It is like the market believes in magic. That makes Brent 2027 such a bargain

IEA Proposes Largest Ever Oil Release From Strategic Reserves (WSJ). Brent up 3.3%. Doesn't look like the oil market thinks that "largest ever" release of strategic reserves will help much against current crisis. Brent up 4% to $91.3/b.

Buy Brent 2027 at close to "neutral price". Brent crude for year 2027 is trading at $71.6/b. That is just $3.6/b above the "neutral price" of $68/b. When the global oil market fluctuates between surplus and deficit, the Brent spot price will swing below or above this "neutral price" of $68/b. Sometimes way below as in spring of 2020 and sometimes way above.

Brent spot is trading $22/b above the "neutral price" of $68/b. The Brent 1M price is trading at $90/b this morning and $22/b above the "neutral price" in an expression of risk, stress and disruption of oil logistics as the Persian Gulf is closed. But the market is pricing Brent Y2027 at $71.6/b and a premium of only $3.6/b above the neutral price. Implicitly assuming that the oil market will be normal in 2027 with normal inventories and normal supply. Everything restored.

If global stocks draws down 500 mb, then $80/b 2027 is the price. More if oil infrastructure damaged. Brent averaged $81/b in 2023/24. Then global visible stocks rose 500 mb in 2025. Mostly east of Suez. Brent then averaged $63/b in 4Q25. If the Strait of Hormuz is closed for 25 days, then global stocks will draw down by 500 mb. Brent should then trade around $80/b just due to the inventory drawdown. Higher if inventories are drawn down more and yet higher if installations of oil production, processing, refining or shipping logistics are damaged. Takes significant time to repair and restore.

When the market now prices Brent 2027 at only $71.2/b it thus assumes that inventories will only draw down by some 250 mb. Ops, we are already there as the Strait of Hormuz now has been closed for 11-12 days. It also assumes that there will be absolutely no lasting damage to oil infrastructure in the Persian Gulf.

Risk that Israel will damage Iranian oil infrastructure. It is increasingly argued that Israel and the US have different strategic goals. The US/Trump wants to end this as quickly as possible. Wants to see oil prices fall quickly back to normal. Israel however probably wants to use this once in a lifetime opportunity to totally destroy and degrade Iran altogether. High or ultrahigh oil price not so important. Leaving Iran with no water, no oil, no money, no economy and very limited capability to rebuild its country (and weapons systems and nuclear facilities) after the war.

Brent 2027 is just one Israeli bomb away from jumping to $80/b or higher. Brent crude calendar 2027 today trading at $71.6/b is just one Israeli bomb (hitting Iranian oil infrastructure) away from trading at $80/b or higher. Global inventories have already suffered 11-12 days of Hormuz closure. I.e. the world has lost 220 - 240 mb of oil stocks. And as stated above, the price of $71.6/b is only $3.6/b above the "everything is normal price". What a bargain. Buy it!

Fear is starting to rush through the veins Birol. Looking back at recent events. Fathi Birol (IEA) last week: "Plenty of oil in the market. No need to release strategic reserves." Then G7 preparing for release. And now "IEA Proposes Largest Ever Oil Release From Strategic Reserves (WSJ)". This shows how the sense of fear is starting to rush through the veins Birol.

