STONEBENCH

IN THE EYE OF THE STORM:

Geopolitical fragmentation and its implications on Asian finance



Contents

Introduction 2

The repricing 6

The flight to stability 8

The great wealth migration 10

Dollar under pressure 12

Could this be climate capital's moment? 15

Conclusion 16

Introduction

When the United States and Israel launched strikes on Iran on 28 February 2026—the first military confrontation in the Gulf in a generation—worldwide attention immediately turned to the Strait of Hormuz, a narrow channel that serves as a strategic gateway for global oil shipments.[1]

Iran responded by closing the Strait, forcing Gulf producers to curtail output as storage filled to capacity. A conditional ceasefire between Washington and Tehran, mediated by Pakistan on 8 April, has done little to restore normal flows.[2] Shipping traffic remains far below pre-war levels, and the US has maintained a naval blockade of Iranian ports since 13 April.[3] By April, Gulf output sat 14.4 million barrels per day below pre-war levels; cumulative supply losses now exceed one billion barrels. The International Energy Agency calls it the largest supply disruption in the history of the global oil market.[4 5]

Though vessel traffic rebounded in June, following peace talks, the resumption of the US blockade in mid-July has sunk Strait traffic to a two-month low.[6] Similarly, in early July, the Gulf saw its crude oil and condensate exports rise to their highest levels since the war began—only for sentiment to sour as the fighting re-escalates.[7]

This was the second time the world has witnessed an energy shock in under half a decade: in 2022, the onset of the Ukraine war sent crude prices skyrocketing[8] as Western governments imposed sanctions and price caps on Russian gas. Many of the lessons from Ukraine may apply here, but the Iranian scenario is unfolding on a different scale, given the volumes of oil and gas that typically flow through the Strait.

The International Energy Agency has called the current oil shock the largest supply disruption in the history of the global oil market.

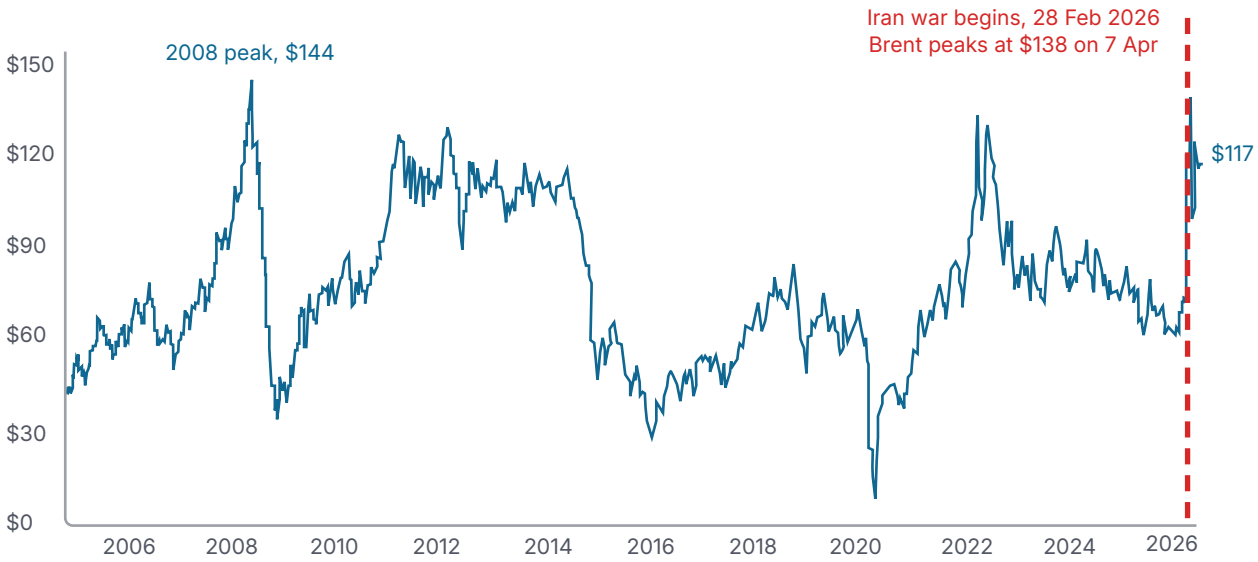


Image by Aysegul Aytoren

1 https://www.theguardian.com/world/2026/mar/22/iran-war-timeline-civilians-bear-brunt-of-us-and-israels-month-long-campaign
2 https://www.aljazeera.com/news/2026/5/18/pakistans-mediation-faces-limits-as-iran-us-tensions-deepen
3 https://www.reuters.com/business/energy/us-sanctioned-chinese-tanker-passes-strait-hormuz-despite-us-blockade-data-shows-2026-04-14/
4 https://www.iea.org/reports/oil-market-report-may-2026
5 https://www.iea.org/topics/the-middle-east-and-global-energy-markets
6 https://www.reuters.com/world/middle-east/hormuz-traffic-slows-multi-week-low-renewed-us-iran-strikes-raise-safety-risk-2026-07-13/
7 https://www.reuters.com/business/energy/gulf-crude-exports-jump-july-shipments-slowing-renewed-hostilities-data-shows-2026-07-19/
8 https://oilnow.gy/news/the-last-time-oil-prices-were-this-high-was-the-2022-ukraine-war/

Exhibit 1: Oil prices neared the all-time high following the onset of the Iran war

Brent crude oil price, daily, 2005-2026 (US$ per barrel)



Source: US Energy Information Administration, Brent spot (FRED series DCOILBRENTEU). Daily closes to 18 May 2026.

