

## Dollar Strengthens as Markets Await Iran's Response to U.S. Strike

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The U.S. dollar rose against major global currencies in Asian trading as investors sought safe-haven assets amid heightened geopolitical uncertainty. The move followed a U.S. airstrike targeting Iranian military infrastructure, marking a significant escalation in regional tensions. Oil prices surged, U.S. equity futures slipped, and Treasuries reversed earlier gains, reflecting growing investor caution.

At the forefront of market concerns is the potential disruption of the Strait of Hormuz, a strategic chokepoint through which roughly one-third of the world's seaborne oil passes.

Iran has vowed “everlasting consequences” in response to the bombing, prompting fears that any retaliatory move could significantly impact global energy supplies and trigger broader market volatility.

Despite these risks, the financial market reaction has remained measured. Brent crude spiked as much as 5.7% before retracing, while the S&P 500 has declined only modestly, down about 3% from recent highs. Analysts suggest this restrained response is due in part to prior positioning and increased hedging activity, as many investors had already accounted for escalating tensions in the region.

The dollar’s rebound is particularly notable given recent weakness driven by U.S. fiscal concerns and speculation over future Federal Reserve policy. Traditionally viewed as a safe-haven during global crises, the greenback appears to be regaining that role, albeit cautiously. “This could be a turning point,” said Charu Chanana, Chief Investment Strategist at Saxo Markets, noting that sustained strength would enhance the appeal of U.S. assets more broadly.

Meanwhile, equities may remain resilient in the near term. Central banks are maintaining accommodative stances, and there is limited evidence of risk-driven outflows. Some strategists believe that unless Iran’s response directly impacts global oil flows or U.S. assets, equity markets could recover swiftly from current levels.

Nonetheless, the situation remains fluid. With military activity continuing and rhetoric intensifying, the outlook for markets hinges on Tehran’s next steps. A major escalation such as a blockade of the Strait or direct engagement with U.S. forces could significantly alter the risk landscape. Until then, investors appear to be cautiously positioned, awaiting clarity in an increasingly unpredictable geopolitical environment.