

Chart of the Day



We have updated our Strait of Hormuz Chart of the Day from two weeks ago.

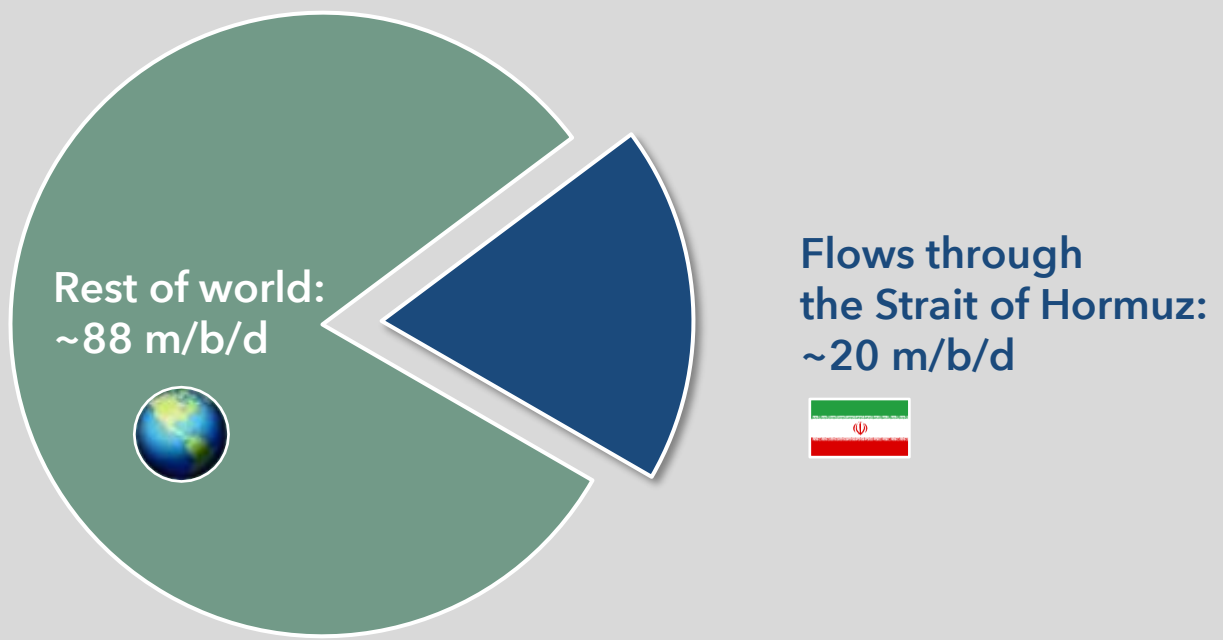
Geostrategic Chokepoint: The Strait of Hormuz

The Strait of Hormuz is 21 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. Following the US-Israel attacks on Iran and Iran's subsequent response, insurers have canceled policies covering transit through the Strait, which has all but shut down the flow of energy through the Strait of Hormuz at this time.



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. Approximately 20% (19.3 bcf/d) of LNG flows through the Strait on a daily basis.

Total global oil supply, million barrels per day

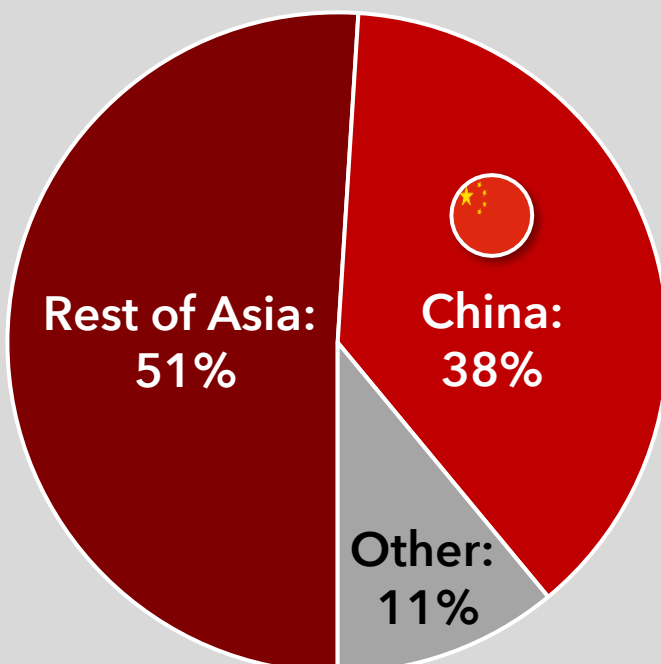


Source: (1) Bloomberg. Data through 2025, as of February 10, 2026.

Nearly 90% of Persian Gulf Oil Flows to Asia

The Strait of Hormuz serves as Asia's most critical energy artery, with nearly 90% of its crude oil exports flowing to the region. 38% of these flows go to China, the largest buyer of both Iranian oil and other crude exports through the strait. Beyond oil, China also relies on the Strait for a significant portion of its LNG, sourced primarily from Qatar.