Before the war, the US Energy Information Administration (EIA) estimated that Hormuz facilitated the shipment of around 20 million barrels of oil and oil products every day.[9] At the same time, 112 billion cubic metres (bcm) of liquefied natural gas (LNG)—about 20% of the entire global market—moved through the Strait. LNG is crucial for power generation, industrial manufacturing and everyday cooking needs.[10] [11]

The price shock was immediate and severe. Brent surged 50% to US$103 a barrel in the opening weeks, then climbed to a high of US$138 on 7 April—hours before a ceasefire announcement.[12] [13] Middle Eastern benchmarks soared to record highs: on 16 March 2026, Cash Dubai was priced at US$157.66 a barrel, surpassing Brent's all-time high of US$147.50 in 2008—while Omani crude futures hit US$152.58 per barrel.[14] By Mid-May, Brent had eased to around US$106 as the ceasefire held in fits and starts,[15] but prices still remain hostage to developments around the Strait.

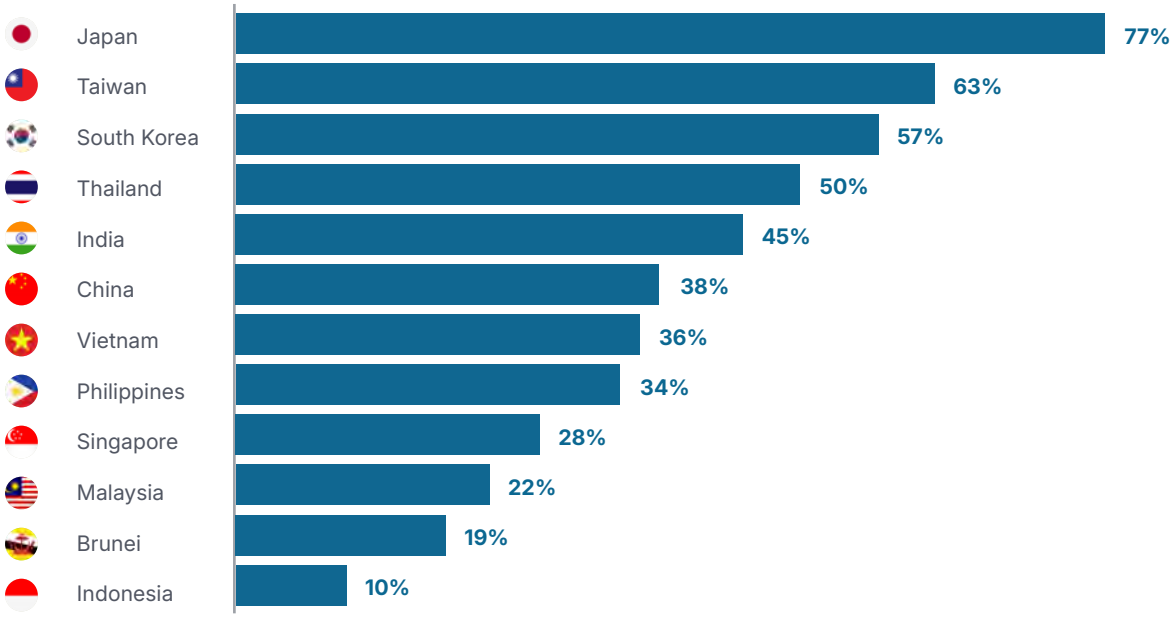
Since then, the unending cycle of escalation and de-escalation in the region has ensured that oil prices remain elevated (though, somewhat stable). In between the grinding peace talks and sporadic fighting, positive sentiment has crept back into the oil trade, with Brent crude futures declining to pre-war levels of US$70 a barrel in early July.[16] That being said, expect to see prices rise again as vessel traffic through the Strait constricts once again following the resumption of the US blockade of Iranian ports on 16 July.[17]

9 https://www.bbc.com/news/articles/c78n6p09pzno
10 https://www.aljazeera.com/opinions/2026/3/23/why-the-oil-and-gas-price-shock-from-the-iran-war-wont-just-fade-away
11 https://molgasenergy.com/what-is-lng-and-why-is-it-key-to-the-future-of-energy
12 https://www.theguardian.com/business/2026/mar/17/oil-gas-prices-rise-iran-us-israel-war-brent-crude-uae-strikes
13 https://www.hydrocarbonengineering.com/special-reports/13052026/eia-updates-forecast-amid-continued-mideast-disruption/
14 https://www.reuters.com/business/energy/middle-east-oil-benchmarks-hit-record-highs-war-cuts-supply-2026-03-16/
15 https://financialpost.com/commodities/energy/oil-gas/oil-inventories-record-iran-war-iea
16 https://www.reuters.com/business/energy/why-oil-prices-havent-gone-crazy-despite-5-months-us-iran-war-2026-07-20/
17 https://www.reuters.com/world/middle-east/fewer-vessels-travel-through-hormuz-us-iran-continue-strikes-2026-07-16/

The effect of the energy shock is being especially felt in Asian economies. "[Asian economies] are net energy importers from the Middle East and the Strait of Hormuz. It is something which has been there for a long time. The vulnerability is known, but it has never been tested to the extreme that it is being tested today," said Dr Vivian Balakrishnan, Singapore's Minister for Foreign Affairs, in an interview with Reuters.[18] As oil prices rise, Asia faces the return of inflationary pressures, which he suggested could become "sticky."

