

# Chart of the Day

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The most well supplied oil markets in modern history have well-absorbed the escalating geopolitical events with major oil producing nations in recent years (Russia, Iran, Venezuela). However, a US and/or Israeli escalation with Iran in the weeks and months ahead remains a **high risk scenario** for global markets.

**A potential Strait of Hormuz closure would be different.** While Iran has never closed the Strait of Hormuz historically, a sustained aerial military offensive from the United States and/or Israel would sharply increase the risk of such a closure. A global oil supply and economic shock would follow with adverse impact to global inflation and real GDP growth in net energy importing regions in particular (i.e., Asia and Europe).

While Strait of Hormuz closure is not our baseline scenario, we would assess the impact of such a closure as follows:

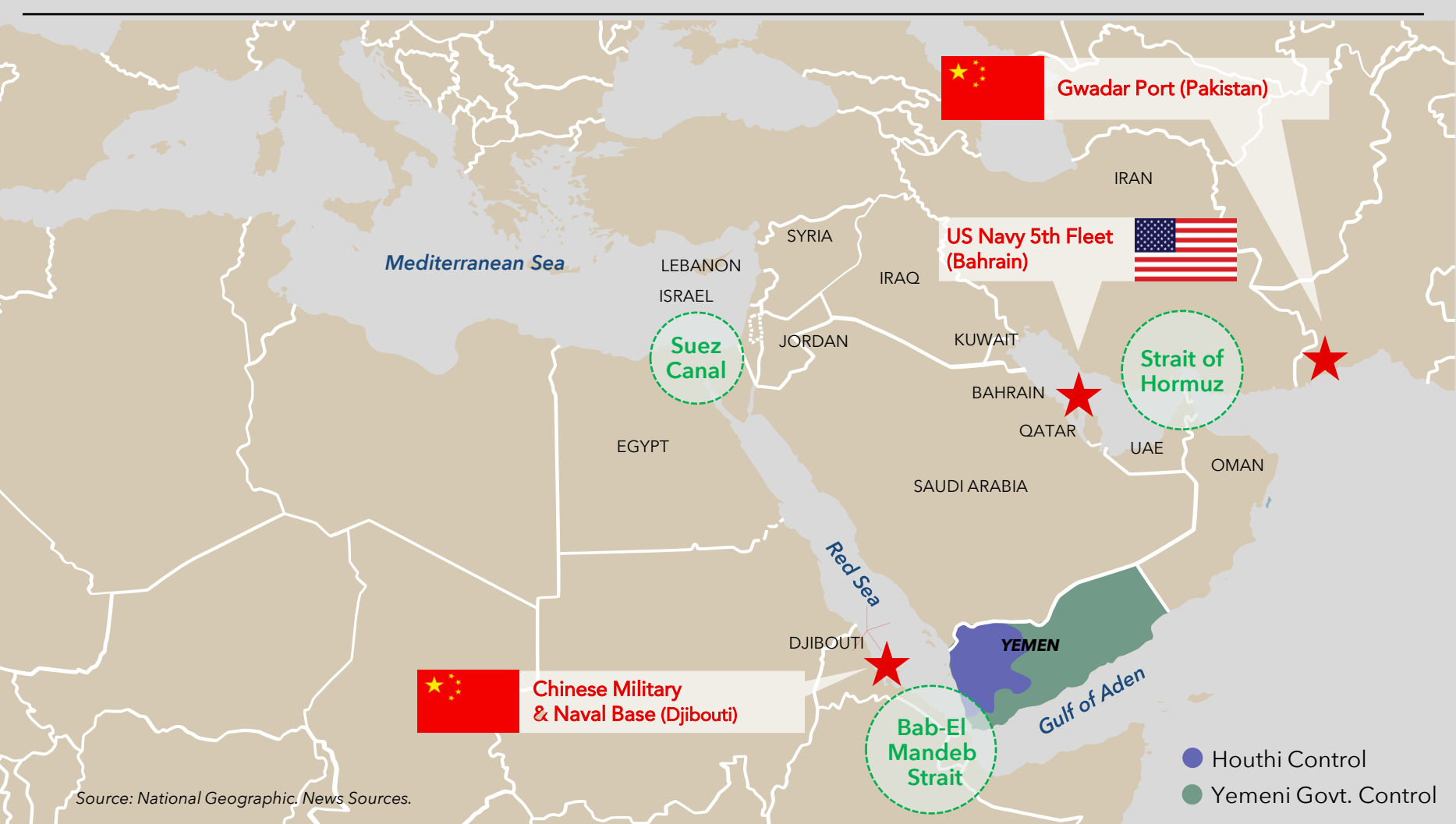
**Brief disruption, then de-escalation:** Geopolitical risk premium spike in oil prices of \$20 – \$40 (oil prices of **\$85-\$100**)

