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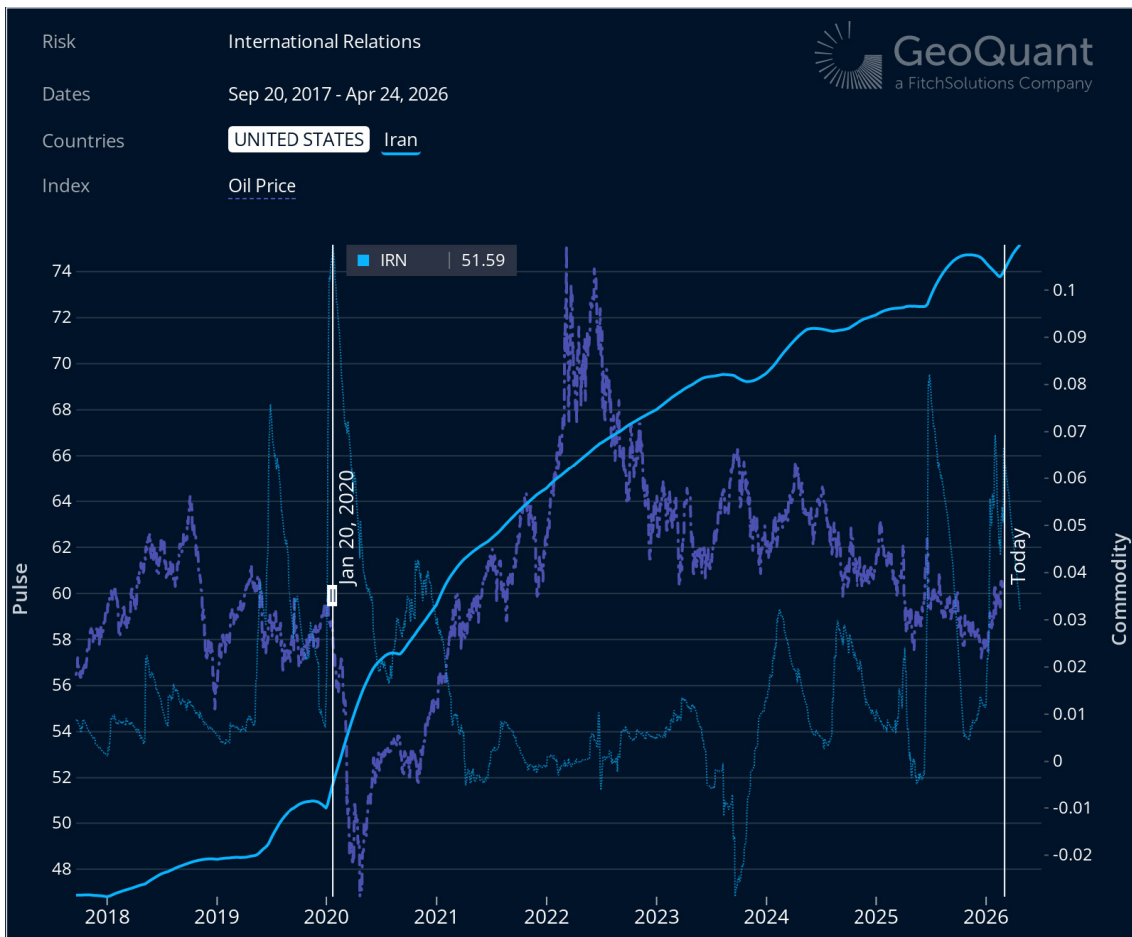
U.S./Israel Attacks Further Erode but Are Unlikely to End Regime

Spotlight Iran

Key Points:

- The Iranian regime is more than any individual and likely survives if the war remains confined to the air, even though the attacks removed key regime elites including Supreme Leader Ayatollah Ali Khamenei.
- Bilateral U.S.-Iran IR Risk hit new highs, but its pulse remains inline with past spikes, suggesting that the Trump administration's talk of off-ramps reveals a desire for a limited battle, mitigating against widespread concerns of a prolonged spike in the price of oil.
- While unlikely to be deployed, a large commitment of U.S. troops and materiel could greatly increase the likelihood of regime change beyond air and naval commitments alone. In this eventuality, it is unclear what the next government of Iran would look like.
- At home, with U.S. Mass Support Risk at all-time highs, Trump needs a quick win/resolution to achieve a positive outcome with voters, especially as the attack divides his base.

Joint U.S. and Israeli **strikes on Iran** have pushed bilateral U.S.-Iran International Relations (IR) Risk up sharply though the associated spike in Pulse risk is still well below the post-Soleimani assassination experience in January 2020. That event was a surprise shock after which Risk fell steadily, but the current conflict looks likely to persist. These trends suggest that President Donald Trump's talk of conflict off-ramps is probably a reasonable foreshadowing of the administration's expected path, suggesting the campaign is more likely to last days than weeks, though Risk will likely remain elevated indefinitely as Iran's regime reconsolidates **following the death** of Supreme Leader Ayatollah Ali Khamenei.