> ***[Asian economies] are net energy importers from the Middle East and the Strait of Hormuz. It is something which has been there for a long time. The vulnerability is known, but it has never been tested to the extreme that it is being tested today.***
>
> **Dr Vivian Balakrishnan**, Singapore's Minister for Foreign Affairs

Exhibit 2: Asia's dependence on Gulf crude



Source: International Energy Agency

"All this is happening at the time when Asia was hoping to be on more stable footing and getting growth in order, and spreading the fruits of that growth to as many people within your population as possible. It is not coming at a brilliant moment."[19]

Freight costs are also rising as underwriters either exclude or reprice war risk premiums, with some projecting that marine hull coverage rates could increase by 25-50%.

What Ukraine and Iran have in common is that both demonstrate how supply chain logics will reorient based on available resources. The Ukraine war, while initially disruptive, forced Europe to wean itself off Russian gas and look to other markets for its energy needs.[21] The ongoing conflict in Iran—albeit on a much larger scale—is similarly rewiring global assumptions around key commodities such as urea, aluminium and sulphur.

18 https://www.mfa.gov.sg/newsroom/press-statements-transcripts-and-photos/transcript-of-minister-for-foreign-affairs-dr-vivian-balakrishnan-s-interview-with-reuters-global-managing-editor-for-world-news-mark-bendeich--23-march-2026/

19 Ibid.

20 https://www.insurancebusinessmag.com/reinsurance/news/breaking-news/warrisk-withdrawals-and-rate-hikes-pressure-gulf-reinsurance-market-568824.aspx

21 https://www.bbc.com/news/articles/c24de9e97vno

How much change ultimately comes is difficult to predict. It is clear that the longer the conflict persists, the deeper the challenges facing the global financial sector. When Donald Trump and Xi Jinping met in Beijing on 14 May, they agreed that the Strait must remain open and free of tolls,[22] but not much was done about it. However, even the symbolism mattered, for it showed that even rival powers share an interest in stabilising the chokepoints of global trade, even as their broader rivalry deepens.

The ongoing conflict in Iran is rewiring global assumptions around the pricing of key commodities such as urea, aluminium and sulphur.



Image by Seyfettin Geçit

22 https://time.com/article/2026/05/14/trump-xi-china-iran-strait-hormuz/

The repricing

As uncertainty continues unabated, shippers continue to search for alternatives. In the immediate aftermath of Iran closing the Strait, four of the largest container carriers in the world—Maersk, MSC, CMA CGM and Hapag-Lloyd—suspended Hormuz transits. While the success of initial peace talks boosted vessel traffic, the return of intensified attacks in the region slowed movement through the Strait. The combined 10-day moving average of LNG transits fell from 0.8 cargoes per day in late June to just 0.2 cargoes on 15 July.[23]

The ongoing tensions have pushed carriers to reroute vessels around the Cape of Good Hope in southern Africa. This adds roughly up to 4.000 nautical miles or 10-14 days to Asia-Europe and Asia-Middle East transits. The Strait of Hormuz is not just important for oil and gas but for all kinds of trade. UAE ports such as Jebel Ali and Khor Fakkan occupy important roles in global networks, and their inaccessibility has driven costs given longer routes with greater fuel consumption and travel times.[24] [25] Vincent Clerc, the chief executive of Maersk, said in March the new routes could push freight costs up by 15-20%.[26]

The actual increase has already been much greater: by mid-April, spot rates on affected lanes had climbed by 30-50%.[27] As of early July, freight costs from Asia to the US west coast had increased by 276% since the start of the conflict, while rates from Asia to the US east coast were up 232% over the same period.[28]

The most significant repricing has happened in the insurance market. Since the onset of the war, risk insurance premiums have served five-fold in some instances.[29] Moreover, given the interconnected nature of the global economy—and global conflicts—underwriters including specialists like Lloyd's of London have made material changes to how they're pricing geopolitical risk. This has been the case since the Ukraine war started in 2022, and the result has been substantial increases in global commercial insurance rates for war exposure and in some cases, the wholesale withdrawal of capacity.[30]

Prior to the war breaking out, additional war risk premiums for a Strait of Hormuz transit ran around 0.2% of hull value. By mid-March, this had increased to 1-5%, with US- or UK-linked vessels paying as much as 5%. Now, for a US$150 million crude carrier, there can be a premium of up to US$7.5 million for a single journey.[31] Insurers have also introduced a new charge category—the Emergency Conflict Surcharge—in addition to base freight rates and war risk premiums.[32]

For a US$150 million crude carrier, there can be a premium of up to US$7.5 million for a single journey.