**Sustained closure, no damage:** Oil prices move sharply higher to **\$100 - \$120** range

**Closure + infrastructure damage:** Oil prices **above \$120**

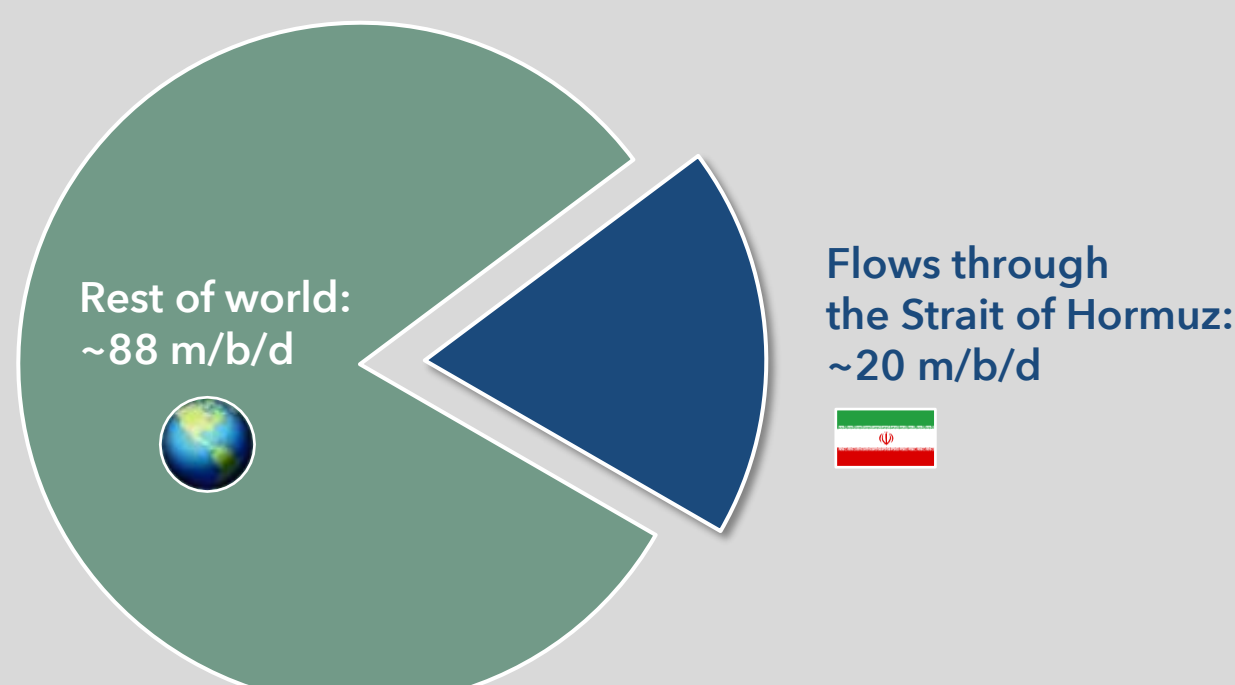
## Geostrategic Chokepoint: The Strait of Hormuz

The Strait of Hormuz is 20 miles wide at its most narrow point, with two 2-mile wide shipping lanes for outbound and inbound traffic, separated by a 2-mile buffer zone. The Strait contains eight major islands, several of which are controlled by Iran. Iran has never closed the Strait and the US Navy's 5th fleet, stationed in Bahrain, plays an active role patrolling the strategic waterway.



