

A fragile pause: ceasefire diplomacy, market reactions and investment implications



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A diplomatic breakthrough—with caveats

In a dramatic and unexpected shift, US President Donald Trump announced a temporary suspension of planned attacks on Iranian infrastructure, stepping back from earlier threats that had raised fears of catastrophic escalation. The decision, which comes more than five weeks into a conflict involving the United States, Israel, and Iran, introduces a two-week ceasefire that has been cautiously welcomed across the globe.

According to Trump's statement, the ceasefire is contingent upon Iran agreeing to the complete, immediate, and safe reopening of the Strait of Hormuz — a crucial maritime route through which a significant portion of the world's oil supply passes. The announcement followed diplomatic engagement involving Pakistan's Prime Minister Shehbaz Sharif and Field Marshal Asim Munir, highlighting Islamabad's unexpected but pivotal role in mediating the pause in hostilities.

Iran's Foreign Minister Abbas Araghchi confirmed that safe passage through the Strait would be permitted during the ceasefire period, albeit under coordination with Iranian armed forces.

Just hours before the announcement, tensions had reached a peak. Trump had issued an 8 PM deadline for Iran to comply with US demands, warning of devastating consequences. His rhetoric escalated dramatically, including a statement suggesting that "a whole civilisation will die tonight," which sparked widespread concern and uncertainty worldwide.

Against this backdrop, the ceasefire has provided a measure of relief, particularly in regions directly affected by the conflict. Observers have praised Pakistan's diplomatic efforts as a significant achievement, with some also noting China's influence in encouraging Iran to engage in negotiations.

However, critical questions remain unresolved. While Israeli Prime Minister Benjamin Netanyahu has expressed support for the ceasefire, he has also indicated that military operations against Hezbollah will continue, raising doubts about the durability of the agreement. Additionally, reports of continued projectile activity across Gulf states such as the UAE, Saudi Arabia, Bahrain, and Kuwait suggest that the ceasefire may not yet be fully implemented or uniformly observed.

Further uncertainty surrounds the terms of a reported ten-point proposal submitted by Iran (see below), which US officials have described as a "workable basis" for negotiation. Analysts note that many of Iran's positions appear maximalist, potentially complicating efforts to reach a long-term resolution.

At the heart of the conflict lie deeper, unresolved issues: Iran's enriched uranium stockpile, its missile capabilities, and its support for regional proxy groups. The temporary ceasefire does little to address these core concerns, leaving the possibility of renewed escalation once the two-week period ends.

For now, the world watches cautiously. The ceasefire represents a pause — not a resolution — offering a brief window for diplomacy and de-escalation. Whether this moment can be transformed into lasting peace remains uncertain, but it has at least pulled the region back from the brink of immediate catastrophe.

A swift market response

At the time of our writing, global equity markets are reacting very positively to this announcement. Japan's Nikkei 225 index is up more than 5%, Stoxx 50 futures are up +4.5%, SPX e-minis 2.2%. Oil is tumbling nearly 15% while US 10-year bond yields are down 10 basis points. Gold, Silver and cryptos are also rebounding quite significantly.

Investment conclusions

The two-week ceasefire represents a critical pause in a rapidly escalating conflict. While it has reduced immediate risks, fundamental geopolitical tensions remain unresolved. Whether this becomes a path to stability or a temporary pause will depend on the coming negotiations.

At this stage, our tactical asset allocation remains unchanged. Our equity asset allocation remains roughly neutral versus our strategic asset allocation. We are underweight fixed income and overweight gold and commodities.

What would make us turn more constructive on risk assets from here would be:

- ▶ evidence that the ceasefire is holding operationally,
- ▶ a more credible diplomatic framework beyond the current two-week window,
- ▶ a further normalisation in oil and shipping markets,
- ▶ a confirmation that the latest shock does not materially damage growth,
- ▶ and not re-accelerate inflation expectations, which lowers the pressure on central banks to hike rates that would do additional damage to economic growth.

As we reminded our clients on several occasions, maintaining a long-term focus and adhering to strategic asset allocations remains key, as time in the market typically outweighs attempts to time it.

The 10 points proposal by Iran received by the US

No.	Proposal
1.	Controlled passage through the Strait of Hormuz coordinated with Iran's armed forces.
2.	End of the war against all components of the "Axis of Resistance".
3.	Withdrawal of U.S. combat forces from the region.
4.	Security protocol for navigation in the Strait of Hormuz.
5.	Full war compensation to Iran.
6.	Lifting of all sanctions on Iran.
7.	Cancellation of IAEA and UN resolutions.
8.	Release of frozen Iranian assets.
9.	UN Security Council recognition.
10.	Binding international law enforcement.

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