Image by Bilal Ahmed

23 https://www.reuters.com/business/energy/few-tankers-enter-hormuz-load-oil-data-shows-2026-07-19/
24 https://www.cnbc.com/2026/03/02/strait-of-hormuz-crisis-us-iran-israel-war-shipping-trade-oil.html#
25 https://carraglobe.com/strait-of-hormuz-closure-2026/
26 https://www.bbc.com/news/articles/c5ykzyd0rkyo
27 https://www.magellanlogistics.com.au/strait-of-hormuz-freight-disruption/
28 https://www.seafoodsource.com/news/shipping-rates-still-high-mixed-signs-of-relief-could-be-damaged-by-latest-vessel-attacks
29 https://www.lloydslist.com/LL1156502/US-UK-and-Israeli-ships-charged-three-times-more-than-others-for-Middle-East-war-cover
30 https://www.lexology.com/library/detail.aspx?g=fef9b0e8-9590-4030-adab-196f2d0a789a
31 https://www.insurancebusinessmag.com/us/news/marine/a-ceasefire-wont-reopen-the-insurance-market--not-yet-571314.aspx
32 https://www.maritimegateway.com/hormuz-crisis-forces-cape-of-good-hope-rerouting-freight-costs-surge-50-air-rates-up-300-for-indian-trade/

"These pressures have already pushed up tanker freight rates, and as those costs cascade through refinery inputs and logistics chains, they ultimately reach consumers through higher fuel prices," said Marco Forgione, the director of the UK-based Chartered Institute of Export and International Trade.[33] The US administration has stepped in to address the issue by setting up a reinsurance facility to revive traffic through the Strait. This is an example of how governments are increasingly willing to act as insurers of last resort where private capacity has withdrawn—industrial policy in insurance, if you like.

The disruption is impacting trade beyond oil. Helium has emerged as the "most unexpected industrial casualty."[34] A by-product of LNG production, roughly a third of global helium supply was produced at the Ras Laffan megacomplex in Qatar, bombed by Iran on 19 March, in retaliation for an Israeli strike on its South Pars gas field.[35] [36] Production at the site is not going to start until hostilities cease. Helium is not just essential for manufacturing semiconductors but also for cooling supermagnets in MRI machines. South Korea, where Samsung and SK Hynix produce most of the world's memory chips, sources almost 65% of its helium from Qatar.[37]

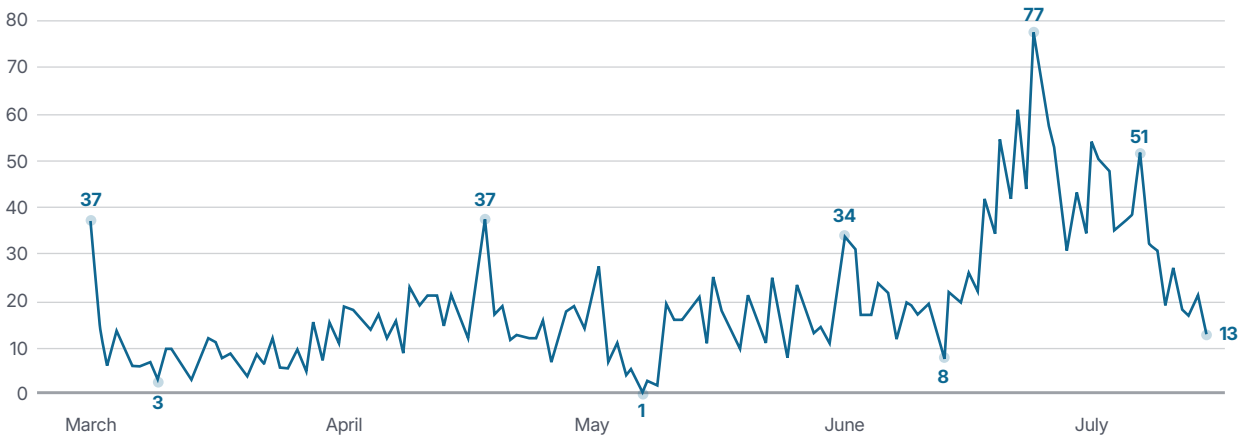
Even global food security could be threatened as the closure of the Strait of Hormuz would impact a third of seaborne fertiliser trade.[38] Urea prices have surged already, almost doubling in some markets. If oil prices continue to remain elevated—as seems likely in the foreseeable future—higher urea and fertiliser prices will result in food inflation and food insecurity. Fertilisers make up a good chunk of operating costs for several crops, and the increase in their prices has left many farmers in Asia with little choice but to reduce the use of fertilisers.



Image by Jan Zakelj

Exhibit 3: Ship transits through the Strait of Hormuz are tracking

Vessel crossings through the Strait of Hormuz from March 1 to July 15 2026



Source: Kpler Data | Anushree Mukherjee

33 https://www.euronews.com/business/2026/03/16/hormuz-becomes-worlds-most-expensive-waterway-after-300-surge-in-risk-premiums
34 https://www.economist.com/finance-and-economics/2026/03/16/the-iran-war-is-roiling-commodities-far-beyond-oil
35 https://wpintelligence.washingtonpost.com/topics/2026/04/15/sudden-scramble-helium/
36 https://edition.cnn.com/2026/03/19/middleeast/iran-qatar-south-pars-gas-field-explainer-intl
37 https://carraglobe.com/semiconductor-supply-chain-disruption-2026/
38 https://www.economist.com/finance-and-economics/2026/03/16/the-iran-war-is-roiling-commodities-far-beyond-oil

The flight to stability

The Middle East has, in recent years, seen significant investment interest in different sectors, most prominently technology. However, the Iran war has exposed a fundamental vulnerability. Gulf states have positioned themselves as global hubs for AI and data centre infrastructure, securing billions of dollars in investment commitment from the likes of Microsoft, Amazon, Google, Oracle and others. Microsoft, for example, pledged US$15.2 billion to the UAE, while Amazon committed US$5.3 billion to Saudi data centres.[39]

The economies in the Middle East have for long sought to diversify away from oil. The abundance of capital and the availability of cheap electricity meant that betting on AI and tech infrastructure was a smart bet, supported as they were, by proximity to the European, African and Asian markets. The Iran war has upended investor confidence, however.