Note that the price of oil (purple dotted line in figure above) often rises along with spikes in bilateral U.S.-Iran IR Risk. But the jumps are limited in magnitude and given the structurally bearish energy market, our data suggests that concerns that oil will spike above USD 100 per barrel are low, despite much commentary indicating otherwise.

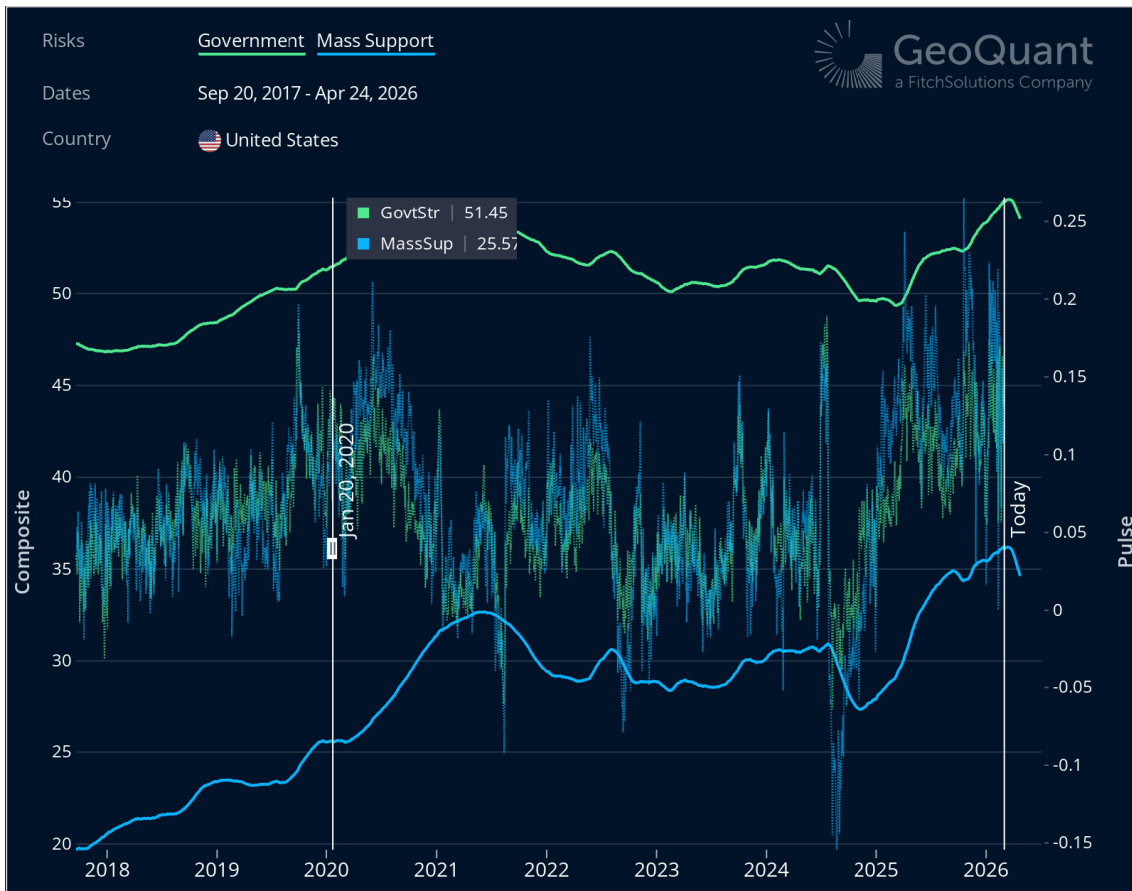
Moreover, after positioning himself as the “anti-forever war” candidate, Trump is getting enough pushback on this action from his MAGA voter base that he is more likely to claim wins than take further risks. Without putting boots on the ground (boots the U.S. doesn’t have in the theater), Trump’s objectives are probably limited.

Despite talk of Iranian regime change, Trump will likely want to be able to claim:

