Crude Compass: Oil volatility persists, diesel risks deepen

Weekly Oil Market Dossier: Sept 24, 2026

Developments over the past week:

- The White House is reportedly considering a 90-day ban on US diesel exports as domestic fuel prices reach record levels. President Trump could advance the proposal by the end of the week, although the legal framework remains uncertain. US retail diesel prices have exceeded USD 6.5/gallon. The US is the largest exporter of diesel followed by Russia
- US and Iranian officials held further diplomatic discussions this week, with early signs of progress briefly pushing Brent below USD 100/b on 23rd September. Renewed tensions later drove Brent 3.9% higher to USD 103.08/b by the close. With the Strait of Hormuz disruption unresolved and no agreement reached, ongoing negotiations remain an important source of geopolitical risk and price volatility for global oil markets
- China's seaborne crude imports remain below pre-war levels, averaging just under 7 mbd in September versus high of 12 mbd before the conflict. However, the sourcing mix has shifted significantly, with Iranian imports falling to ~80kbd from 1.0–1.5 mbd previously. China is replacing these barrels with higher imports from Iraq, the UAE, Brazil and Canada, increasing its purchases from conventional global markets

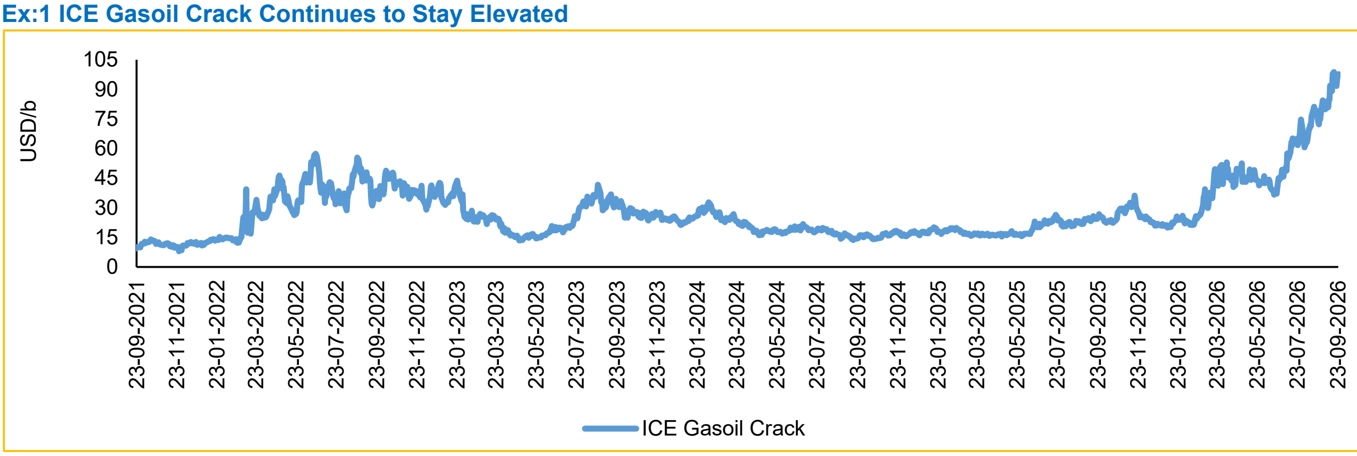
In our opinion:

- Any restriction on US diesel exports could lower domestic prices in the near term but would remove supply from an already constrained global market. Given the US's role as a major diesel exporter, reduced shipments could widen the regional price differential, particularly for import-dependent markets – such as Europe. **Overall, it will make the global distillate market tighter, as inventory levels continue to remain record low across geographies, refineries would undergo maintenance and Russian has extended its ban to Oct 30**
- China continues to import materially less crude than pre-war levels, limiting incremental demand pressure. However, the collapse in Iranian supplies is shifting Chinese purchases toward conventional suppliers such as Iraq, the UAE, Brazil and Canada. This changes where Chinese demand is expressed, increasing competition for openly traded barrels even without a return to pre-war import volumes
- Key factors that could cap further oil-price upside include a reversal in the tariff stance, an additional release of strategic barrels and, most importantly, a consistent reduction in China's crude imports. **In a bear case scenario , we see Brent price spiking to USD130/b towards expiry of Novemeber contract on 30th Sept 2026, as the Dated Brent continues to trade at USD120/b. Meanwhile, in In a bull case scenario , Brent price could dip to USD90/b over the coming weeks. Overall, we see Brent price revert to the range of USD95-100/b over the coming month**