On 1 March, Iranian drones struck multiple Amazon Web Services data centres in the UAE and Bahrain.[40] A few days later, Iran's Revolutionary Guard Corps declared 18 US technology companies as "legitimate targets". The Stargate project, a US$500 billion joint venture between OpenAI, SoftBank and Oracle to build AI infrastructure across the region, has become a named target too.[41] In a moment, the veneer of political stability—which is one of the key draws for investment in the Gulf economies—collapsed in the shadow of wider geopolitical conflict. The events of the past few months have demonstrated that geopolitical volatility cannot be separated from economics and commerce. The rhetoric around "legitimate targets" indicates clearly that civilian technology infrastructure is now a domain of conflict in this era. This, in turn, means that commercial decisions such as those relating to supply chain networks and overseas investment cannot be made in silos.

ASEAN captured a remarkable US$226 billion in FDI in 2024—an 8% increase even as global FDI declined by 11%.

Asia's appeal

Asia provides a starkly different picture against the current geopolitical backdrop. It offers high growth and relative political stability, and the kind of strategic non-alignment that *should* insulate it from great power proxy conflicts, although this is getting harder by the day, particularly for a few economies in Southeast Asia. Broadly speaking, this neutral stance has appeal for global investors and large multinational companies who are looking to friend-shore/near-shore in markets that align with their HQs' political views.[42] In this regard, Southeast Asia is set to become the quiet winner as it offers an investment thesis bolstered by its large domestic consumer markets and an evolving role in global supply chains.[43]

ASEAN captured a remarkable US$226 billion in FDI in 2024—an 8% increase even as global FDI declined by 11%.[44] Vietnam, the region's manufacturing powerhouse, is projected to grow 6.3% in 2026 with strong inflows into high-tech manufacturing and electronics.

39 https://responsiblestatecraft.org/saudi-data-center-iran-war/
40 https://www.gatech.edu/news/2026/04/01/why-iran-targeted-amazon-data-centers-and-what-does-and-doesnt-change-about-warfare
41 https://asiapolicy.asiasociety.org/p/iran-is-hitting-data-centers-in-the
42 https://documents1.worldbank.org/curated/en/099537312102490068/pdf/IDU-484dd6fb-27f2-4076-9126-9f97768c1f5b.pdf
43 https://www.aseanbriefing.com/news/how-the-iran-conflict-should-change-energy-supply-chain-and-market-entry-planning-in-asean/
44 https://www.sourceofasia.com/invest-in-asean/

Indonesia has a large population and is richly endowed with energy and critical minerals necessary for the next phase of growth. Its economy is projected to grow at 5% in 2026, benefitting from growing middle class and significant infrastructure investment in cloud and AI capabilities.[45]

This is not likely to be a temporary shift. The war has shown that in geopolitically contested regions, no amount of capital can purchase security. Asia's combination of growth, stability and neutrality now compares favourably to the Gulf's exposed position. The capital will necessarily follow, impacting the region's financial markets.

Given the extreme volatility the global economy has witnessed and refusal of things to settled down, investment flows are not going to shift immediately. There will be a degree of caution as corporates tighten their belts and think twice before committing large amounts of capital towards projects in other markets. But soon enough, we will see multinationals pursue resilience-oriented investments and favour safer havens from geopolitical volatility.[46]



Image by Sergey Guk

45 https://www.euromonitor.com/article/top-five-fastest-growing-economies-in-2026

46 https://www.fdiintelligence.com/content/2e70264f-0e7d-4cd1-9253-84c25e8cf44f

The great wealth migration

It's not just multinationals that are looking for a safe haven from geopolitical conflicts—wealth is also leaving the Gulf as investors from China, Russia and India look for greener pastures. Over the past decade, the UAE successfully established itself as a premier destination for affluent individuals and family offices. In 2025 alone, the city attracted nearly 9,800 new millionaires with its favourable tax regime and stable regulatory environment.[47]

It's not just multinationals that are looking for a safe haven from geopolitical conflicts—wealth is also leaving the Gulf as investors from China, Russia and India look for greener pastures.

As bombs rained across the region, affluent Asians and family offices began shifting their assets from the UAE, with many of them landing in Asia Pacific's financial centres, Singapore and Hong Kong. "The US-Israel war on Iran is upending that crucial aura of security in Dubai," said Jim Krane, a fellow at Rice University's Baker Institute in an interview with CNBC.[48]

Singapore, in particular, has become a magnet for family offices, thanks in part to efforts by the government to simplify tax schemes for single family offices and inject further regulatory clarity.[49] In less than five years, Singapore's community of ultra-high net worth individuals (UHNWIs) has risen from 400 to 2,000, while SFOs in the city-state are projected to collectively manage more than SG$120 billion in assets by 2026.[50] Ongoing geopolitical volatility and the continuing conflict in the Middle East are further embellishing Singapore's status as a safe haven in a high-growth region, a powerful combination.



