



Rabobank

Oil vey Hormuz mir!

Global Daily

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Markets
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Market comments

Oil swung (far less than Monday) yesterday on a tweet from the US Energy Secretary saying the US Navy had escorted an oil tanker through Hormuz: that was deleted, and the Navy then stated it can't do that because of the risks involved – vessels there are still sitting ducks.

Iran continued to attack the Gulf states' energy infrastructure and claimed "not a single litre" of oil will exit until the US and Israel retreat. It's reportedly activating minelayers and speedboats in the Strait, as the US claimed it's destroyed 16 of the former. However, that critical waterway is still absent US, GCC, or European minesweepers or corvettes, without which getting oil out is unlikely absent a peace deal or a US/Israel defeat. In short, there may have to be force escalation to deescalate, and it's now a dual attrition race of Iranian missiles/drones vs others' interceptors and minelayers/speedboats vs. whatever the US, Israel, and others can offer.

Indeed, despite 'peace now' market oil pricing, yesterday saw the heaviest US attacks so far. The Israeli defence press speak of the US stepping things up for the next 1-2 weeks, already an additional week to what analysts had hoped for after the Trump statement on Monday. Other press add that some in the Israeli government think it could take up to *a year* for the Iranian regime to finally fall – that's a military timetable which is impossible for the US and Israel to stick to both politically and logistically. Their rush now is therefore to smash every element of regime power and defence and nuclear industries such that an anti-regime domestic political dynamic can emerge, with some 'help', and to ensure that Iran offers no regional threat in the meantime. *However, that necessarily distracts focus away from a military focus on Hormuz.*

The media also aren't optimistic about the war ending "very soon," as promised. The FT op-ed today is that 'There is no easy exit to Trump's war'; the Telegraph warns of 'How Iran's 'horizontal warfare' could trap Trump in another Vietnam'; and even the Jerusalem Post notes that 'Israel targets Hezbollah, Iran, but technical failures slow progress in ongoing conflict.' There are also unsubstantiated but notable whispers of missing Iranian enriched uranium, and the risks of a 'dirty bomb', and of Tehran's attempts to purchase a nuclear weapon from North Korea. (Which would arrive how, exactly? Via Hormuz?!)

The Arab press reports Qatar wants to bolster its security partnership with the US after Iran's strikes, and the GCC may bring a complaint about Iran to the UN Security Council. Only the former has teeth, which speaks to the regional realignment already underway as war bites. Yet that realignment will also depend on how the war ends. As continuously stressed here, *when the market assumes Hormuz is reopened, is this with the US having won or lost? A vast stack of asset pricing away from oil depends on which one of the two scenarios we are talking about.*

On that front, a South China Morning Post report asks, 'Could China's rare earth supplies dictate how long US strikes on Iran go on?' It claims that after depletion in this war, the US has only around two months of rare earths inventory, and "supplies would dominate talks when Trump sat down with Chinese President Xi Jinping." This is obviously of critical importance. To extend an analogy used yesterday, is China of 2026 the US of 1956 and the US of 2026 the UK and France of the Suez Crisis? (This is as Germany may emulate Japan in shoring up critical minerals supply via joint purchasing from its key firms aimed at reducing reliance on China.)

If so, the US response *might* again be threatened escalation to deescalate: in short, to make clear to China, one way or another, that the recent chaos in energy markets can get worse again if there were to be any problems with its rare earths supply. That may sound illogical to a 'rational', economics or markets-focused mindset: but what other strategy could the US use from its current position? An FTA? Lower tariffs? A geopolitical defeat? Failing the Iranian regime starting to fall, it's a very short shortlist of not very good options, save the high risk one just mentioned. Moreover, there are already suggestions Beijing, despite geopolitical alignment with Tehran, sees stability and the flow of oil as the more important metric. That might end up in a good place, both on energy and on US-China relations, but it could also make for some wild headlines and price action on the way there. It's certainly a tail risk worth considering.

Meanwhile, even as markets price an (ambiguous) positive endgame to this Middle East war via stable oil prices around current (higher) levels, that doesn't account for the dichotomy between the financial (i.e., prices on screens) and the material (i.e., actual *availability* of energy and key derivatives such as sulphur, fertilisers, and helium).

Europe and Asia are battling for LNG cargoes, says the FT, with Asia winning so far as ships re-route enroute. Reuters notes that diesel markets threaten a global economic slowdown. [Fertilizer prices \(or a shortfall\) may hit planting season for farmers, with an impact on food prices later.](#)

In response, as the West carries on as normal day-to-day, much of emerging Asia is seeing the kind of policy shifts only undertaken in past crises. Vietnam is making the biggest move to remote work since COVID to save energy. Pakistan has ordered a four-day workweek for government employees and a two-week closure of schools. Bangladesh has shut its universities and limited fuel sales. *For hundreds of millions, this crisis is already tangible in the physical economy.*

Positively, the Wall Street Journal claims the IEA will today propose its largest ever oil release from strategic reserves, moving beyond just promised action from the G7. Again, that will help buy some time. *Yet in doing so, that takes the immediate market pressure off the US and Israel to wrap up the war quickly... and does it also give China more leverage over rare earths vs any implied US oil threat (then implying that things would need to escalate more)?* There is a vastly complex geopolitical and geoeconomic dynamic at play here beyond the intricacies of the Middle East, and the obvious simplicity of the Hormuz bottleneck.

As part of that picture, yesterday saw Europe's von der Leyen flag that nuclear power is back on the menu, as former German Chancellor Merkel, who pushed through the closure of that country's nuclear power plants, was awarded the European Order of Merit. There was a public pushback from senior European Commission figures like Kallas, Ribera, and Costa to VDL's previous day's comments that perhaps a rigid adherence to the 'rules-based order' might be a hindrance as well as a help to the EU's credibility as a geopolitical actor: specifically, "Freedom and human rights cannot be achieved through bombs," said Costa. Sometimes, yes; but WW2 and Ukraine have something to say about that to Europe, no? Meanwhile, there was an explosion in Chinese exports to Europe in the first two months of 2026, up 27.8% y-o-y to the EU, 31.3% to Germany, and 36.4% to France. Is there a 'rules-based order' response to that kind of trend? If not, prepare for something else.

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Day ahead

Today has one of the least relevant US CPI report releases in recent years, seen 0.3% m-o-m headline and 0.2% m-o-m core, so 2.4% y-o-y headline and 2.5% core. And we get another day taken off the Hormuz countdown clock as well as the IEA maybe adding to it.

[For an overview of our macro-economic and financial markets forecasts please click here.](#)

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