

# US, Iran agree to talk in Islamabad even as Strait of Hormuz stays blocked for now

**KATE SULLIVAN, PATRICK SYKES  
& DAN STRUMPF**

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The United States (US) and Iran said they are prepared to hold talks to end the war in West Asia during a proposed two-week pause in hostilities, even as Israeli strikes on Lebanon threatened to derail the fragile truce.

Further adding to uncertainty, sporadic fighting continued throughout the region and the Strait of Hormuz remained largely blocked.

US President Donald Trump has said that reopening the Strait was a condition for halting the fighting.

Trump announced the ceasefire on Tuesday night was



People celebrate ceasefire in Tehran

PHOTO: REUTERS

a retreat from threats to unleash massive devastation on Iran, easing fears of a protracted global energy crisis. Mediator Pakistan has floated negotiations later this week in

Islamabad, and Trump said they could start very soon, according to the New York Post.

Yet there were already signs that the agreement was buckling. Iran said it would with-

draw from the deal if Israel kept up attacks in Lebanon, according to the semi-official Tasnim news agency. Passage of oil tankers through the strait was halted after Israel's attacks, the semi-official Fars news agency reported.

Trump on Wednesday said that Lebanon was not included in the ceasefire deal "because of Hezbollah".

"They were not included in the deal. That'll get taken care of, too. It's all right," he said in a brief telephone interview with *PBS News Hour*.

When asked about Israel continuing its strikes in Lebanon, he said, "It's part of the deal — everyone knows that. That's a separate skirmish."

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# Markets soar on shaky Iran-US ceasefire

FPI outflows were below their average of about ₹7,000 crore per session since the conflict began. DII inflows have averaged nearly ₹7,500 crore over the same period.

The India Vix, the volatility gauge, declined 20 per cent to 19.7. Broader markets also strengthened, with the Nifty Midcap 100 and Nifty Smallcap 100 rising more than 4 per cent each. All sectoral indices ended higher, led by auto and realty, which gained more than 6 per cent each.

Wednesday's rebound followed an 8 per cent correction since the start of the conflict.

Analysts said the durability of the rally would depend on developments in energy markets and supply chains. "If oil prices continue to fall and logistics normalise, markets can begin to unwind stagflation risks," said Stephen Dover of the Franklin Templeton Institute. He cautioned, however, that damage to Gulf energy infrastructure could delay a full recovery in supply.

"Supply normalisation will not be immediate. Oil, natural

gas and fertiliser prices are unlikely to revert quickly to pre-war levels. The key variable is not the ceasefire headline, but whether shipping flows, insurance costs and actual energy transit normalise. Confidence in safe passage remains uncertain," he added.

Market participants warned that the volatility could persist. "The volatility will continue for some time. Elevated oil prices are already having a cascading impact on inflation, interest rates and corporate earnings. Earnings growth expectations for FY27 may moderate from 14-15 per cent to 10-12 per cent. If oil averages around \$100 this financial year, growth could slip to single digits," said Dhiraj Relli, managing director and chief executive of HDFC Securities. Market breadth remained strong, with 3,832 stocks advancing and 575 declining. All but three Sensex constituents ended higher. HDFC Bank, up 5.7 per cent, was the largest contributor to gains, followed by ICICI Bank, which rose 5.1 per cent.

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Trump had made a series of dubious claims about the terms of the agreement in a social media post on Wednesday morning. He said the Islamic Republic has gone through a "regime change," even though there have been no signs this

week that new leadership had taken hold.

He also indicated the US would use its own 15-point plan as the basis of negotiations with Tehran, after saying on Tuesday that the sides would begin discussions off of Iran's 10-

point proposal. Nonetheless, he said the US was prepared to discuss with Iran much-desired sanctions relief.

The shift to diplomacy came as countries including Kuwait, Bahrain and the United Arab Emirates (UAE), as well as Israel, reported ongoing missile attacks into Wednesday, sewing confusion about when and how the ceasefire would be enforced. Saudi Arabia's oil pipeline to the Red Sea was hit by a drone strike, according to a person familiar with the matter.