Image by Florian Kriechbaumer

47 https://www.hubbis.com/news/dubai-strengthens-position-as-global-wealth-hub-amid-shifting-investment-trends-difc-report-shows

48 https://www.cnbc.com/2026/03/05/iran-war-dubai-rich.html

49 https://www.straitstimes.com/business/companies-markets/spore-looking-to-simplify-tax-scheme-framework-for-single-family-offices-chee-hong-tat

50 https://www.stashaway.sg/r/guide-to-establish-family-offices-singapore

Wealth is also moving back into Europe, with Switzerland retaining its reputation as a wealth capital. According to reporting by Reuters, HNWIs are expected to move their Gulf-based assets into Switzerland.[51] Even London could see greater flows, despite its diminished state, as buyers from the Gulf look to park their wealth in the city's real estate.[52]

The flight of affluent wealth from the Gulf is signalling a redefinition of "safe", with investors increasingly ranking political stability over yields. Ironically enough, as the Middle East climbed up the ranks of preferred destinations for HNW capital and investments, geopolitical risk did not seem to be on the minds of many investors. That has changed, and how. Even after the conflict ends (and it is not clear when that will be), investors and high net worth individuals are going to be cautious about any investments in the Middle East.

In less than five years, Singapore's community of ultra-high net worth individuals (UHNWIs) has risen from 400 to 2,000, while SFOs in the city-state are projected to collectively manage more than SG$120 billion in assets by 2026.



Image by Daniil Kondrashin

51 https://www.idnfinancials.com/news/62204/billionaires-in-middle-east-begin-to-move-their-assets-to-switzerland

52 https://www.propertyinvestortoday.co.uk/breaking-news/2026/03/investors-flee-middle-east-for-safe-as-houses-london/

Dollar under pressure

Perhaps ironically, the Iran is also resurrecting the spectre of de-dollarisation. Though it's moving slower than the headlines might suggest, the momentum is very much a reality as Iran demands oil payments in Chinese yuan.[53] Even before the war, the petrodollar system was showing some vulnerabilities, with the US dollar's share of global foreign exchange reserves falling to its lowest levels since 1995.[54] While the petrodollar system is not collapsing, it is being hedged against by a growing number of economies.

The Iran war, however, has accelerated this shift in ways the previous decade of gradual de-risking did not. The 50-year petrodollar loop struck between Kissinger and Saudi Arabia in 1974, rested on a straightforward plan: oil priced in dollars, with surpluses recycled into US Treasuries, for American security guarantees in return. The Iran war has tested this tacit understanding. On the one hand, oil-importing countries such as Turkey, India and Thailand are selling Treasuries to defend their currencies as the price of oil has increased.[55] On the export side, Gulf producers are not able to export through the Strait of Hormuz, depriving the system of dollar revenues.

The 50-year petrodollar loop rested on a straightforward plan: oil priced in dollars in exchange for American security guarantees. The Iran war has tested this tacit understanding.

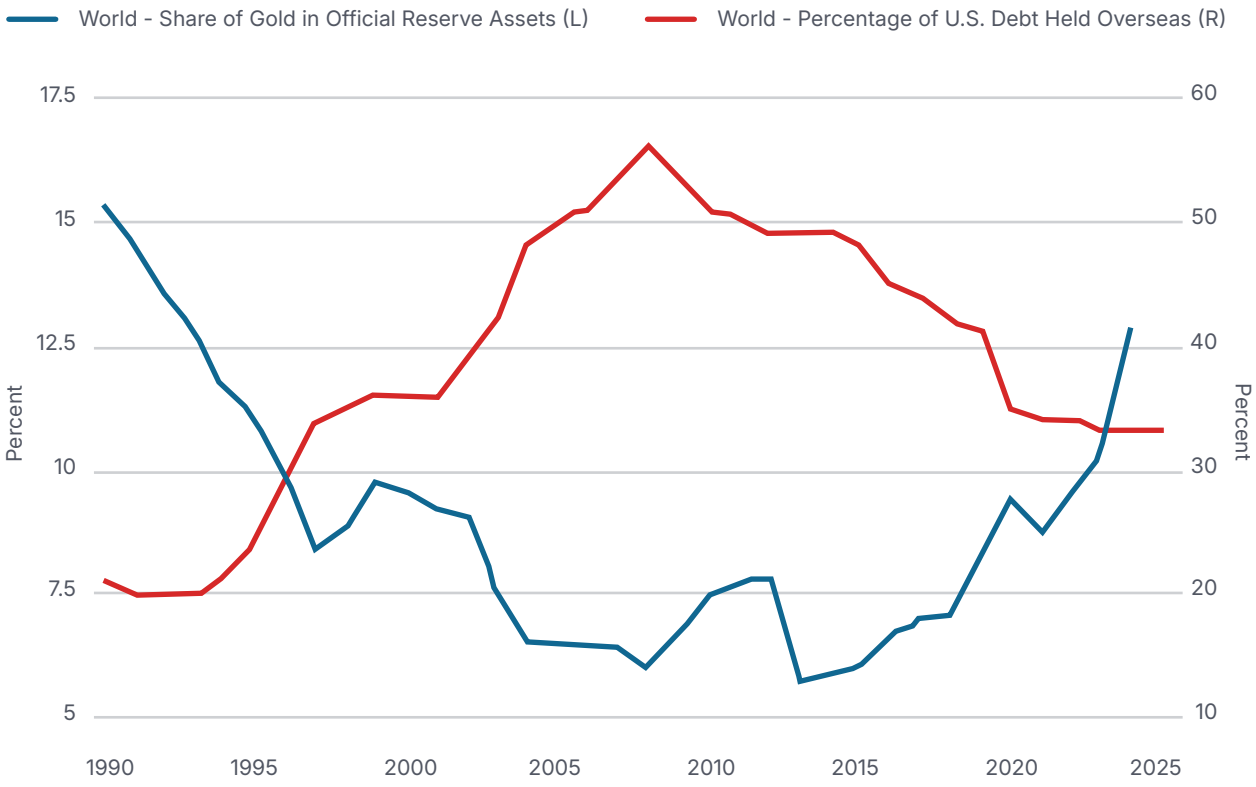
As a result, central banks' holdings of US Treasuries have fallen to US$2.7 trillion, the lowest since 2012, and global central banks hold more gold than US government bonds for the first time since 1996.[56]



