Navigating Middle East Markets: Resilience in the Face of Geopolitical Risk

Local Views

June 23, 2025

Geopolitical tensions in the Middle East have flared once again and markets responded quickly: oil prices spiked, regional equities pulled back, and volatility rose. While the risks are real and warrant close monitoring, history offers a useful perspective — one that is often overlooked in the moment.

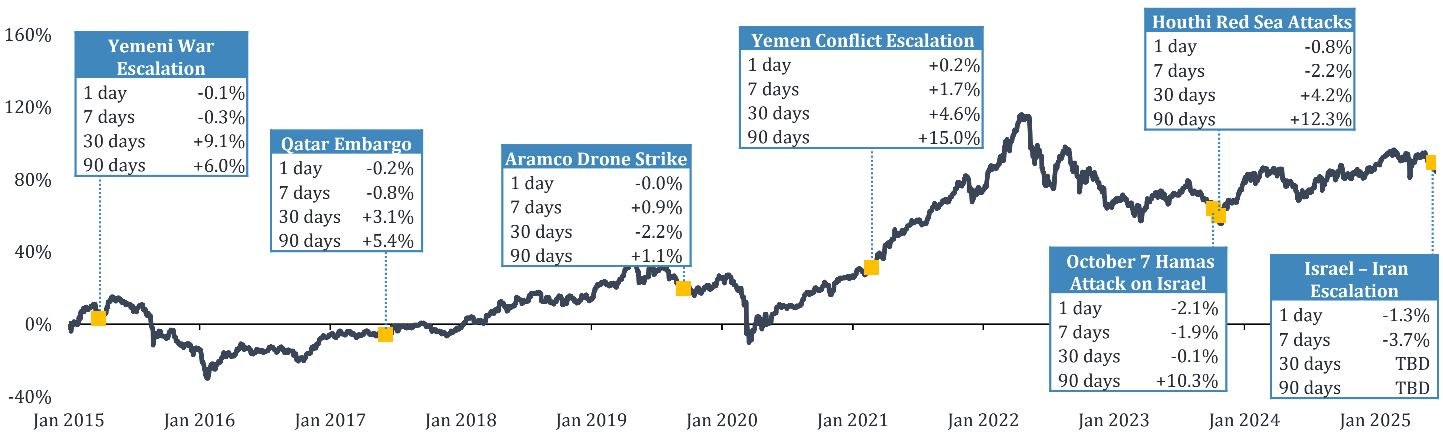
A HISTORY OF RESILIENCE

Middle Eastern equity markets have historically demonstrated a notable degree of resilience in the face of geopolitical stress. Over the past decade, periods of heightened tension have triggered short-term dislocations, but these have typically been followed by full recoveries — and, in many cases, meaningful gains.

Examples of this resilience include the escalation of the Yemeni war in early 2015, the Aramco drone strikes in 2019, and the Hamas attack on Israel on October 7, 2023. When the Qatar embargo was announced in 2017, markets fell -0.8% in the first week but fully recovered and ended up +3.1% one month after the event. Likewise, during the Israel–Hamas conflict in late 2023, markets declined -1.9% in the initial week, but rebounded to near-flat levels within a month and up +10.3% within 90 days.

As of today, just over one week has passed since Israel launched airstrikes against Iran on June 12. While it is too early to draw conclusions, we are closely monitoring developments to see whether this well-established pattern of resilience will hold once again.

MSCI Gulf Cooperation Council Index Performance



Data in blue box reflects MSCI GCC Index performance since the geopolitical event. Source: Bloomberg and MSCI as of June 18, 2025. The bloomberg ticker of the MSCI GCC Countries Index (USD) is M1GCGCC. Past returns are not a guarantee of future results. Graphs are presented for illustration purposes only and should not be relied on to make an investment decision.

CAPITAL MARKETS HAVE NOT UNRAVELED

Meanwhile, the Gulf Cooperation Council (GCC) region continues to attract investor interest. In recent years, it has emerged as a hotspot for initial public offerings (IPOs), supported by robust economic reforms, diversification efforts, and growing participation from both regional and global investors. At the start of 2025, Ernst & Young estimated that the MENA region would see 38 company listings and 22 fund launches this year[1].

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Despite the current geopolitical backdrop, capital markets activity has not unraveled. No IPOs have been officially pulled, and Flynas completed its listing on June 18.

WHAT LIES AHEAD?

While resilience is never guaranteed and geopolitics rarely moves in straight lines, the historical track record of the region is a reminder that increased regional risk does not necessarily make Middle Eastern equities uninvestable. On the contrary, for investors with deep local knowledge, these moments of uncertainty can often present compelling opportunities.

At ABS, we are approaching the rapidly evolving situation in the Middle East with care and discipline. While we have not changed our allocation to the region within our emerging markets strategies, we are exercising heightened diligence — staying close to our local specialists, closely tracking macro and company-level developments, and remaining alert to both risks and potential opportunities that may emerge from temporary dislocations.

DISCLOSURES

[1] https://www.ey.com/en_sy/newsroom/2025/02/mena-region-recorded-54-ipos-raising-us-12-6b-during-2024