Further uncertainty surrounded whether the ceasefire includes Israel's campaign in Lebanon, where the country is waging a parallel war against the Iran-aligned Hezbollah militia. Pakistani Prime Minister Shehbaz Sharif, a key mediator, said the truce included Lebanon, but Israeli Prime Minister Benjamin Netanyahu disagreed. The Israeli military on Wednesday said it had carried out its largest operation against Hezbollah since the start of the Iran war, targeting more than 100 of the militia's command centers and military sites within 10 minutes. Oil and gas prices plummeted on news of the ceasefire, which paves the way for a potential resumption of energy supplies via the Strait of Hormuz — through which about fifth of oil and liquefied natural gas supplies flows.

Iran Foreign Minister Abbas Araghchi pledged to reopen the critical chokepoint as part of the ceasefire agreement, albeit in coordination with Tehran's military. Hormuz appeared to remain largely blocked in the early hours of the agreement on Wednesday, as shipowners

struggled to understand if they can safely transit the vital waterway. Brent crude fell as much as 17 per cent to \$92 a barrel, while European natural gas futures posted their biggest decline in more than two years, shedding as much as 20 per cent. Trump's ceasefire announcement represented a dramatic climb-down from a warning earlier on Tuesday that "a whole civilisation will die tonight, never to be brought back again" if Iran didn't give in. His threatened attacks on Iran's civilian infrastructure, including power plants, may have been considered war crimes if they were carried out. More than 5,300 people have died in the near six-week war.

In a posting on Truth Social, Trump said "there will be no enrichment of uranium" — a reference to longstanding efforts by Washington and Israel to curb Iran's nuclear program. He also announced plans to impose 50 per cent tariffs on US imports from any country that sold weapons to Iran. It's unclear how he would follow through on that threat, since the US Supreme Court curbed his authority to impose certain levies unilaterally.

Kuwait's army on Wednesday said it's still dealing with "intense" attacks. The US expected orders to stand down from strikes would take time to reach Iran's Islamic Revolutionary Guard Corps, Axios reported. Such lags are typical in conflicts, with hostilities often continuing before gradually tapering off.

Explosions occurred at Iran's Lavan Refinery after the start of the truce, the semi-official Mehr reported, without saying where it got the

information. US Vice President JD Vance said at an event in Budapest that Trump has achieved Washington's military objectives in Iran, having set out to "decimate" Iran's ability to wage conventional war, while describing the truce as "fragile." Both the US and Iran are portraying the ceasefire as a "victory," but significant differences remain between their demands to bring the war to a complete end, according to Mona Yacoubian, a senior adviser with the Middle East Program at the Center for Strategic and International Studies.

"Iran says it will allow free passage for the next two weeks through the Strait of Hormuz, but in coordination with Iran's armed forces. If the US agrees to that, that is a huge concession to Iran," she said. Although Trump claimed to have stopped Iran's nuclear program, there's been no mention of its missile or drone programs or support for proxy groups.

Pakistani PM Sharif invited all sides to Islamabad to continue negotiations. Iranian President Masoud Pezeshkian confirmed the Islamic Republic would participate, according to a statement by the Pakistan prime minister's office. Vance, US Envoy Steve Witkoff and Jared Kushner are expected to attend potential in-person talks

between US and Iranian officials in the coming days, CNN reported, citing US officials.

The complete terms of a possible pact weren't disclosed. Trump only said the US had received a 10-point proposal from Iran, describing it as "a workable basis on which to negotiate." Iran's demands include its continued control of the Strait of Hormuz, acceptance of its nuclear-enrichment activities, the lifting of all primary and secondary sanctions, and a withdrawal of US combat forces from the region, according to a statement by its Supreme National Security Council carried by state media.

The two-week ceasefire can be extended by mutual agreement, though Iran will enter talks with "complete distrust," its state media said. The focus will be on Hormuz and if ships can pass safely through the vital waterway. While some vessels have made it through the strait in recent weeks, they've not been from countries Iran views as hostile or having at least tacitly supported the US and Israeli strikes. Over 800 freighters are stuck inside the Gulf, mostly waiting to leave, and shipowners and insurer groups have warned that more details will be needed to determine if safe transit is possible.

BLOOMBERG

## MNRE, FinMin in talks to launch PLI for polysilicon

Globally, the polysilicon industry is highly concentrated, with Chinese firms accounting for over 93 per cent of production. The sector acts as the primary feedstock sup-

plier not only for solar photovoltaic but also for the semiconductor industry. "We think ALMM may not work for polysilicon because the stakeholders are different. So, we