Crude oil comment

18 August 2026

How hard can it be to hit a VLCC

Brent crude jumped 2.7% ydy to $90.8/b and traded in a range of $88.01 - 91.21/b ending the day close to the high end of the range. This morning it is adding 0.9% to $91.7/b which is the highest level since 31 July.

The ceasefire has expired with no follow-up in the works. Trump is now planning to impose harsh sanctions and "play the long-game" as some commented. We know that sanctions do not work. It has been tried forever against both Russia, Iran and others with very little effect. So Trump has no clear thoughts of what to do with Iran. The pressure, tear and wear on US forces in the Middle East is so huge that the US has decided to pull out the US aircraft carrier USS George Washington. The US will then be without an aircraft carrier in the Western Pacific for the first time since 1944. The US is now handing the western Pacific to China and the US dominance in the region since 1945 is now over. A good piece on this perspective by Phillips P. OBrien here. Trump is also embracing Kim Jung Un of North Korea while kicking his ally South Korea in the leg (no more joint exercises in South Korean waters) while also threatening to bomb the long-term US ally Oman. "I fear that Trump is a Russian operative" is the comment I get when I talk to my US cousins these days.

How hard can it be to hit a VLCC? Ukraine is able to hit targets 1000-2000 km inside Russia with pinpoint precision. The width of the SoH is only 33 km. It is natural to assume that Iran is able to hit whatever ship it wants whenever it wants in the SoH. And if they cannot do so today, they will be able to do so in not too long. Iran is rebuilding and strengthening its position for very day that passes without active waring from the US. The optimism over ships escaping the SoH in convoys at night or visibly even at day, is thus probably down to Iran allowing this to happen. I.e. it is probably in Iran's power to fully halt the flow of oil out of the SoH whenever they find it suitable. Or they will soon have built the capability of that. Iran is for sure not just sitting still waiting for new US sanctions.

Trading the noise and the tweets rather than the fundamentals. A pattern we have seen on repeat this year is that whenever the Brent crude oil price hits $100/b or so, it doesn't take much time before Trump is out heralding that some good negotiations are ongoing and that the there will soon be a new MoU, a ceasefire and normalized flows of oil out of the SoH. While the market knows that it is probably just hot air, it has little choice but to accept that it might be true. Even after having been fooled so many times over. So oil sells down. Until Trump's statement is denied by Iran etc. Brent is heading towards $100/b again as it looks now. We'll see if Trump will amuse us with yet another tweet of "good negotiations" ongoing.

Strong US crude oil stock build last week was probably partially a result of the brief opening of the SoH in the latter part of June with oil arriving in the US late July and early August as a result. I.e. it is probably somewhat of a temporary event rather than a trend.

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