Of the nearly 108 millions of barrels of oil produced daily (m/b/d), nearly 20% passes out of the Persian Gulf through the Strait of Hormuz on a daily basis. Recognizing that about **75 - 80% of daily global production** is transported by sea, that translates to between **25 - 30% of daily seaborne oil** passing through the Strait of Hormuz chokepoint each day.

Total global oil supply, million barrels per day

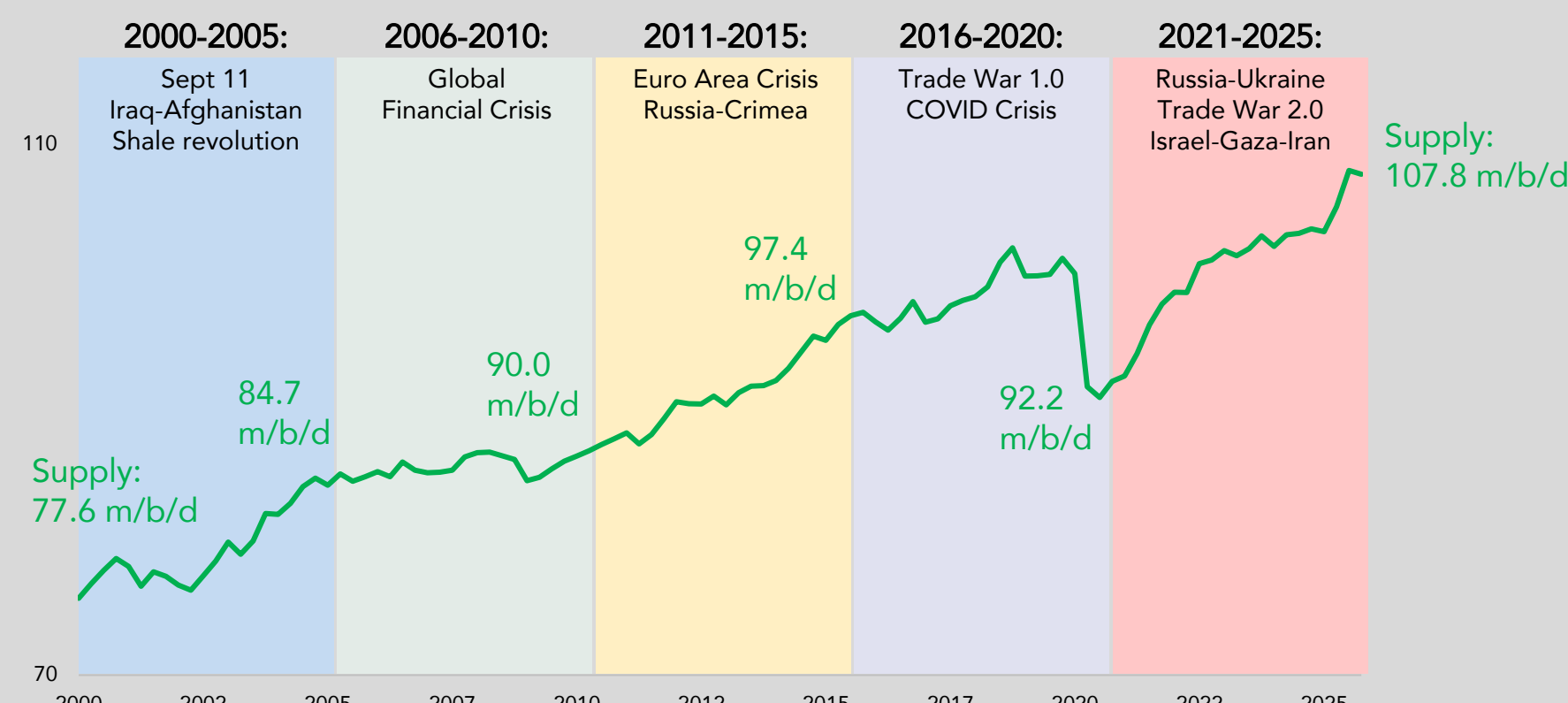


Source: (1) Bloomberg. Data through 2025, as of February 10, 2026.

