

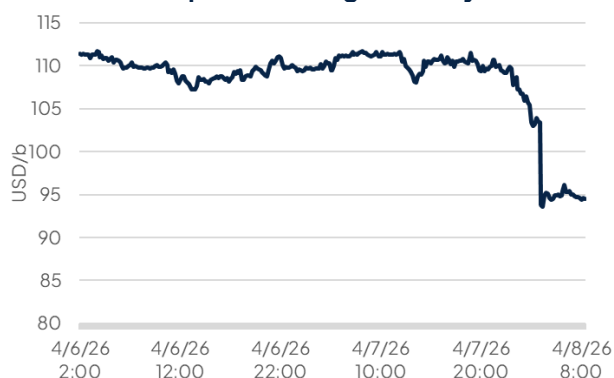
Commodities: Iran – US ceasefire prompts major slide in spot oil

8 April 2026 – Market Economics

The US and Iran have agreed to a two-week ceasefire with a suspension of US and Israeli attacks against Iran and a conditional reopening of the Strait of Hormuz. Iran's foreign minister has said that passage through the Strait of Hormuz will "be possible via coordination with Iran's armed forces" and that the country's military will "cease their defensive operations."

The immediate market response to news of the ceasefire has been a sharp drop in oil prices. Brent futures have fallen to less than USD 95/b, down 13.5% in early trading post-news. Brent time spreads have also collapsed: the 1-2 month spread in Brent has fallen from a backwardation of more than USD 9/b in the hours running up to US President Donald Trump's deadline for a deal to slightly more than USD 5.50/b as of 8 April 2026.

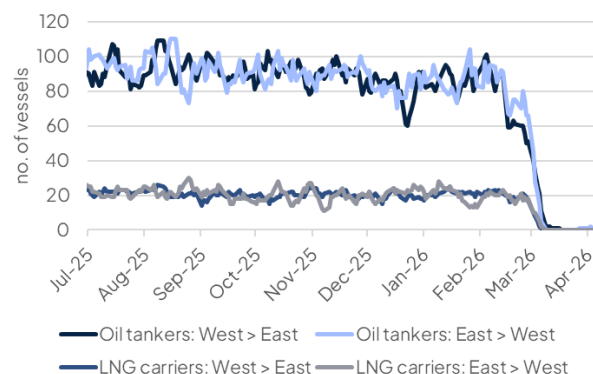
Ceasefire news pushes oil significantly lower



Source: Bloomberg, Emirates NBD Research.

Product prices are also responding to the news with US heating oil (diesel) futures down nearly 18% as of 10:00am UAE time. That may send a signal for jet fuel prices to also pull back given the aggravated moves seen in some geographies that has caused disruption to flights amid shortages of jet fuel. European and LNG prices will likely show more resistance to a sell-off than oil given the substantial shut-in production from QatarEnergy. Earlier this week LNG carriers that had loaded at Qatar turned back after moving toward the Strait of Hormuz.

Energy flows still stuck

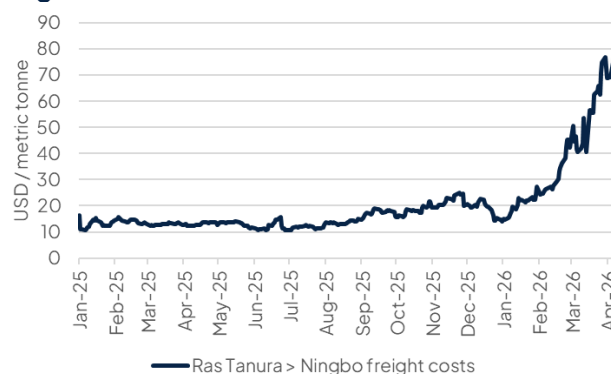


Source: Bloomberg, Emirates NBD Research.

The conditions on how and when the strait is reopened to commercial traffic is the primary variable that will determine the near-term trajectory for energy prices. Prior to the announcement of the cease-fire, vessels passing through the strait continued to be near zero, though some ships were reportedly making the passage. Hundreds of oil and product tankers, LNG carriers and bulk vessels are still stuck inside the strait (western side), having been stranded there since the conflict began. Ship operators and shipping insurance firms will likely need evidence of the physical security of vessels before volumes resume close to pre-war levels.

Freight costs for oil tankers travelling from Ras Tanura in Saudi Arabia to Ningbo surged during the duration of the conflict and a cease-fire, rather than an agreement to completely end the conflict, may not be enough to shift them lower.

Freight costs will take time to normalize



Source: Bloomberg, Emirates NBD Research.

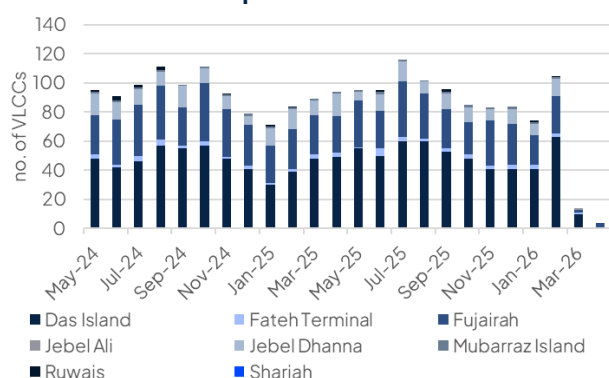
Chokepoint, amplified

Unlocking the trapped oil, product and gas carriers from the Gulf region onto international markets will take time – shipping lanes in the strait are only a few kilometers wide – and several national oil and gas companies have said that it will take months for production to recover back to pre-conflict levels. That suggests to us that the impact of the ceasefire news on prices may be limited and not prompt a sustained downward push in prices.

Our expectation for oil markets in 2026 was that the end of Q1 and Q2 2026 would represent the peak of the disruption to exports from the Gulf before a gradual increase in production and exports. If the Strait of Hormuz is opened to commercial shipping in a rapid and secure way that represents upside risks to production / exports and downside risks to oil and gas prices.

Total VLCC loadings at UAE oil export terminals have plunged since the war began with Fujairah the only port reporting steady loadings.

VLCC berths at UAE ports



Source: Bloomberg, Emirates NBD Research.

As details of the longevity of the ceasefire and its conditions become clearer we are maintaining our view on oil prices for 2026, with a forecast of Brent at an average of USD 90/b in Q2 with upside risks before prices ease over the rest of the year.

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