

# Crude Compass: The Rising Floor

Weekly Oil Market Dossier: June 08, 2026

## Developments over the past week:

- **Iran threatened to close Bab-el-Mandeb**, jeopardizing a route carrying 7.2 million barrels per day (mbd), up from 3.9 mbd before the crisis, which has partially offset disruptions in the Strait of Hormuz
- According to Bloomberg, OPEC production falls to a multi-decade low as output of 11 of its current members dropped by 1.2 mbd to 16.3mbd, with Iran accounting for half of the decline
- The **UK government** now expects oil production from the Gulf to **recover in fourteen months**, up from six months expected previously

## In our opinion:

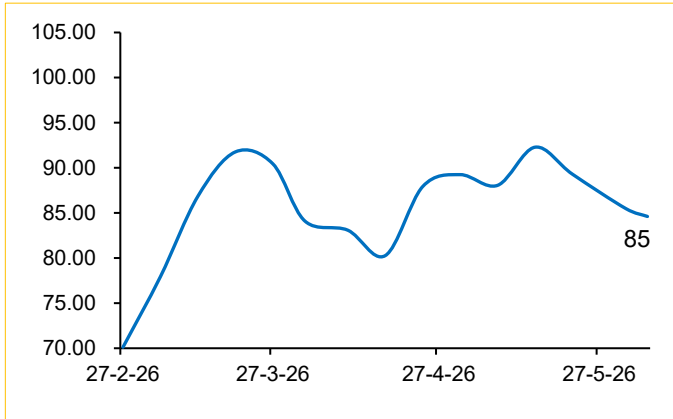
- Provided, the movement through Strait of Hormuz remains limited, we continue to expect physical deficit of 7-11 million barrels per day as [highlighted](#) in the prior edition of Crude Compass
- As disruptions from Hormuz persist and OPEC output falls to multi-decade lows, the market is increasingly confronting a shortage of available crude supply, **supporting a structurally firmer oil price environment**
- In such an environment, diesel cracks are likely to settle at a structurally higher base, as restoring market balance would require material demand destruction in sectors where diesel consumption remains closely tied to economic activity

We have built the following **scenarios** for Brent price:

- In a scenario - where a **prolonged stalemate** leads to an extended standoff, such that **sustained reopening of Strait of Hormuz is delayed till end July, Brent could remain elevated for longer, resulting in FY27 average of USD98/b despite eventual normalization later in the year**
- Provided there was no **sustained reopening of Strait of Hormuz by end of May, we now expect the Brent price to average at USD89/b for the FY27** as [highlighted](#) in earlier edition
- In a scenario where traffic through the Strait of Hormuz normalizes materially faster than our assumed three-month timeline following its sustained reopening, we continue to **view average of USD 82/bbl** as a floor for Brent futures in FY27, supported by the gradual restoration of curtailed supply and inventory replenishment demand

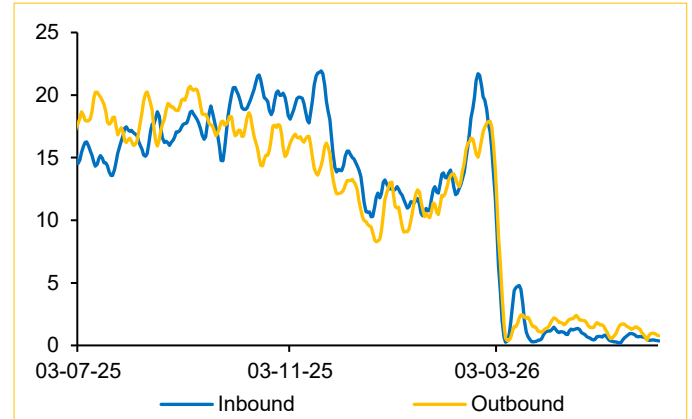
**Therefore, we raise our FY27 base-case Brent estimate to USD 89/b from USD82/b previously. Separately, Brent futures have averaged USD 102/b on a fiscal year-to-date basis.**

## Rolling 12-month futures average prices for Brent



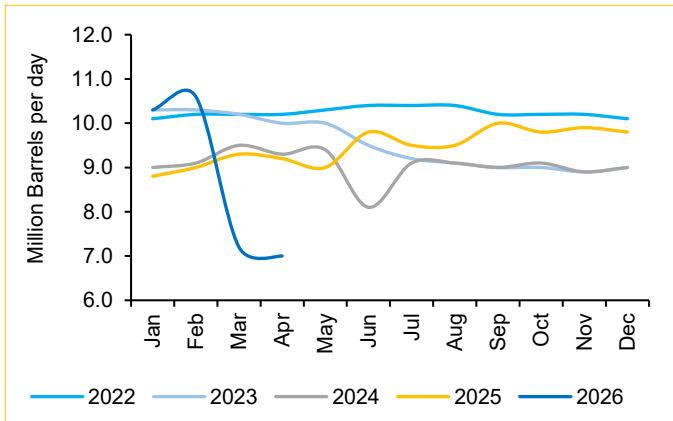
Source: Bloomberg, Choice Institutional Equities

## Seven-day average of Oil tankers\* moving through SoH



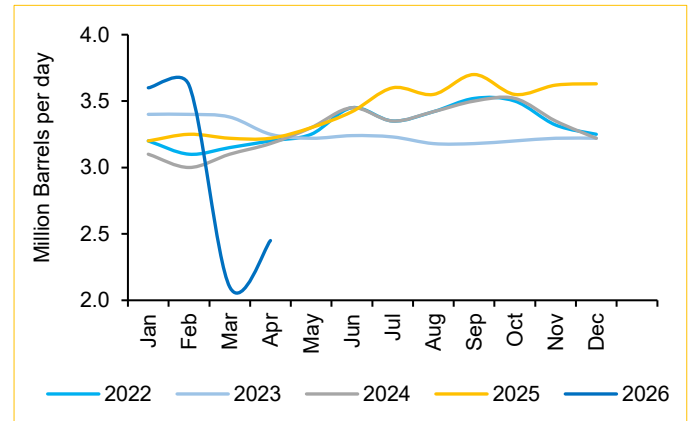
Source: LSEG, Choice Institutional Equities

## US Oil Exports over during March and April



Source: IEA OMR (May), Choice Institutional Equities

## UAE Crude Oil Production



Source: IEA OMR (May), Choice Institutional Equities

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\*Note: it refers only to Oil tankers specifically and not all movement through the Strait

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<b>Large Cap*</b>	
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
<b>Mid &amp; Small Cap*</b>	
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
<b>Other Ratings</b>	
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
<b>Sector View</b>	
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

\*Mid & Small Cap: Less Than INR 20,000 Cr Market Cap

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