"Oil Deals Galore and a Diminishing Perceived Risk Premium"

Ahmed Tabaqchali, August 10th, 2026

The market, as measured by the Rabee Securities U.S. Dollar Equity Index (RSISX USD Index), closed the month up 1.9%, an all-time monthly closing high, and is up 10.9% year to date –with these gains coming on top of a three-year increase of 224.5% by the end of 2025.

The month was marked by significant developments on the political front, with major positive implications for the economy, and ultimately for the equity market. The main development was the Iraqi Prime Minister's (PM) visit to the United States, and the warm reception he received in the White House, including an impromptu lunch. The U.S. President was the first foreign leader to congratulate the PM in person on his election win, two months earlier, and claimed credit for a key role in the PM's selection. The new PM is a successful young businessman whose business background and lack of political experience appealed to the President — as such it's no wonder that the President cited the "tremendous chemistry" between the two during the visit.

The visit was solely focused on business, which fits in with a highly transactional U.S. administration, thus laying the foundation for successful outcomes. Around 48 agreements were signed or agreed to in principle, of which the majority were oil deals with U.S.-based International Oil Companies – almost harking back to the heyday of international interest in Iraq following the U.S.'s invasion in 2003, when Iraq's world-class oil fields opened up to the world for the first time since 1972, as a result of Iraq fully nationalising its oil industry. Supporting these deals was the announcement by JPMorgan that it would open an Iraq branch to finance these US business projects.

The most significant part of the visit was an oil pipeline agreement brokered by the U.S., signed between Iraq and Syria, to rehabilitate the old pipeline linking Iraq to Syria's Baniyas port on the Mediterranean Sea – the pipeline was last operational in the early 1980s, when it was closed by Syria as it sided with Iran in the Iran-Iraq war. The visit to the U.S. was soon followed by a visit to Türkiye, which was similarly solely focused on business, with the most significant outcome again being a deal to extend the Iraq-Türkiye Pipeline (ITP) agreement and expand it meaningfully to include other energy areas. Augmenting the business opportunities created by the two pipeline deals would be those arising from Iraq's need to expand, and rehabilitate, its domestic pipeline network to link its giant southern oil fields to potential regional pipeline routes through Türkiye and Syria on the Mediterranean Sea, and Jordan on the Red Sea. These pipeline agreements provide Iraq with alternatives to the Strait of Hormuz for its crude oil exports that averaged about 3,400,000 barrels per day (bpd) before the Strait's closure. These alternatives could start with up to 1,000,000 bpd through the existing ITP, while expanding the Iraqi side's capacity could add 600,000 bpd (the Turkish side has a capacity of about 1,600,000 bpd, but the Iraqi side's capacity is much less at about 1,000,000 bpd); the Iraq-Syria pipeline could add 1,000,000 bpd; finally following through on the much-discussed, but never-implemented, Iraq-Jordan pipeline to Aqaba on the Red Sea could add 1,000,000 bpd – for a total export potential of 3,600,000 bpd.

A lot can go wrong before and during the implementation phases of these deals, as the history of similar deals painfully shows that only a few come to fruition, and those that get implemented tend to be a shadow of the hype surrounding their signings. Having said this, a number of dynamics suggest that the chances of success are high for the current crop of deals, in particular for the pipeline agreements.

The first dynamic is that the ease of the closure of the Strait of Hormuz exposed the vulnerabilities of one of the world's major energy production sources to the fragility of maritime chokepoints that could prevent its production from reaching the outside world. Among emerging potential solutions are export routes utilising pipelines as alternatives that would firstly complement the routes through these chokepoints, and secondly bypass them during potential future closures, and ultimately become fully viable routes on their own merits. Iraq's geography, not its political economy, provides it with unique advantages in that it can access three major maritime routes, in addition to the existing route through the Strait of Hormuz, where each of the three routes goes through one country only – in other words two routes to the Mediterranean

Sea with one through Türkiye, and the other through Syria, and one route to the Red Sea through Jordan. These advantages simplify the logistics of the pipelines' build-up and maintenance and enhance the resilience of the network of alternative routes to potential future closure risks. Thus, Iraq's geography would add a price premium to its oil exports, which significantly improves the economic incentives for companies to undertake these projects, and attracts funding and investment. Supporting this hypothesis of Iraq's geographical advantage is that major U.S. hyperscalers, with data centres in the Gulf, have already begun utilising existing fibre-optic cables in Iraq that have been laid alongside oil pipelines as back-up or alternative routes for subsea cables that pass through the Strait of Hormuz. The internet route through Iraq comes with the added bonus of being much faster – data speed from the Gulf to Europe through Iraq would be about 70 milliseconds versus 150 milliseconds for that through submarine cables.

The second dynamic is that these projects dovetail with the current focus of the U.S., as acted upon by its Ambassador to Türkiye and special envoy to Syria and Iraq, that aims to establish oil export routes – as alternatives to the route passing through the Strait of Hormuz – that utilise the Levant and Türkiye, starting with Iraq's oil exports. These have the additional benefit of contributing to the economic rehabilitation of Syria by reviving its old role as an oil export corridor for the region's oil exports.

The overriding trajectory of these developments is that the resulting investments and renewed focus on Iraq and its potential role in a post-Hormuz world will play a substantial part over the next few years in narrowing the delta between the real Iraq risk, high as it is, and the perceived risk, which is still much higher – in other words a diminishing of this perceived risk premium. Such a narrowing implies that asset prices – priced at the perceived risk – should rise, reflecting the real risk, which ultimately for the equity market should translate into higher equity prices. This development could add further legs to the market's multi-year uptrend that is driven by the economy's significant structural transformation, following the decades of conflict, made possible by two key dynamics – the cumulative positive effects of the country's relative stability and the acceleration of banking adoption.

While being fully cognisant of the effects of the geopolitical risks on Iraq's economy, the argument made in the outlook for 2026, is still valid, and is supported by argument made above. However, considerable risks remain, in that the pause in the tit-for-tat attacks between the U.S. and Iran could collapse, starting a conflict that could escalate considerably beyond the control of participants, direct and indirect, and become an all-out war engulfing the region.