



Iran Risk Brief: Maintaining Defensive Posture, Vigilance for Disparate Outcomes, Opportunities

Bill Campbell, Portfolio Manager, Global Sovereign Debt | March 2026

On Feb. 28, the U.S. and Israel carried out coordinated air and missile strikes on multiple targets across Iran, including major cities such as Tehran, Isfahan, Qom, Karaj and Kermanshah. These actions, code-named “Operation Epic Fury,” reportedly resulted in the deaths of Iran’s supreme leader and other high-ranking Iranian officials, and the destruction of the country’s missile and military capabilities, with the ultimate objectives of preventing nuclear proliferation and overthrowing the current regime.

DoubleLine’s investment team is closely monitoring this highly fluid situation, including the prospective duration and intensity of military operations, Iran’s response and the ultimate political outcome. Scenarios range from swift combat resolution and peaceful transition to protracted conflict and wider international involvement. Market reactions and economic impacts will be determined by where events fall along this spectrum – a brief military engagement followed by stability could result in transitory market volatility while prolonged conflict could lead to deeper risk aversion and more significant economic disruptions.

As of 10 p.m. EDT on March 1, Iran’s political trajectory, to put it mildly, was a matter of guesswork. A three-man council, Tehran has announced, will rule until the Assembly of Experts chooses a new supreme leader. The council comprises President Masoud Pezeshkian; chief of the judiciary Gholam-Hossein Mohseni-Ejei; and Ayatollah Alireza Arafai, a senior cleric and member of the Guardian Council. The Guardian Council is a powerful 12-member unelected body (six Islamic jurists appointed by the supreme leader, six lawyers nominated by the judiciary) that vets candidates for elections, supervises voting, and ensures legislation conforms to Islamic law and the constitution.

Oil markets are at the forefront of these developments. The scale of disruption to Persian Gulf energy production, especially energy exports through the Strait of Hormuz, will be a primary barometer for inflation, global economic growth and market performance. Initial reports indicated restrictions on shipping through the strait, but official statements from Tehran have since clarified that the Islamic Republic has no intent to block the passage. This waterway is critical, accounting for 20% of global liquid natural gas flows, including exports from Qatar. China remains a key trading partner for Gulf Cooperation Council (GCC) exports, underscoring the broader global significance. In 2025, China maintained its position as the largest GCC trading partner, accounting for approximately 16.2% of the total, with a value of about \$137 billion.

Quick combat resolution
Peaceful transition

Short-lived market volatility
Short-lived economic impact

Protracted military campaign
Messy transition in Iran

**Large risk-market drawdown/
negative reaction**
Risks to inflation and growth

OPEC+ convened on March 1 and announced a modest increase in production for April. Spare capacity remains concentrated in Saudi Arabia and the United Arab Emirates – representing less than 3% of world supply. Citing a statement after the group’s monthly video conference,

Bloomberg reported that OPEC+, led by Saudi Arabia and Russia, which had paused a series of hikes during the first quarter, will add 206,000 barrels a day in April.

U.S. political dynamics also warrant attention as midterm elections approach. The implications of the conflict for domestic politics are complex, with legislative moves underway to limit executive authority regarding military action. Any sustained U.S. involvement in Iran could influence the electoral landscape. In addition, the potential passage of a war powers resolution by Congress (to be voted on March 4) would aim to limit President Donald Trump’s ability to continue military operations against Iran by directing the removal of U.S. armed forces from hostilities not authorized by Congress. The constitutionality of the War Powers Act’s limits on the president’s authority as commander-in-chief has long been a subject of a debate that has never reached the U.S. Supreme Court. To the extent that the resolution being considered in Congress serves as a check on the White House, it would likely face a veto, requiring a two-thirds majority in both the House of Representatives and Senate to overcome.

From an investment standpoint, DoubleLine’s disciplined, risk-focused approach has had portfolios more defensively positioned in light of tight valuations across traditional fixed-income sectors. Our strategies have minimal direct exposure to the Middle East. As of 9 a.m. EDT on March 2, U.S. interest rates had moved higher, with the market focusing on the inflation risk and pricing expectations of a resolution to this conflict toward the more contained end of the spectrum of outcomes outlined above. Overall, DoubleLine has positioned portfolios for slightly shorter duration than most benchmarks, underweighting long-dated U.S. Treasury securities where appropriate. The investment team remains vigilant, following developments closely. We are ready to respond to market dislocations and accompanying opportunities.

Our thoughts are with everyone directly affected by the military conflict in Iran and countries in the Middle East. At DoubleLine, we believe every individual deserves a peaceful and fulfilling life, and we support constructive efforts toward that goal. ■



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Mr. Campbell joined DoubleLine in 2013. He oversees the firm's Global Sovereign Debt team and serves as a Portfolio Manager of the DoubleLine Emerging Markets Local Currency and Global Bond strategies. He is a permanent member of the Fixed Income Asset Allocation Committee. Prior to DoubleLine, Mr. Campbell worked for Peridiem Global Investors as a Global Fixed Income Research Analyst and Portfolio Manager. Prior to that, he was with Nuveen Investment Management Co., first as a Quantitative Analyst in the Risk Management and Portfolio Construction Group then as a Vice President in the Taxable Fixed Income Group. Mr. Campbell also worked at John Hancock Financial as an Investment Analyst. He holds a B.S. in Business Economics and International Business, as well as a B.A. in English, from Pennsylvania State University. Mr. Campbell holds an M.A. in Mathematics, with a focus on Mathematical Finance, from Boston University.

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