Image by Mumtaz Niazi

53 https://geopoliticaleconomy.com/2026/03/17/economic-war-iran-petrodollar-oil-yuan/
54 https://finance.yahoo.com/economy/policy/articles/iran-39-trillion-national-debt-210256452.html
55 https://www.japantimes.co.jp/commentary/2026/04/13/world/iran-war-breaks-the-petrodollar/
56 Ibid.

Exhibit 4: Gold has overtaken Treasuries in central bank reserves for the first time in 30 years



Source: MacroMicro

At the time of writing, Iran is still demanding oil payments in Chinese yuan—even collecting transit tolls in yuan from tankers passing through the Strait of Hormuz.[57] The growing use of the yuan in cross-border settlement is not a new phenomenon. Following sanctions, Russia has shifted substantially to yuan settlement for its trade with China as it looks to circumvent SWIFT. China is also settling its bilateral trade with some of its trading partners, such as Brazil, in yuan. Elsewhere, some African economies such as Kenya, Ethiopia and Angola have converted their dollar debts to RMB, and several Belt & Road Initiative (BRI) are using the yuan for settlement.

As yuan use increases, it is important to note that yuan-denominated oil settlement is not simply a bilateral arrangement, but a new system that requires an alternative clearing infrastructure. China's Cross-Border Interbank Payment System (CIPS) now handles a growing share of international yuan transactions, and although it is still dwarfed by SWIFT in volume, its use is growing.[58]

Elsewhere, in July 2022, India launched a mechanism to facilitate local currency settlement with 22 countries,[59] while ASEAN leaders committed to promoting a similar framework.[60]

57 https://fortune.com/2026/03/26/iran-toll-strait-of-hormuz-oil-paid-in-yuan/
58 https://www.disruptionbanking.com/2026/04/14/chinas-swift-challenger-breaks-records-as-petrodollar-looms/
59 https://worldtradescanner.com/22%20Countries%20Opened%20Special%20Bank%20Accounts%20in%20India%20to%20Trade%20in%20Rupee.htm
60 https://asianews.network/asean-accelerates-de-dollarisation/

At the same time, BRICS nations are pushing further. They are intensifying efforts to establish dollar-free payments rails with one another, a system that could rival SWIFT in the long term.[61] For a long time now, the US and its allies in the West have used dollar-denominated financial infrastructure as a geopolitical lever, freezing reserves, cutting off access to SWIFT, and weaponising correspondent banking relationships. While effective, the West's unilateral use of its sanctions power has resulted in the corrosion of the dollar itself as countries from Russia to Iran look to build alternatives.[62] The implications for banks are clear. Correspondent banking networks built around dollar primacy will need to accommodate different settlement currencies and fragmented payment rails. This will require infrastructure. Risk frameworks will need to account for different currencies that carry geopolitical and/ or market risk.

In the same vein, trade finance products originally designed for a dollar-denominated global system will need to be redesigned or adapted as the trading settlement system evolves to see more currencies used. The US dollar is going to remain the world's dominant reserve currency for some time to come, but the monopoly is gradually being eroded, with implications for the financial services sector.



Image by Engin Akyurt

61 https://www.gisreportsonline.com/r/brics-payment-system/

62 https://thehilltoponline.com/2023/09/25/economic-sanctions-possibly-imposed-by-the-weakening-u-s-dollar/

Could this be climate capital's moment?

As the world comes to terms with the energy shock, there are questions about what this means for the green transition and the capital needed to fuel it. The Iran war presents a paradox in this regard: on the one hand, theoretically speaking, the spike in oil prices should encourage Asian economies to accelerate their energy transition as renewables become more competitive. But energy security is a priority for many economies, which means that given the surge in oil prices, many governments are increasing their reliance on coal, which is still a significant part of the power mix.[63] This is a policy dilemma that Asian governments—and financial institutions—will have to contend with over the next few years.

Right up until President Donald Trump's second term, there was real momentum for transition finance. A decade of work to build the architecture for green finance—green bonds, blended finance solutions, climate funds—had resulted in a war chest of more than US$8.2 trillion in 2024.[64] Sustainable bond issuance had reached highs, while carbon markets were starting to gain ground too. However, with the start of Trump's second term, progress stalled, as the President withdrew the US from major climate treaties including the 2015 Paris Agreement,[65] scaling back gains made in the past decade or so.

