Crude Compass: Rerouting the Barrel

Weekly Oil Market Dossier: July 30, 2026

Developments over the past week:

- Saudi Arabia is increasingly exporting crude via Egypt's SUMED pipeline and Sidi Kerir, while also using the Suez Canal, to bypass disruptions at both the Strait of Hormuz and Red Sea. The alternative routes add 20–30 days, increase freight costs, require VLCC cargo transfers, and cannot fully replace Red Sea export capacity
- The US said Iran launched ballistic missiles at American forces early Wednesday, while US and Saudi Arabia struck Iran-backed militias in Iraq after fresh drone attacks on Saudi oil facilities. The renewed hostilities ended a brief ceasefire, lifted Brent crude nearly 4%, and further reduced prospects for reopening the Strait of Hormuz
- The US Federal Reserve kept interest rates unchanged despite inflation concerns stemming from geopolitical disruptions. A steady rate decision is generally supportive for oil demand by avoiding tighter borrowing conditions and a stronger US dollar. However, renewed US-Iran tensions and elevated bond yields continued to drive broader market volatility.

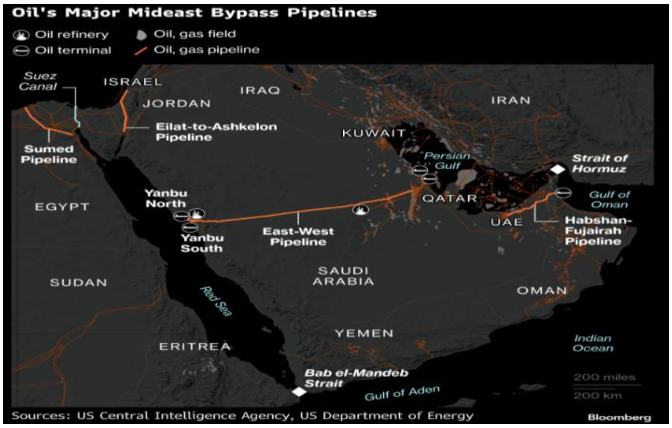
In our opinion:

- Greater reliance on the Suez Canal raises Saudi Arabia's delivered cost into Asia through cargo transfers, draft constraints and an **estimated ~US$5/bbl increase in logistics costs** and in turn enhances the competitiveness of Latin American crude grades.
- A complete disruption of traffic through the Strait of Hormuz and Bab el-Mandeb Strait could interrupt exports of nearly 18 mbpd of crude oil and around 5 mbpd of petroleum products. Accounting for incremental supplies from alternative producers, we estimate the effective **physical market deficit of crude at 11–13 mbpd**
- The incremental exports from the US will be limited as the US Strategic Petroleum Reserve (SPR) reached historically constrained levels in the past few weeks

We maintain our FY27 Brent forecast of USD82/b, while noting upside risk to our estimate should current disruptions persist beyond three weeks.

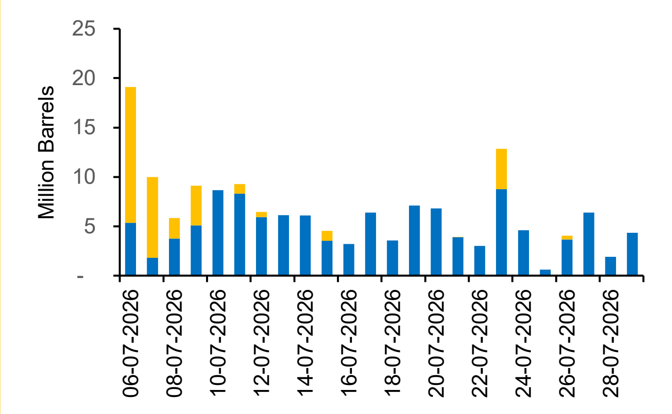
Oil Weekly

Ex:1 Saudi Arabia Oil Exports via Suez Canal



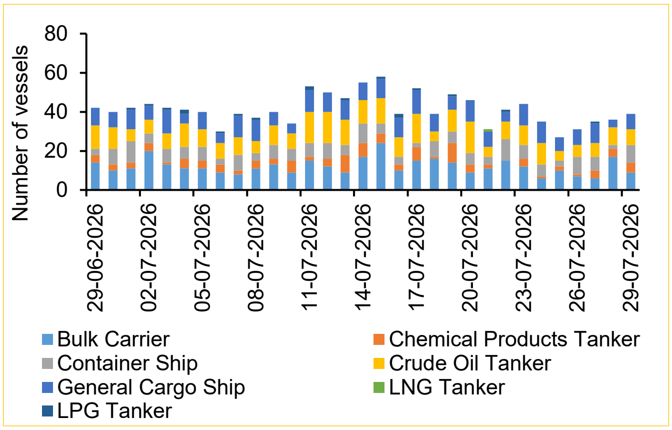
Source: US CIA, US EIA, Choice Institutional Equities