Crude oil transported through the Strait of Hormuz, by destination



Source: (1) US EIA, "Amid regional conflict, the Strait of Hormuz remains critical oil chokepoint". Data as of Q1 2025.

Scenario Analysis for Strait of Hormuz Closure

Impact of Strait of Hormuz closure	
1	Brief disruption, then de-escalation: \$80 - \$100
2	Sustained closure, no damage: \$100 - \$120
3	Closure + infrastructure damage: Above \$120

Modest Geopolitical Risk Premium (For Now)

Thus far, a modest geopolitical risk premium has returned to global oil markets, by historic standards for such conflicts. Saudi Arabia's largest refinery, and one of the largest in the world, has been shut down due to Iranian drone attacks. While the closure is expected to be temporary, Saudi Arabia is responsible for nearly 40% of crude oil exports that flow through the Strait, pushing Brent prices higher.

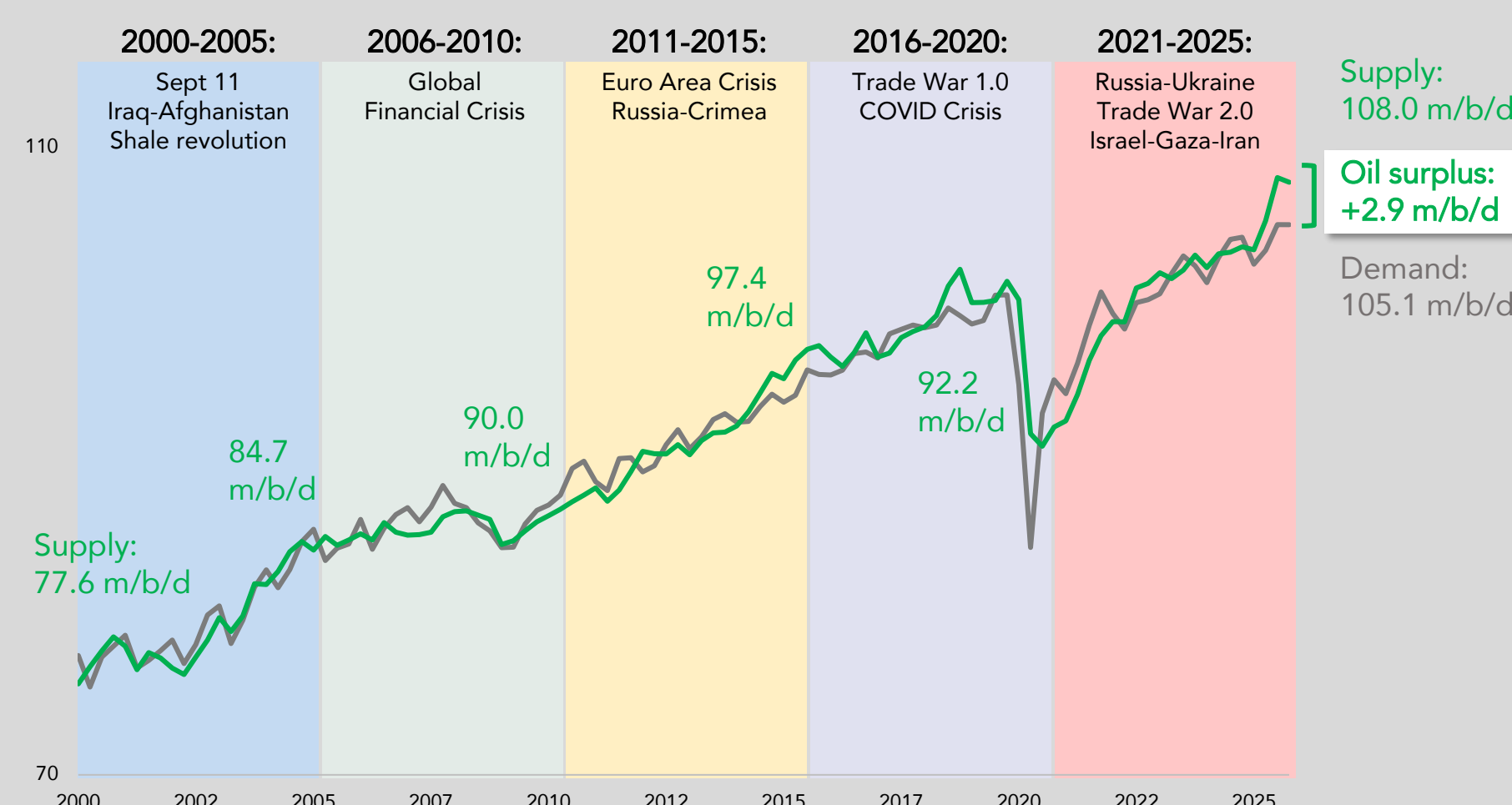
Brent since Jan 1, 2021



Enter Crisis With Strong Global Oil Surplus

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. However, global oil balances have become highly uncertain due to the regional scope of the conflict, the shutdown of Saudi's largest refinery, and the fact that Iran itself is OPEC's 4th largest oil producer, accounting for 3% of global supply.

