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Equity Market
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Resolution of US - Iran conflict could lead to a US$20bn opportunity for Pakistan

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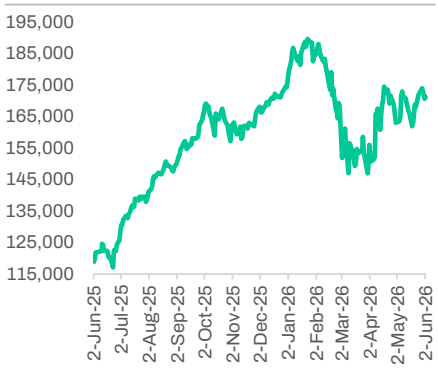
Market Strategy

Resolution of US - Iran conflict could lead to a US$20bn opportunity for Pakistan

Pakistan stands at a rare geopolitical inflection point. As **the sole credible intermediary in Iran-US negotiations,** Pakistan has the potential to transform a costly regional crisis into a potential strategic and economic windfall.

- The conflict has imposed significant damage to Pakistan's economy and the rest of the world. Iran's closure of the Strait of Hormuz inflicted an estimated US$10bn to US$14bn in costs on the Pakistani economy (2-3% of GDP), pushing CPI to 11.7% in May'26, swinging the current account into deficit, and forcing a 100bps rate hike in Apr'26.
- Even after a US-Iran settlement, the Strait of Hormuz remains a structural risk. The existing bypass options — the East-West Pipeline and the Habshan-Fujairah Pipeline — have a combined capacity of ~8.5mn bbl/day, far short of the 20mn bbl that transit the Strait daily, leaving the world without a credible alternative if the corridor closes again. In response, Gwadar Port has emerged as a more strategically important node, its location outside the Hormuz chokepoint making it accessible even during naval blockades or sustained maritime disruption. Saudi Arabia, having watched its storage sites fill rapidly during the closure, is now planning new oil storage facilities in Gwadar.
- A successful settlement unlocks six measurable recovery channels. A 75-150 bps country risk re-rating, foreign exchange reserves rebuilding beyond US$20bn, ~US$4bn in GCC export recovery; inflation normalization of 125-150 bps as oil prices normalize; a current account swing to surplus of US$3.75-5.0bn annually and renewed Saudi Vision 2030 labor demand restoring 700,000-800,000 Pakistani workers annually. The KSE-100 retains meaningful re-rating headroom, sitting 12% below its Jan'26 peak.
- Three structural opportunities extend well beyond near-term recovery. First, Gwadar port emerged as a credible regional alternative to the Strait of Hormuz, with potential annual port revenues of US$50-80mn. Second, Pakistan's US$6-8trn mineral reserves, including the world's 7th largest copper reserves attracting direct US investment. Third, the Pakistan-Saudi Arabia Strategic Mutual Defense Agreement secures a US$10bn Saudi investment package and a tripling of bilateral trade targets to US$15bn.
- Pakistan's mediator role also unlocks direct bilateral trade expansion with Iran. Trade peaked at US$1.32bn in 2008-09 before sanctions. Pre-sanctions data shows Pakistan exported rice, meat, paper and paperboard, textiles, fruits, and surgical goods. A sanctions-free corridor would revive these flows, positioning Pakistan as Iran's consequential trading partner.

KSE-100 Index Level

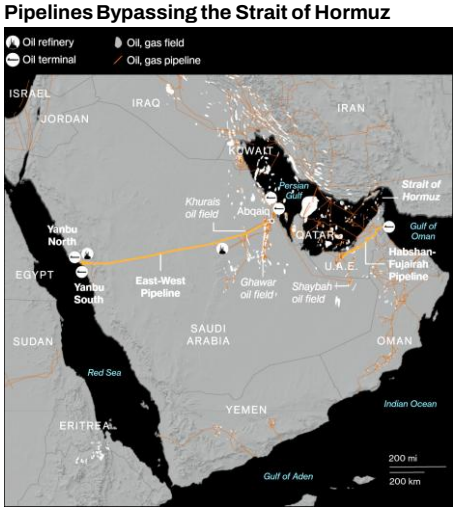


Source: PSX, KTrade Research

US-Iran Peace Deal's near-term benefit to Pakistan	Value (US$ bn)
Potential for trade with Iran	2
Pakistan Iran-Gas pipeline	2
Gwadar Port Transit trade corridor	1
Saudi defense deal.	15
Total Potential benefit	**20**