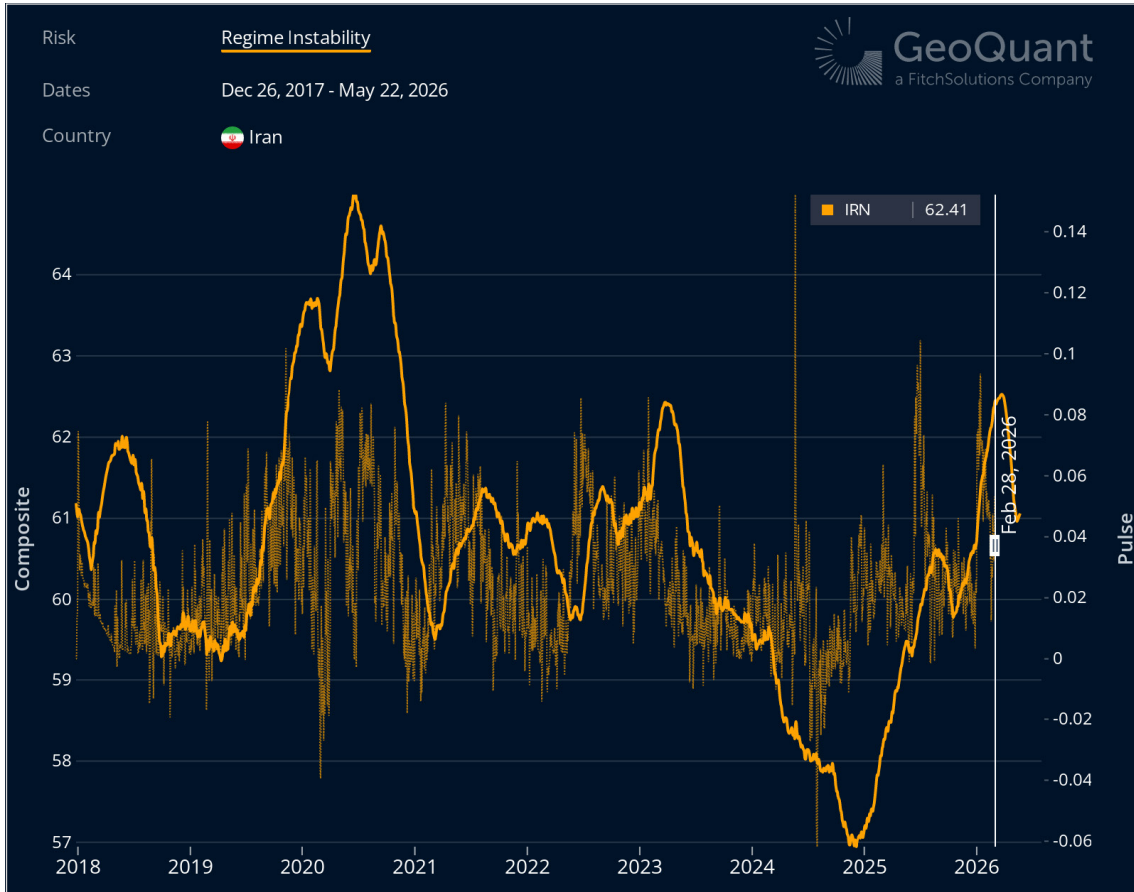
- That the attacks have further degraded the Iranian regime’s military and specifically nuclear capabilities (because the talk of “obliterating” Iran’s nuclear program after the 12-day air battle in June 2025 was always hyperbole).
- That the strikes were necessary to achieve an improved nuclear deal with Iran relative to where the talks are now or perhaps even relative to the Obama-era deal.

As in Venezuela, the Trump administration is probably not positioning for Iranian regime change and, even if it might favor that outcome, regime change remains unlikely. However, what the attacks could achieve, and likely the Trump administration hopes to, is a more accommodative regime that is willing to accept a renewed nuclear deal. Iran has already kicked off the process of **selecting a new Supreme Leader**, which will provide an opportunity for re-opening negotiations.

Back home, Government Risk for the Trump administration is rising toward its all-time high – which came just after the 6 January 2021 attack on Capitol Hill – driven by Mass Support Risk which is now well above its prior peak in GeoQuant data. Given Trump’s weakening popular support, he needs a quick victory, or at least enough ambiguity around the conflict’s resolution to be able to claim one. As a result, we do not expect the current episode in this long-running conflict to last long. In fact, the attack may already be adequate to satisfy this threshold as it has taken out Supreme Leader Khamenei and many other top regime officials plus missile sites.



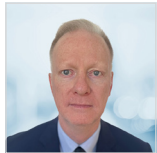
These constraints on Trump also suggest that the Iranian regime likely survives, even though the joint U.S. and Israeli strikes appear to have killed several dozen regime elites. Regime Risks – pulse and composite – are still significantly elevated, and there remains some possibility that the Islamic Republic falls. But Regime Risk remains well below levels near the November 2019 protests that persisted intermittently and lasted until July 2020.



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About GeoQuant

GeoQuant is an innovative AI-driven data and technology company, acquired by Fitch and now part of BMI, that is transforming the way the world's leading organizations are quantifying, integrating, and navigating political risk.

By fusing PhD-level political and computer science, GeoQuant generates high-frequency, quantitative measures of risk that are systematic, back-testable, and predictive.

The result is real-time updates for over 40 political risk indicators in more than 140 countries, and analytics that enable you to foresee risk trends and make proactive moves.

GeoQuant data, modelling and advisory services have been used to successfully inform the asset, risk and sovereign ESG strategies of leading institutional partners.

About BMI

In an uncertain macroeconomic environment, BMI's systematic, independent and data-driven market insights, analysis and forecasts enable you to recognize and assess risks and opportunities across 200+ markets and 20+ industries. For more than 40 years, we have provided impartial and transparent analytics, data and research

across themes, countries and sectors, with deep insight into emerging markets. Our detailed intelligence is frequent, consistent and systematic, enabling you to easily make comparisons and interrogate data to support your strategic plans and investment decisions.

Learn more at fitchsolutions.com/bmi/geoquant

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