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Commodity Compass

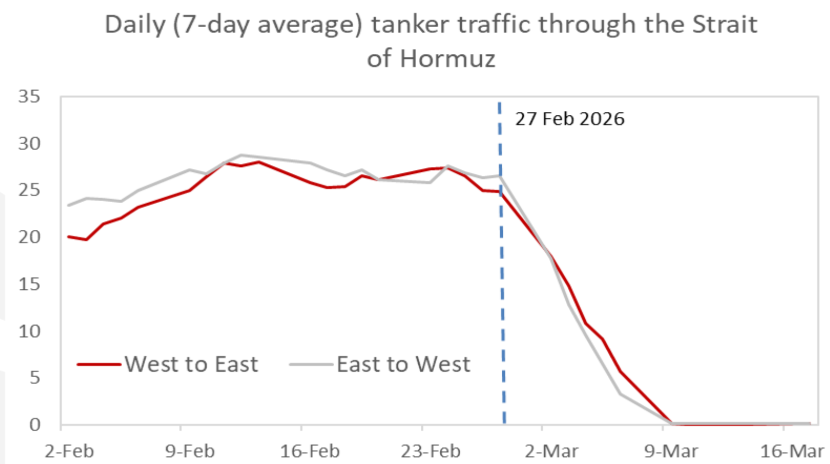
Oil Tensions Intensify

Sim Moh Siong
Commodity Strategist

- *No clear path to de-escalation as the US–Iran conflict enters week three; limited vessel movement keeps the Strait of Hormuz effectively shut and oil flows at a near standstill.*
- *We revise Brent forecast higher, with prices staying elevated at around USD100/bbl through mid-year before easing towards USD70/bbl by early 2027.*
- *Persistent shipping paralysis is forcing Gulf output shut-ins, raising the risk that short-lived disruptions turn into durable supply losses.*
- *Mitigating measures still leave a sizable gap, with up to 10mb/d of offsets unable to fully counter a prolonged Strait shutdown.*

The US–Iran conflict has entered its third week with no credible path to de-escalation. Brent eased slightly but remains above USD100/bbl on hopes of partial traffic resumption through the Strait of Hormuz and signals from the International Energy Agency (IEA) that further reserve releases are possible. A handful of vessels have reportedly transited the strait after Iranian verification, and the US has allowed Iranian shipments to move. Nonetheless, overall flows remain severely constrained, and no US partners have committed to President Trump's call for joint military action to reopen the channel.

Strait of Hormuz tanker traffic have slowed to a trickle as security risks surge



Source: Bloomberg, OCBC Group Research

Oil markets have now moved closer to our moderately severe energy shock scenario (*Commodity Compass: Supply Shock Builds*, 9 March 2026). The Brent forward curve implies prices above USD100/bbl through mid-year before sliding toward USD82/bbl by year-end, a steep repricing from USD69/bbl pre-conflict. We lift our Brent forecast, primarily to account for the risk of prolonged shipping disruptions through the Strait of Hormuz, rather than out of strong conviction that this scenario will materialise amid exceptional uncertainty. We now expect Brent to hold around USD100/bbl through mid-year before easing toward USD70/bbl by 1Q27.

Crude Oil Forecasts

	Current (17 Mar 2026)	1Q26	2Q26	3Q26	4Q26	1Q27
ICE Brent USD/bbl (new)	103.6	100.0	100.0	85.0	70.0	70.0
ICE Brent USD/bbl (previous)		70.0	67.0	65.0	63.0	63.0
NYMEX WTI USD/bbl (new)	97.2	94.0	94.0	81.0	66.0	66.0
NYMEX WTI USD/bbl (previous)		66.0	64.0	62.0	60.0	60.0

	Current (17 Mar 2026)	3M	6M	12M
ICE Brent USD/bbl (new)	103.6	100.0	90.0	70.0
NYMEX WTI USD/bbl (new)	97.2	94.0	85.5	66.0

