

The Commodities Feed: Oil steadier as market digests Trump's Hormuz plan

After a volatile week, the oil market is steadier as the market digests President Trump's plan to get vessels through the Strait of Hormuz



Energy - Trump's Hormuz plan

It was a volatile week in the oil market amid growing concerns about ongoing disruptions to oil flows from the Persian Gulf and the expiration of the ICE Brent Jun-26 contract on Thursday. The market is steadier at the start of the new trading week, despite continued noise around developments in the Persian Gulf.

Iran said it received a response from the US on its latest proposal for a peace plan. There are, however, suggestions that President Trump has said the proposal was unacceptable. If so, the market is left in limbo.

Trump also announced plans to guide commercial ships out of the Persian Gulf and through the Strait of Hormuz. The announcement saw a brief sell-off in oil prices, but the market has since pared these losses. The market does not seem convinced by the plan, which is called "Project Freedom." Reports indicate that, for now, the plan won't involve the US Navy escorting vessels.

Even if this allows vessels to leave the Persian Gulf, we're likely to see little inbound traffic. This would only amount to temporary relief, as floating storage leaves the Persian Gulf.

Over the weekend, OPEC+ announced a 188k b/d supply increase for June. However, this increase is unlikely to be realised, given that 55% of it is expected to come from Persian Gulf producers. This won't happen amid ongoing disruptions in the Strait of Hormuz. It marks the first meeting following the UAE's surprise exit from the group.

The latest positioning data shows that speculators increased their net long in ICE Brent by 13,862 lots over the last reporting week to 383,205 lots as of last Tuesday. The move was dominated by fresh longs entering the market.

Jet fuel inventories in Europe continue to tighten amid disruptions to refined product flows from the Middle East. The latest data from Insights Global shows that jet fuel inventories in the ARA region fell by 27kt week-on-week to 552kt. Since 26 February, jet fuel stocks have fallen by 34%, reaching their lowest level since 2020. Europe is heavily reliant on jet fuel supplies from the Persian Gulf.

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