Ex:2 Crude exports via Bab el-Mandeb and Strait of Hormuz



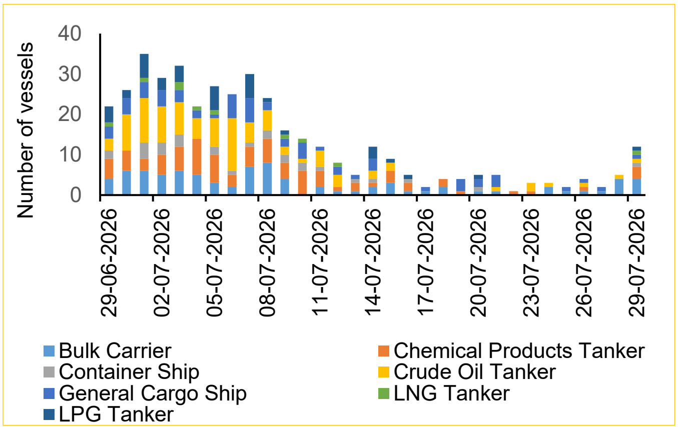
Source: Bloomberg, Choice Institutional Equities

Ex:3 Total Tanker Movement through Bab el-Mandeb



Source: Bloomberg, Choice Institutional Equities

Ex:4 Total Tanker Movement through Strait of Hormuz



Source: Bloomberg, Choice Institutional Equities

Dhaval Popat
Email: dhaval.popat@choiceindia.com
Ph: +91 22 6707 9949

Institutional Research Team			
Utsav Verma, CFA	Head of Institutional Research, India Equity Strategy and SMIDs	utsav.verma@choiceindia.com	+91 22 6707 9440
Purvi Mundhra	Economist	purvi.mundhra@choiceindia.com	+91 22 6707 9241
Ambrish Shah	Analyst - Power	ambrish.shah@choiceindia.com	+91 22 6707 9251
Ashutosh Murarka	Analyst – Building Materials	ashutosh.murarka@choiceindia.com	+91 22 6707 9521
Bhavik Shah, CFA	Analyst – Metals & Mining	Bhavik.shah@choiceindia.com	+91 22 6707 9521
Deepika Murarka	Analyst – Healthcare	deepika.murarka@choiceindia.com	+91 22 6707 9513
Dhaval Popat	Analyst – Energy	dhaval.popat@choiceindia.com	+91 22 6707 9949
Fenil Brahmbhatt	Analyst – Realty & Building Materials	fenil.brahmbhatt@choiceindia.com	+91 22 6707 9930
Ishank Gupta	Analyst – NBFCs	ishank.gupta@choiceindia.com	+91 22 6707 9867
Karan Kamdar	Analyst – Consumer Discretionary, SMIDs	karan.kamdar@choiceindia.com	+91 22 6707 9451
Kunal Bajaj	Analyst – Technology	kunal.bajaj@choiceindia.com	+91 22 6707 9901
Maitri Sheth	Analyst – Pharmaceuticals	maitri.sheth@choiceindia.com	+91 22 6707 9511
Putta Ravi Kumar	Analyst – Defence	ravi.putta@choiceindia.com	+91 22 6707 9908
Preeyam Tolia	Analyst – FMCG & Retail	preeyam.tolia@choiceindia.com	+91 22 6707 9987
Vijiya Rao	Analyst – AMC & Insurance	vijiya.rao@choiceindia.com	+91 22 6707 9531
Aayush Saboo	Sr. Associate– Realty	aayush.saboo@choiceindia.com	+91 22 6707 9930
Avi Jhaveri	Sr. Associate – Technology	avi.jhaveri@choiceindia.com	+91 22 6707 9901
Bharat Kumar Kudikyala	Sr. Associate – Building Materials	bharat.kudikyala@choiceindia.com	+91 22 6707 9930
Samarth Goel	Sr. Associate– Small and Midcaps	samarth.goel@choiceindia.com	+91 22 6707 9451
Subhash Gate	Sr. Associate – Autos	subhash.gate@choiceindia.com	+91 22 6707 9233
Heer Gogri	Associate – Small and Midcaps	heer.gogri@choiceindia.com	+91 22 6707 9433
Heet Chheda	Associate – Autos	heet.chheda@choiceindia.com	+91 22 6707 9233
Rushil Katiyar	Associate – Technology	rushil.katiyar@choiceindia.com	+91 22 6707 9901
Shreya Mehra	Associate – Technology	shreya.mehra@choiceindia.com	+91 22 6707 9535
Stuti Bagadia	Associate – Pharmaceuticals	stuti.bagadia@choiceindia.com	+91 22 6707 9511
Vinay Rawal	Associate – Small and Midcaps	vinay.rawal@choiceindia.com	+91 22 6707 9433

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Large Cap*	
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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Email- ig@choiceindia.com

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DHAVAL JAYANTBHAI POPAT

Digitally signed by DHAVAL JAYANTBHAI POPAT
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