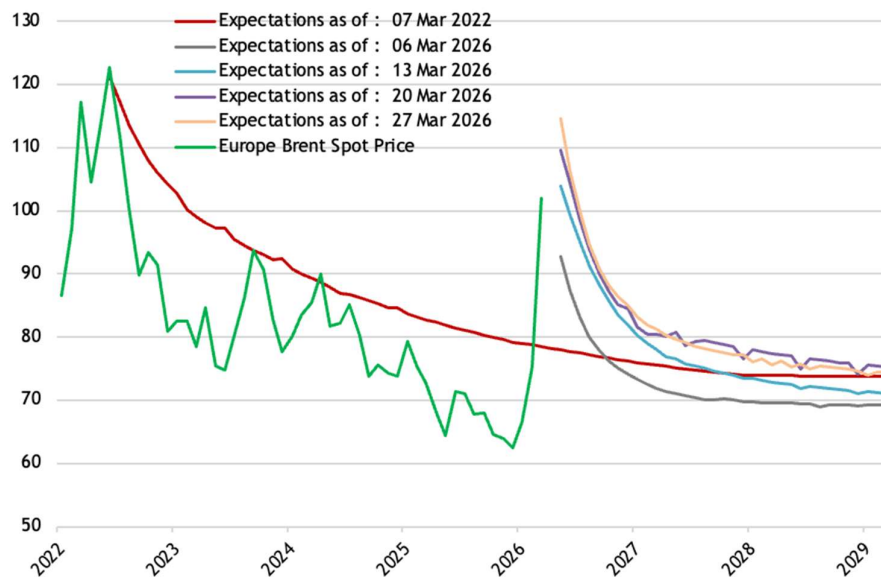
(Source: Iraqi Central Statistical Organization, Iraqi Foreign Exchange Houses, AFC Research, data as of March 31<sup>st</sup>.)

Note: second chart focuses on the period from December 16<sup>th</sup> to March 31<sup>st</sup> to provide greater granularity)

Complementing the actions of the Iraqi equity and currency markets are market expectations for future oil prices, as measured by Brent Futures contracts. These, while continuing to signal expectations for a near-term resolution to the conflict much as they did after the onset of the war, however, “near-term” and “resolution” have stretched and

morphed as the war escalated. This is because the paper oil markets are beginning to reflect the physical markets and the significant disruption to global supplies of crude and refined crude products from the closure of the Strait of Hormuz, and from the damage to crude production and refining infrastructure. While, early days, it's becoming clearer by the day, that a near term resolution or ending of hostilities, will ease but not end the disruptions to global supplies, which will take months before returning to pre-war levels, if they ever will. Crucially, the war and the subsequent ease of the closure of the Strait, have exposed the vulnerabilities of one of the world's major energy sources. Thus, placing a premium to energy prices, as reflected in the evolution of expectations for future oil prices during the war's first month (chart below: grey line, followed by blue, purple, and orange lines). These evolving expectations are very different in scope and shape from those that prevailed following the invasion of Ukraine (red line in chart below), in that while immediate term expectations reached similar levels to those following the invasion of Ukraine, yet prices decline significantly over a much shorter time frame –while too early to judge, as these could change as the war continues to rage, but they might reflect the effect of higher oil prices on demand and thus imply much weaker expectations for world economic growth.

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



(Source: U.S. Energy Information Administration, investing.com, AFC Research, data as of March 27<sup>th</sup>)

For Iraq, the closure of the Strait of Hormuz, has major implications, as it affects almost 94% of its exports (as of January 2026) with the biggest hit being to government revenues, of which oil revenues constituted 88% of total 2025 revenues. However, this hit would not be immediate, as oil revenues are normally received two to three months following their exports, and so the government should be able to meet its expenditures for March, April and probably half of May. The Strait's continued closure will hit revenues after that, nevertheless the government can still meet its expenditures beyond April or mid-May, mostly through the issuance of domestic bonds –in which the government can issue T-bills in tranches to meet monthly expenditures estimated at IQD 12 trillion a month (2025 average), but now likely to be less at IQD 10 trillion. Normally issuing bonds, in the absence of oil revenues, will have negative consequences for the country's foreign reserves, and ultimately to the IQD's peg to the USD –as this will increase IQDs in circulation, sustaining demand for imports and thus USDs. On the other hand, the war and the closure of the Strait will affect imports (roughly 60% of imports come from China, Türkiye and Iran), which are bound to decline, and thus the negative effects on foreign reserves will take much longer to make themselves felt.

Promisingly, a couple of recent positive developments, could alleviate pressures on government revenues. The first is the resumption of exports of 250,000 bpd through Türkiye's Cihan port on the Mediterranean, which could yield revenues of IQD 0.9 trillion a month, assuming USD 90 per barrel (/bbl) for Iraqi oil. The second, is that Iraq could benefit from Iran signalling that oil headed to friendly countries such as China and India will be given safe passage through the Strait of Hormuz. About 34.2% of Iraq's exports went to China, and 27.6% to India in 2024 (OPEC

data), which could generate revenues of IQD 7.3 trillion a month. The combination could yield oil revenues of IQD 8.2 trillion a month versus the 2025 monthly average of IQD 9.0 trillion; which while positive yet will not negate the need for debt issuance for two to three months as these revenues would take such time to be received. This is a best case scenario, but then even if 25-50% of exports to China and India make it through the Strait, with the exports through Cihan, the dynamics for the government's financial position could change considerably for the better. In the last few days, it was reported that Iraq's oil exports for March generated IQD 2.5 trillion in revenues, with an average Iraqi oil price of USD 105/bbl, and that Iran is formulating a protocol with Oman to regulate traffic through the Strait—and so lending a degree of credence to these positive developments. Just as this market report was being sent, it was [reported](#) that Iran would allow the exports of Iraqi oil through the Strait. At this stage, it's not clear if this applies to all Iraqi oil exports, or only to those for China, India and other Iran friendly countries. Moreover, it would take time for the logistics of implementing this exemption to fall into place, after which it would take two to three months for revenues to be received. Nevertheless, it's a significant positive development, that lends credence to the analysis made here, and to the interpretations of the markets' logic made here.

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 “excursion” 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 up in the media, by experts and “experts”, yet even these seem to be less extreme than they were a month ago.

#### *Disclaimer*

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