Source: KTrade Research

Pipelines Bypassing the Strait of Hormuz



Source: Bloomberg, KTrade Research

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TIM An Acuris company — Top 10 trade idea generators with best overall idea performance in North America #2 & Asia #1

Pakistan–Iran Trade: Potential

- Iran holds a significant position in regional trade, with total exports reaching ~US$75bn and total imports around US$60bn in 2024. Despite a surplus on paper, the economy operates under persistent international sanctions that constrain banking, shipping, and insurance, limiting formal trade to a narrow group of willing partners.
- Pakistan and Iran share deep historical, cultural, and religious bonds, reinforced by a common border and complementary regional positioning. Despite this natural proximity, bilateral trade between the two countries remains negligible relative to its potential. Trade peaked at US$1.32bn in 2008-09, before declining sharply due to international sanctions on Tehran. Encouragingly, elected governments in both countries are now committed to reviving and expanding commercial ties.
- Major commodities exported to Iran by Pakistan, back in 2014 included rice, meat, paper, paperboard, textiles, fruits (particularly mangoes and oranges), sesame seeds, chickpeas, beans and surgical goods. Rice enjoyed majority of export share of ~35%, followed by Meat 20% and Paper and Paper board 19%. The major commodities imported from Iran include organic chemicals, plastic, minerals, oil, iron and steel.
- In the joint US-Israeli military campaign against Iran, an estimated 42,000 to 45,000 civilian structures had been severely damaged or destroyed. The vast majority of these were residential homes, alongside hundreds of commercial facilities, educational buildings, and medical centers across the country. Pakistan cement sector can provide necessary raw material such as cement and other construction related machinery and materials.

Trade Enablers

- IP Gas Pipeline: The Iran-Pakistan gas pipeline would deliver up to 750mn cubic feet of natural gas per day, addressing Pakistan's chronic energy deficit and driving industrial growth.
- Border Markets: Pakistan has identified five cross-border trading centers — Taftan-Minjaveh, Ladgasht-Jalaq, Parome-Kuhak, Mand-Peshin, and Santsar-Nobandan — designed to formalise trade at concessional customs rates.

Potential Pakistan Exports to Iran	Potential Iran Exports to Pakistan
Rice and Meat	Organic Chemicals
Construction related material (Cement etc)	Plastic & Plastic Articles
Textiles & Fabric	Petroleum & Oil Products
Fruits (Mangoes, Oranges) Sesame Seeds & Chickpeas	Iron & Steel
Surgical & Medical Goods	Cheap Energy Supply

Source: KTrade Research

#	Top Exports of Iran	Value (US$ bn)
1	Plastics & plastic articles (incl. ethylene polymers)	2.30
2	Fruits & nuts (pistachios, dates, raisins)	1.30
3	Ores, slag & ash (incl. iron ore concentrates)	1.30
4	Mineral fuels & oils (crude, petroleum gas, coke)	1.20
5	Iron & steel (semi-finished, bars, rods)	1.10
6	Organic chemicals (acyclic alcohols, derivatives)	822
7	Aluminium (unwrought & alloys)	668
8	Copper (refined, unwrought alloys)	616

Source: UNCOMTRADE, KTrade Research

#	Top Imports of Iran	Value (US$ bn)
1	Machinery incl. computers (pumps, engines, valves)	3.90
2	Vehicles & transport equipment (parts & accessories)	2.80
3	Cereals (corn/maize, wheat, rice, soya beans)	2.10
4	Electrical machinery & equipment (electronics)	2.00
5	Oil seeds (soybeans, soybean meal, sunflower)	1.50
6	Optical, technical & medical apparatus	1.10
7	Pharmaceutical products	851
8	Plastics & plastic articles (raw materials)	701
9	Food industry waste & animal fodder	568
10	Other chemical goods & products	492

Source: UNCOMTRADE, KTrade Research

Iran-Pakistan (IP) Gas Pipeline — "The Peace Pipeline"

- The Iran-Pakistan Gas Pipeline, commonly known as the Peace Pipeline, is an under-construction project designed to deliver natural gas from Iran to Pakistan. Originally conceived as a trilateral venture between Iran-Pakistan-India (IPI) Pipeline, it was restructured into a bilateral project after India withdrew.
- The Iranian section spans ~1,100km from the South Pars gas field through the provinces of Kerman, Hormozghan, Fars, and Sistan-Balochistan, and was completed in 2013. Pakistan's section, running roughly 780km from the Iranian border to Nawab Shah — through Balochistan (665km) and Sindh (115km) — remains largely unbuilt, primarily due to U.S. sanctions on Iran that have deterred Islamabad from proceeding.