We expect Brent price to average at USD84/b for FY27 and USD86/b for the current quarter (July-Sept 2026).

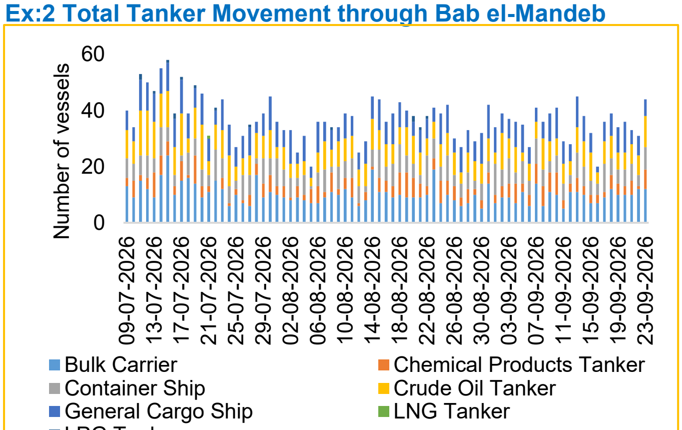
Oil Weekly

Ex:1 ICE Gasoil Crack Continues to Stay Elevated



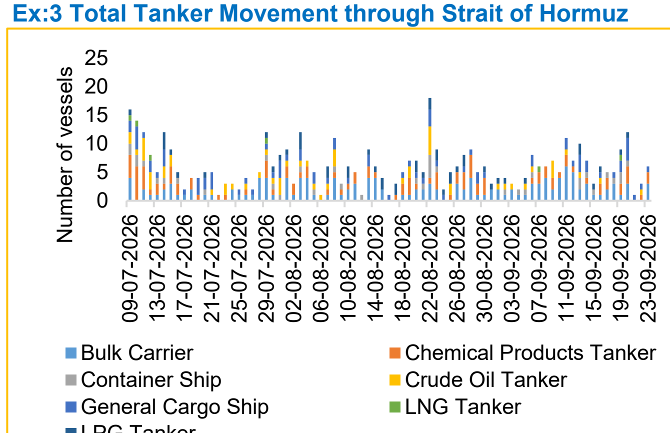
Source: Bloomberg, Choice Institutional Equities

Ex:2 Total Tanker Movement through Bab el-Mandeb



Source: Bloomberg, Choice Institutional Equities

Ex:3 Total Tanker Movement through Strait of Hormuz



Source: Bloomberg, Choice Institutional Equities

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BUY	The security is expected to generate upside of 15% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 15% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -5% over the next 12 months
SELL	The security is expected to show downside of 5% or more over the next 12 months
Mid & Small Cap*	
BUY	The security is expected to generate upside of 20% or more over the next 12 months
ADD	The security is expected to show upside returns from 5% to less than 20% over the next 12 months
REDUCE	The security is expected to show upside or downside returns by 5% to -10% over the next 12 months
SELL	The security is expected to show downside of 10% or more over the next 12 months
Other Ratings	
NOT RATED (NR)	The stock has no recommendation from the Analyst
UNDER REVIEW (UR)	The stock is under review by the Analyst and rating may change
Sector View	
POSITIVE (P)	Fundamentals of the sector look attractive over the next 12 months
NEUTRAL (N)	Fundamentals of the sector are expected to be in stasis over the next 12 months
CAUTIOUS (C)	Fundamentals of the sector are expected to be challenging over the next 12 months

***Large Cap: More Than INR 20,000 Cr Market Cap**
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