## The Most Well-Supplied Oil Market in History

At nearly 3 m/b/d currently, global oil markets are in what some have called **the most well-supplied oil market in modern history**. Against a backdrop of increased non-OPEC (US, Canada, Brazil, Guyana) and OPEC+ supply in 2025, and structurally lagging demand (weaker macro momentum, China demand shifts), the International Energy Agency (IEA) is projecting an oil surplus of 3.8 - 3.9 m/b/d in 2026.

Global oil supply, million barrels per day



Source: (1) Bloomberg. Data through 2025, as of February 10, 2026.

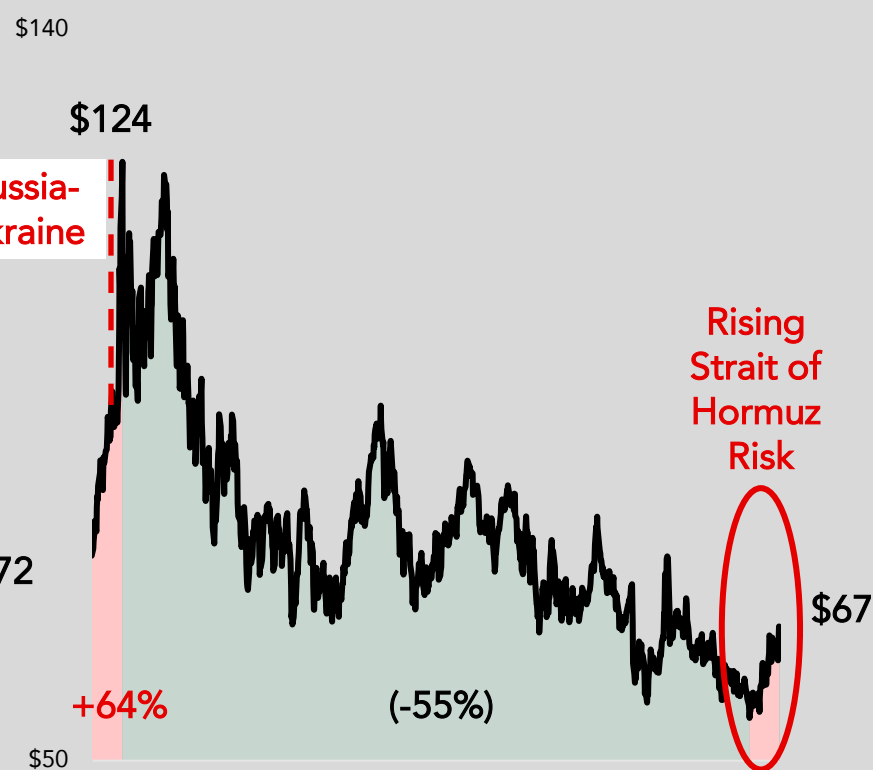
## Rising Risk of Global Supply Shock

In the event of a US-Israel / Iran escalation, and a full and sustained shutdown of the Strait of Hormuz by Iran, a global oil supply shock would drive oil prices into or above \$100-120 per barrel (or even higher if infrastructure damage incurred). This, in turn, would materially raise global inflation, with the largest real-economy hit to net energy importers (i.e., Asia and Europe).

Brent since Jan 1, 2022



WTI since Jan 1, 2022



Source: (1-2) Bloomberg. Data as of February 19, 2026.

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"Macro stability isn't everything, but without it, you have nothing."