Section	Length	Status
Within Iran	1,100 km	Completed (2013)
Pak-Border → Gwadar (Phase 1)	80 km	In progress
Gwadar → Baluchistan interior	585 km	Not built
Baluchistan → Nawab Shah	115 km	Not built
Total	**1,880 km**	**~58% complete**

Source: KTrade Research

Benefit to Pakistan

- Pakistan currently imports ~863 – 914 MMcfd of LNG, sourced from Qatar. The Iran-Pakistan gas pipeline can supply ~750 MMcfd from Iran's South Pars field at an estimated US$6–8/MMBtu, roughly half the cost of current LNG contracts. At equivalent import volumes of ~863 MMcfd and a conservative midpoint of US$7/MMBtu versus US$13/MMBtu for LNG, Pakistan would pay ~US$2.2bn/year via the pipeline against ~US$4.1bn/year at current LNG rates (including regasification and terminal costs), yielding an estimated annual saving of ~US$2bn. For a country that has faced energy shortfalls, recurring circular debt, and industrial disruption tied to gas supply constraints, this cost differential is not merely a fiscal consideration, it is a structural economic opportunity.
- A potential US-Iran diplomatic agreement and the lifting of sanctions would be transformative for the project. As a direct neighbor, Iran holds some of the world's largest natural gas reserves, and pipeline gas from the South Pars field would be substantially more affordable than LNG. Beyond cost, a functioning Peace Pipeline would reduce Pakistan's exposure to global LNG price volatility, diversify its import base away from single-corridor dependence on Qatar, and strengthen bilateral energy ties with Iran providing Islamabad with a degree of energy sovereignty it has long sought but struggled to secure.

	Current LNG imports	Iran–Pakistan pipeline
Volume MMcfd	~900	~750
Gas price US$/Mmbtu	~13	~6–8 (estimated)
Annual import cost US$ bn	~3.6 – 4.1	1.5 – 2.2
Infrastructure cost US$ bn	~3	1.5B
Est. saving USbn per year	1.5 –2.0 (conservative estimate)	

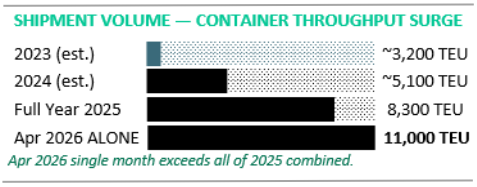
Source: KTrade Research

Gwadar as the Nerve Center of Regional Trade Realignment

- The US-Iran conflict has exposed the fragility of a global trading system over-reliant on a single maritime chokepoint and Gwadar can potentially emerge as the most credible alternative in the region. Unlike partial bypass options of UAE's Fujairah pipeline or Saudi Arabia's Yanbu link, Gwadar post offers a complete overland corridor connecting the Arabian Sea to Central Asia and western China.
- Gulf states, whose energy exports depend on a functional western corridor, have already responded. Saudi Arabia transferred US$2bn to Pakistan in Apr'26 with a further US$3bn pledged, a direct financial acknowledgment that Gwadar's operational capacity serves Gulf interests.

Strategic Opportunity - Gwadar sits at the mouth of the Persian Gulf

Source: asiatimes.com — "Gwadar's Moment Has Finally Arrived" and Ktrade Research



Source: KTrade Research

What Gwadar Can Mean for Pakistan

- The economic upside for Gwadar port is immense. A sustained container volumes at Apr'26 levels could generate an estimated US$50–80mn annually in port handling fees alone, supplemented by transit dues, transshipment charges, and Special Economic Zone revenues as Gwadar shifts from a transit node to a production hub.
- Over the longer term, the Reko Diq copper-gold project is one of the world's largest undeveloped deposits with Gwadar as its natural export gateway.
- Additionally, the federal government has already committed a record PkR206bn (~US$739mn) to Balochistan under the Public development programme. The deeper strategic gain, however, lies in Pakistan's transformation from a passive transit state into a logistics sovereign one capable of converting regional instability into durable commercial influence.
- If Pakistan can now match its geographic advantage with competitive port charges, efficient customs clearance, and reliable security guarantees, the ships arriving today under crisis conditions could form the permanent foundation of a new trade route anchored at Gwadar port.