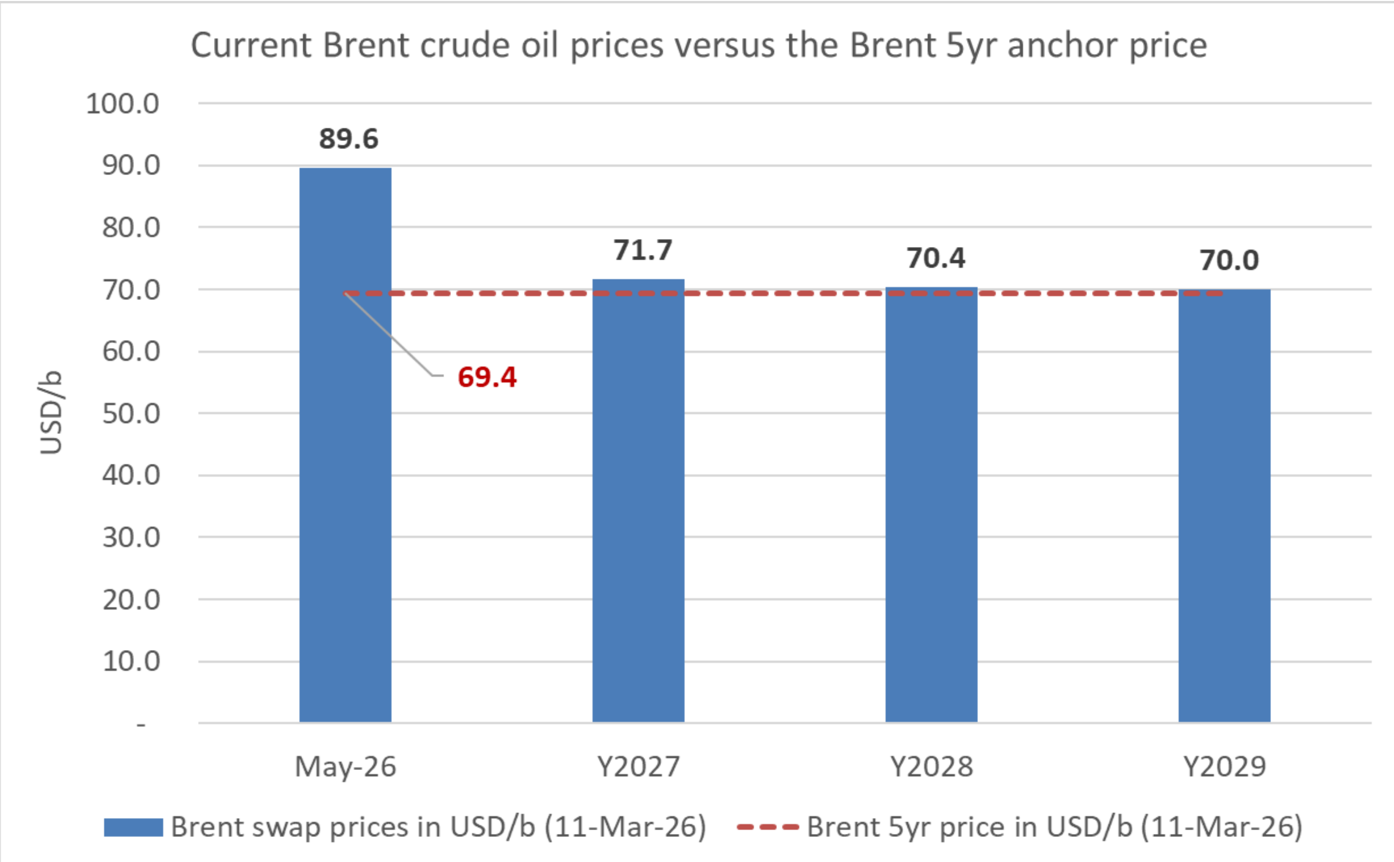
Oil price spike forced Trump to the podium. Another is on Monday. Brent spiked to $119.5/b. That forced Trump to jump to the podium reading a statement (quite rare that he reads a pre-written note) of how great everything is going. That all will soon be over. Any issues with the oil market and oil prices will be solved. Trump has the oil markets back. Market believed him and Brent fell sharply. **This shows the power of oil**. It makes even the most powerful person in the world jump to the podium in an effort to try to talk away the physical problems of the world. **It shows that Trump is not in control**. Iran declared right after the speech that it is not up to Trump to decide when the war is over. Iran will decide when it is over. Trump might declare victory, pack up and go home. That will however not give any guarantees for the opening of the Strait of Hormuz. That is up to Iran.

Iran has the upper hand. They control the Strait of Hormuz. They control the oil. Trump, Birol and the rest are basically talking about it.

No signs that the world is able to open the Strait of Hormuz by force as promised. We have seen reassurances over the past week that insurance schemes will be set up to cover the war risks so that ships can go through. And that warships will provide safe passage in convoys. Nothing of that so far. It doesn't take very expensive weapons (Iran has loads of Shahed drones) to shoot at the VLCCs going through. A drone now and then will keep flow of oil through the Strait of Hormuz muted if not fully closed.

Oil for all or oil for no one. “Strait of Hormuz will either be a Strait of peace and prosperity for all,” Ali Larijani, Iran’s top national security official, said in a social media post on Tuesday. “Or it will be a Strait of defeat and suffering for warmongers.”

Brent Y2027 and beyond is such a bargain!



Source: SEB graph and highlights, Bloomberg data