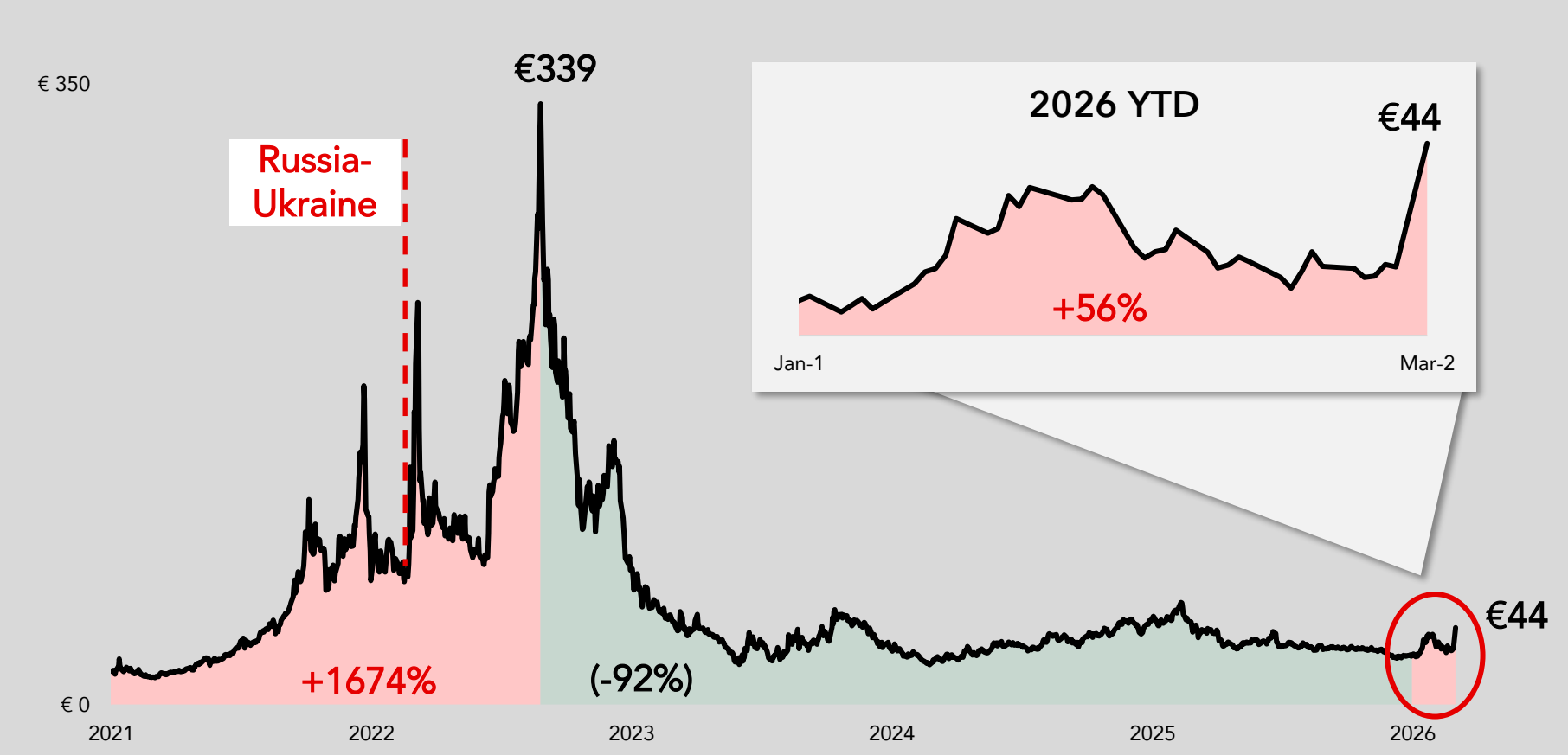
Global oil supply, million barrels per day



European (TTF) Nat Gas Prices Sharply Higher

While oil can be exported via other routes, LNG flows from the Middle East cannot be diverted. This has caused European natural gas (TTF) prices to surge by over 50% Monday morning, far outstripping the 10% rise in Brent crude. Qatar, the world's 3rd largest LNG exporter and source of 20% of global supply, has suspended production at their largest facility and halted all exports following Iranian drone strikes. To the extent that the Strait does not reopen to Qatari LNG flows, prices could surge to levels close to the EUR80-100 range, which is roughly double current levels.

European nat gas since Jan 1, 2021



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