The Pakistan–Saudi Arabia Defense deal

- The Pakistan–Saudi Arabia Strategic Mutual Defense Agreement (SMDA), formally signed on September 17th, 2025 at the Al Yamamah Palace in Riyadh by Pakistani Prime Minister Shehbaz Sharif and Saudi Crown Prince Mohammed bin Salman, marks a monumental transition from an era of informal security understandings to a binding, institutionalized military alliance.
- Prompted heavily by evolving geopolitical instabilities in the Middle East, the treaty reflects Riyadh's strategic effort to hedge its security dependencies away from exclusive reliance on Western guarantees.

Aspect	Detail
Saudi investment package	**US$10bn** across infrastructure, energy, mining, and defense sectors
Bilateral trade target	Increase from **US$5bn** to **US$15bn** annually (tripling trade)
Pakistan's commitment	Deploy **25,000 troops** (4 army brigades, 2 air force squadrons, 2 naval fleets)
Previous Saudi support	US$3bn loan renewed December 2024; historically US$1.5bn (2014) and US$4.2bn (2018) bailout packages

Source: KTrade Research

Core Pillars of the Agreement

- The agreement operates as a collaborative framework balancing Pakistani military projection with Saudi economic capital:
  - The Mutual Defense: Inspired directly by the architecture of NATO's charter, the treaty features a rigorous collective defense mechanism.
  - Comprehensive Military Deployment: To operationalize this deterrence, Pakistan has committed to deploying a formidable contingent of 25,000 troops to Saudi soil, structurally divided into four army brigades, two air force squadrons, and two naval fleets.
  - Economic-Defense Synthesis: While the core defense text omits an explicit baseline price tag, it is structurally anchored by a massive US$10bn Saudi investment package. This financial pipeline targets Pakistan's critical infrastructure, energy, mining, and domestic defense production lines. Furthermore, the deal mandates tripling the bilateral trade target from US$5bn to US$15bn annually.

CPEC's Infrastructure Base as a Multiplier for Iran, Central Asia, Russia, and Europe

- CPEC's planned investment has grown from US$46bn at its 2015 launch to US$62bn through FY2030. The CPEC projects worth US$24.7bn were completed, with energy dominating at US$33.8bn (54% of total) and US$9.8bn in transport infrastructure already built. The CPEC corridor aims to not only benefit China and Pakistan but will have positive impact on the overall the region. Pakistan's transit routes connecting Gwadar, Karachi, and Port Qasim to the Iranian border crossings at Gabd and Taftan can give Iran immediate access to CPEC's road and rail infrastructure. Goods moving overland from Iran to Gwadar can potentially connect directly to Chinese markets via the CPEC network. Iran has expressed readiness to formally join CPEC. This would create a southeastern transport corridor diversifying China's routes to West Asia and Europe.
- The longer-term upside runs all the way to Russia and Northern Europe. Gwadar port and CPEC infrastructure can become geographic fulcrum linking CPEC to the International North-South Transport Corridor (INSTC). Compared to the Suez Canal route, the INSTC reduces transit times and freight costs significantly. Pakistan's total trade with Central Asia today stands at only US$429mn. The US$62bn already committed to CPEC is not just an energy corridor. It is the physical foundation of a trade network that, extended through Iran northward, gives Pakistan a direct commercial stake in the Eurasian supply chain from the Arabian Sea to St. Petersburg.