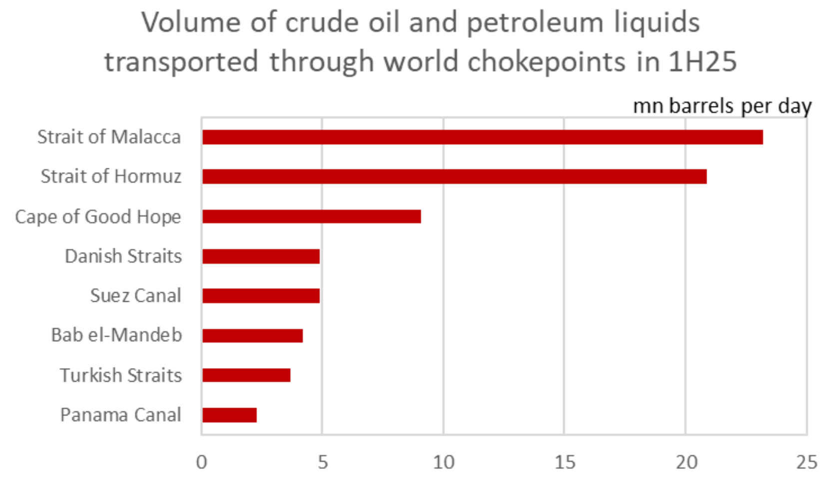
Source: OCBC Group Research

Note: The 3-, 6-, and 12-month forecasts may vary slightly over time even when the underlying commodity outlook remains unchanged. This is because we use a single set of core commodity forecasts anchored on quarter-end levels. From these quarter-end projections, we derive the 3-, 6-, and 12-month forecasts using straightforward methodologies, including interpolation. This approach ensures internal consistency across all forecast horizons.

With shipping disruptions ongoing and storage reaching capacity, Gulf producers are increasingly forced to shut in production. Restarting shut-in wells is neither immediate nor assured, raising the risk that temporary maritime disruptions evolve into longer-lasting supply losses. This creates a non-linear supply dynamic: small early disruptions can snowball into far larger upstream declines over time.

The Strait of Hormuz is the world's most significant oil chokepoint after Strait of Malacca, with approximately 20mn barrels of crude oil and products passing through daily, representing roughly 20% of global daily consumption as of 2024. Its disruption poses a higher risk than others, like the Suez Canal or Bab el-Mandeb, due to limited alternate routes.

The Strait of Hormuz is a critical oil chokepoint, second only to the Strait of Malacca in global maritime oil traffic



Source: US Energy Information Administration, OCBC Group Research

There are several potential offsets to a disruption in the Strait of Hormuz – such as bypass capacity from Saudi Arabia and the UAE, IEA reserve releases, ongoing Iranian exports, and limited sanctions relief for Russian oil. These measures provide some cushion, but they fall well short of replacing a major outage.

How much of a Hormuz shock can be offset?

Mitigation Lever	Capacity (mb/d)
Loss from the Strait of Hormuz disruption	-20
Saudi Arabia and UAE pipelines to avoid the Strait	5.5
Iran Exports	1.5
IEA inventory release	3.3
Remaining shortfall	-9.7

Source: International Energy Agency, OCBC Group Research

The IEA estimates 3.5–5.5 mb/d of available bypass capacity, mainly through Saudi Arabia's East–West pipeline to Yanbu, with a smaller amount from the UAE's Abu Dhabi Crude Oil Pipeline to Fujairah. Iranian exports of around 1.5 mb/d also likely continue, as the US has allowed these shipments through the Strait and avoided damaging oil infrastructure during recent strikes on Kharg Island. IEA members could release 400 million barrels of inventories over 3–6 months, equivalent to roughly 3.3 mb/d if spread over four months. Sanctions relief for Russian oil may help smooth existing flows but is unlikely to create significant new supply.

Altogether, these offsets could total up to 10.3 mb/d. Even so, a prolonged, near-total closure of the Strait of Hormuz would still leave the oil market with a daily shortfall of about 10 million barrels.

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