

## Commodity Compass

### Supply Shock Builds

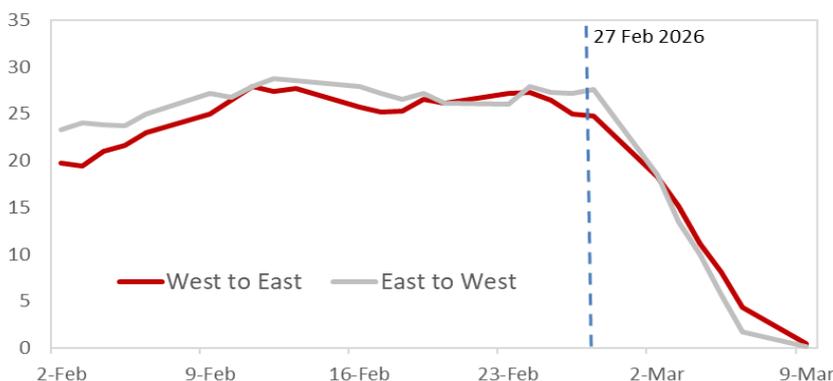
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- Strait of Hormuz tanker flows have grounded to a halt as security risks surge, driving Brent above USD100/bbl and sending global energy markets scrambling for alternatives.
- Regional supply shut-ins are spreading, with Kuwait, UAE and Iraq curbing output as storage fills and tanker liftings stall.
- Our base case of oil sliding below USD70/bbl by mid-year is being undermined by tail risks reminiscent of the 2022 Russia-Ukraine energy shock, with acute scenarios driving Brent toward USD140/bbl and keeping it elevated through mid-year.
- The energy shock could spark a renewed push for bigger strategic stockpiles, lifting the long-term price floor above our current base case assumptions.

Maritime traffic through the Strait of Hormuz has largely ground to a halt since the US-Israel strike on Iran over a week ago. Insurers have stepped back, security risks have slashed tanker movements, and freight rates are surging. The effective shutdown of the world’s most critical oil chokepoint remains the dominant market risk.

#### Strait of Hormuz tanker flows have grounded to a halt as security risks surge

Daily (7-day average) tanker traffic through the Strait of Hormuz



Source: Bloomberg, OCBC Group Research

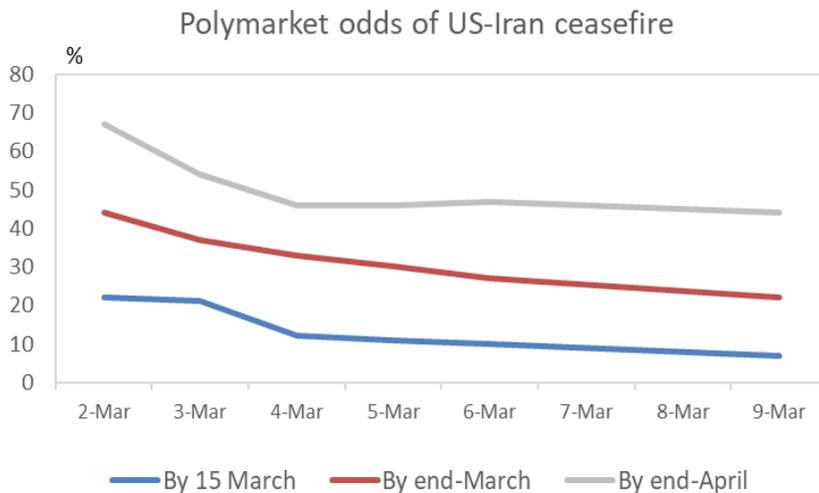
Iranian strikes have now hit energy infrastructure across the Gulf. Kuwait and the UAE have begun shutting in production – following similar moves in Iraq – as storage fills up with tanker liftings stalled. Energy disruptions are escalating faster than expected. Brent has broken above USD100/bbl, while European gas (TTF) has pushed past

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EUR50/MWh. Brent now sits nearly 70% above its 2025 average (USD68/bbl), and TTF is almost 50% above last year's EUR36/MWh. President Trump's announcement of US naval escorts and transit insurance support has yet to restore meaningful export flows.

Our base case still assumes Brent slips below USD70/bbl by mid-year (see *Commodity Compass: Oil Risks Resurface, 27 February 2026*). Washington is unlikely to tolerate an extended conflict that keeps energy prices elevated in a mid-term election year. This view relies on potential buffers: possible OPEC+ supply increases, pipeline diversion through Saudi Arabia and the UAE, China's large crude stockpiles, material volumes in floating storage, and a willingness to release strategic reserves. But OPEC's 4–5mbd of spare capacity may offer only limited relief if most of it remains inaccessible due to reliance on Hormuz.

### Polymarket odds of US-Iran ceasefire



Source: Bloomberg, OCBC Group Research

Prediction markets currently assign an 7% probability of a US-Iran ceasefire within a week, 23% by month-end, and 44% by end-April.

Tail risks from a sustained Hormuz stoppage remain in play, shifting the potential energy shock closer in scale to the 2022 Russia-Ukraine episode. In a moderately severe scenario – partial flows resuming under military escort – Brent could stay near USD100/bbl through mid-year before cooling toward a well-supplied 2026 equilibrium. In an acute scenario with a prolonged halt, Brent could spike toward USD140/bbl and remain elevated through mid-year. Longer-lasting consequences could include renewed appetite for energy-security buffers via larger strategic stockpiles, which may lift the long-term price floor above our current base-case assumptions.

**Our base case of oil sliding below USD70/bbl is being undermined by tail risks reminiscent of the 2022 Russia-Ukraine energy shock**

### Brent Crude Oil



Source: Bloomberg, OCBC Group Research



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