Pakistan Seeks INSTC-Gwadar Link

Source: Kazan Forum 2026 (Frontier Files), KTrade Research

Sector	Number of Projects	Estimated Cost (US$ bn)
Energy	21	US$33.8bn
Transport Infrastructure (roads, rail, aviation)	**4**	**US$9.784bn**
Gwadar (port, city, free zone, socio-economic)	**8**	**US$792.62mn**
Industrial Cooperation & SEZs	9 SEZs	~US$1.5bn (planned)
Socio-economic projects	6 completed + 2 planned	~US$1bn total

Source: CPIC, , KTrade Research

Pakistan–EU Strategic Dialogue

Against the backdrop of the ongoing US-Iran peace negotiations, the 8th Pakistan-EU Strategic Dialogue takes on added significance for Pakistan's economic and diplomatic positioning. Pakistan's central facilitation role in brokering a ceasefire between the US and Iran has markedly elevated its standing as a credible regional mediator, a role that the EU explicitly acknowledged during the session.

- Diplomatic Leverage & Trade: Pakistan now finds itself in a uniquely advantageous position to deepen its trade and economic relationship with the EU. The EU's recognition of Pakistan's constructive mediation role provides Islamabad with meaningful diplomatic capital that can be translated into tangible trade concessions, particularly under the GSP+ framework, and accelerated progress on bilateral investment discussions.
- Investment Momentum: Building on the first EU–Pakistan Business Forum (April 2026), the improved geopolitical optics around Pakistan, are likely to enhance investor confidence and provide fresh impetus for European capital flows into Pakistan.
- Migration & Talent Partnerships: The improved bilateral atmosphere creates a conducive environment to advance legal migration pathways and talent partnerships, offering Pakistan's labor force greater access to European markets.
- Next Steps: The 9th session is scheduled for Brussels in 2027, by which point the full economic dividends of Pakistan's elevated diplomatic stature may be more concretely reflected in the bilateral agenda.

Pakistan's role in facilitating the US-Iran ceasefire process has opened a strategic window to accelerate EU engagement. Islamabad would do well to leverage this diplomatic goodwill into durable trade, investment, and mobility gains before the geopolitical moment passes.

Trade Stats with EU

US$9.82bn
EU imports from Pakistan (2025)

US$8.8bn
Pakistan exports to EU (FY25)

US$6.86bn
Exports Jul–Mar FY2025-26

87.9%
GSP+ preference utilization rate

Source: Pakistan Business Council, KTrade Research

The Peace Dividend

If a phased Iran-US settlement is signed and Hormuz reopens to commercial traffic, Pakistan can be one of the largest relative beneficiaries among emerging markets.

- The potential benefits also reopens real-economy and external channels. The GCC absorbs roughly 10% of Pakistan's US$40.7bn export base, led by the UAE (US$1.76bn) and Saudi Arabia (US$700mn), with textiles, food, IT services and pharmaceuticals offering the highest leverage. Resumption of paused Saudi Vision 2030 mega-projects could restore Pakistani labor intake workers annually, reinforcing remittances.
- On inflation, a Brent reversion from ~US$100 per barrel to ~US$80 per barrel would normalize headline inflation, returning it to the 5–7% target band by Q4 2026 and enabling rate cuts cycle.
- Finally, a US$80 per barrel oil reversion should improve the current account potentially flipping it to surplus. The KSE-100 retains clear re-rating headroom.

Key Takeaways

- Pakistan can become the Iran-US deal's biggest emerging market beneficiary, with recovery channels worth billions in reserves, exports, and inflation relief.
- The Strait of Hormuz is a permanent risk, bypass pipelines cannot meet global demand, making Gwadar's alternative corridor strategically.
- Gwadar's surge in shipment traffic, signals a structural shift in regional trade routing.
- The Saudi SMDA and US minerals deal anchor Pakistan's geopolitical re-rating.
- Considering the overall upside from US-Iran peace deal, it can turn out to a US$20bn opportunity for Pakistan in the near term.

1. Country Risk Re-rating
CDS compression on MoU peace deal. Can improve the country risk and intern credit rating

2. FX Reserves Rebuild
Target by end-CY26 vs SBP's US$18bn June target. Saudi US$5bn oil facility + UAE US$3bn deposit roll-over.

3. GCC Export & Labour
GCC absorbs ~10% of Pakistan's US$40.7bn export base; Could restore Saudi worker demand, reinforcing remittances.

4. Inflation Normalisation
Crude oil price reversion can normalize CPI within 2-3 months, potentially re-enters 5-7% target band by Q4-26, enabling central bank to revert back to rate cut scenario

Source: KTrade Research

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•Neutral: 12.5% to 18.5% potential upside

•Underperform <12.5% potential upside