# Crude oil comment

17 August 2026

## Stay long or buy-on-dips in the run-up to the US midterm elections on 3 Nov

**Brent rose 6% last week as hopes for a reopening faded.** Brent crude rose 6% last week as hopes for "an imminent reopening" of the SoH, as heralded by Trump again and again, faded completely. Brent traded in a range of $81.5 - 90.07/b before closing the week at $88.52/b. That is very close to the average Brent price year to date with Brent 1 month contract having averaged $86.9/b and the Dated Brent spot price having averaged $91.5/b. This morning Brent is trading close to unchanged at $88.6/b

**The ceasefire between the US and Iran is today officially over.** Trump of course has declared Iran for badly beaten and that the SoH could soon become "a territory of the United States". Trump is for sure a great entertainer! **Iran's response: "The Strait of Hormuz cannot be seized by tweet."**

**Economic sanctions isn't going to change things.** The fact is that the US is out of options and low on critical defensive ammunition to the point that it cannot any longer go on attacking Iran. Instead the path forward will be economic sanctions which everyone knows is a very lengthy process with highly uncertain outcome. If Iran doesn't bow to bombs it will for sure not bow to sanctions. The general thinking and experience is that sanctions do not work. Trump desperately wants to extricate himself from the war with Iran in order to focus on the US midterm elections. But Iran won't let him.

**Netanyahu is not sitting still and bombed Lebanon over the weekend**. Strikes have also resumed in Gaza while Israeli settlers are making trouble in the west bank. Trump doesn't control any of it while Iran is demanding a resolution to these conflicts and end of hostilities. This of course complicates things further for Trump.

Iran and Oman continues to discuss how the SoH is going to be administrated in the future. They agreeing does not imply a reopening though has Iran stated.

**For the time being there is enough crude oil in the market** preventing crude oil stocks from falling sharply and preventing Brent crude from rallying higher.

Back of the envelope calculations of how the loss of 14 mb/d of crude normally passing through the SoH are currently compensated by different elements.

| | August? | August? |
|---|---|---|
| | mb/d | mb/d |
| | Elements | Cumulative |
| Loss of crude supply if SoH is fully closed | -14.0 | -14.0 |
| SoH crude escape (???) | 5.0 | -9.0 |
| Yanbu incr. crude exp. | 3.0 | -6.0 |
| China reduced crude imp. | 3.0 | -3.0 |
| OECD SPR crude discharge | 1.0 | -2.0 |
| Russia reduced ref. runs | 1.5 | -0.5 |
| Abu Dhabi pipelin incr. flow | 0.6 | 0.1 |
| **Net Balance** | | **0.1** |

Source: SEB table

**Helps to explain why Brent hasn't rallied to $150/b or higher.** This table helps to explain why global crude stocks are not falling rapidly and why Brent crude is not rising exponentially as a result.

**Two very important elements.** What stands out here is the importance of two elements. 1) The escape of oil out of the SoH of maybe as much as 5 mb/d and 2) The Saudi Arabian redirection of 3 mb/d to the Red Sea. Shut these two off and the market is quickly in a significant deficit.

**Iran is controlling them both. A powerful threat to Trump's midterm elections.** The big headache for Trump is that Iran directly and indirectly controls them both. For all we know Iran is allowing 5 mb/d to traverse the SoH every day. It probably isn't all that difficult for Iran to up the game and totally halt the flow at night out of the SoH. Ukraine got better and better at hitting Russian refineries deep inside Russia. Iran will get better at hitting convoys at night trying to sneak out. But maybe Iran isn't even trying so hard and is just biding its time for when to choke it fully. Iran can also activate the Houthis more aggressively to halt the flow of oil out of the Bab el-Mandeb Strait thus in part also chocking off the Yanbu redirect.

**Stay long or buy-on-dips over the coming 2-3 months to the US midterm election.** It is very plausible that Iran can fully close of the SoH and and also activate a closure of the Bab el-Mandeb Strait if and when it wants to. Further that it will play with such closures over the coming 2-3 months to the US midterm elections on 3 November. Iran won't let Trump extricate himself from this war and Iran won't allow this to be easy sailing for Trump.

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