Now, given the energy shock, conversations around the need for the energy transition have picked up steam once again. Moreover, advances in renewables technologies have made clean energy generation potentially a viable alternative for Asia, especially as buildouts of solar and wind capacity have ramped up across the region in recent years. Vietnam, for example, has increased its solar capacity from 4MW to 16GW between 2015-2025, and has become a leader in wind power generation.[66] [67] The Iran war has complicated the trajectory, and national-level fiscal challenges mean the risks of a reversion to fossil fuels are real.

The clock is ticking, especially in Southeast Asia, which has some of the world's largest transition finance needs. By 2030, ASEAN needs US$446 billion in power infrastructure investments; by 2050, that figure reaches US$6 trillion. Yet, only US$30 billion of energy transition finance has been mobilised by 2025, leaving the region on track to miss its targets.[68]



Image by Kris Møklebust

63 https://asia.nikkei.com/business/energy/middle-east-energy-crisis-pushes-india-southeast-asia-back-toward-coal

64 https://unctad.org/system/files/official-document/wir2025_ch03_en.pdf

65 https://www.swp-berlin.org/en/publication/mta-spotlight-53-debating-trump-20-and-implications-for-africa-a-global-shake-up-in-climate-finance

66 https://energytracker.asia/vietnam-solar-energy-boom/

67 https://en.mae.gov.vn/vietnam-can-harness-1068-gw-of-offshore-wind-power-8836.htm

68 https://aseanenergy.org/blogs/how-can-asean-close-its-energy-investment-gap-to-foster-its-energy-transition

Conclusion

The Iran war has demonstrated at speed and scale what a fragmented world actually costs. The post-Cold War assumption was elegant in its simplicity: open markets, free trade and integrated supply chains, a dominant reserve currency and a rules-based order underwritten by American power. That framework held for three decades, but is now being dismantled.

While Russia's invasion of Ukraine rewired European energy, the US-Israel attack on Iran is rewiring global trade and energy markets. The next shock—potentially a Taiwan flashpoint, a South China Sea incident, or tensions in South Asia—could very well rewire something else. Events over the past decade have shown fragmentation today is a phenomenon and not an event.

This creates a specific and uncomfortable challenge for the financial services sector. At its core, finance is a system built on predictability, on the assumption that any kind of risk can be modelled, priced and then distributed. That assumption is now being challenged. This isn't because models were poorly built, but because the world they were built to describe has changed immeasurably. The industry is adapting, however. Singapore's three largest banks—DBS, OCBC and UOB—are actively trying to attract global wealth, capitalising on inflows from the Middle East.[69]

Family offices and UHNWIs are shifting away from Dubai and pursuing "geopolitical diversification", with clients now focused on custody risk, administrative efficiency and multi-jurisdictional structuring rather than pure alpha generation. This is resulting in many of them looking east at financial hubs such as Singapore and Hong Kong.[70]

Private banks and wealth managers are likewise building local-currency capabilities, stress-testing their supply chain exposure, and re-underwriting geopolitical risk into their credit frameworks.[71] But many institutions still remain in wait-and-see mode.

This creates a specific and uncomfortable challenge for the financial services sector. At its core, finance is a system built on predictability, on the assumption that risk of any kind be modelled, priced and then distributed. That assumption is now being challenged.

Meanwhile, Southeast Asia—largely politically non-aligned, demographically strong, positioned at the centre of multiple trade corridors—is emerging as a structural beneficiary. ASEAN has largely managed a delicate balancing act with the US and China, with its neutrality has provided stability for growth.[72] The region will continue to be a global growth engine. Strengthened by strong domestic demand and economic prospects, the region offers access to capital, manufacturing capabilities and skilled labour.

The old toolkit is insufficient. Risk management designed for a globalised, dollar-denominated, US-anchored world needs to be reshaped for one that is more multipolar, more fragmented, and increasingly settled in competing currencies. If this continues, it could mark a fundamental change in how financial institutions understand exposure, price products and allocate capital.

The institutions that thrive in this environment will share a common trait: they will have stopped treating geopolitical volatility as an external variable and started treating it as a structural input that has impacts across the business, and as fundamental to their decision-making as interest rates or credit quality.

69 https://asianmorning.com/2026/04/15/singapore-banks-court-wealth-as-geopolitical-tensions-reshape-capital-flows/

70 https://www.hubbis.com/article/from-alpha-to-optionality-singapore-s-role-in-a-more-fragmented-uhnw-wealth-landscape

71 https://www.theasianbanker.com/updates-and-articles/global-banking-in-an-age-of-constrained-resilience

72 https://www.arabnews.com/node/2472741

StoneBench is a strategic editorial advisory and thought leadership studio specialising in topics at the intersection of economics, geopolitics, trade, finance, sustainability and policy. Our rigorous approach and deep understanding of key global trends have earned the trust of leading institutions, including banks, multinationals, consulting firms, industry associations and policy firms, for who we produce white papers, research reports, insights, commentaries and op-eds.

www.stonebench.sg

www.stonebench.work

Vynspire AI Labs is a design and technology outfit that builds digital experiences and AI systems for ambitious organisations. We work with global trading giants, regional tourism conglomerates, research and editorial companies, and institutional players across finance and policy to design high-performance websites, brand systems, and custom AI workflows that drive measurable outcomes. Our approach combines rigorous design thinking, technical depth and AI-assisted automation to solve complex marketing and operational challenges at scale.

www.vynspirelabs.ai

