

Oil markets caught in stormy seas and skies ...

A week of unprecedented chaos during which oil markets seemed trapped, wide-eyed in disbelief at what was happening in the Middle East, until Friday, that is. During the 7 days since America and Israel attacked Iran, the likelihood of which had hung in the air for months before the nightmare became reality last weekend, it seemed traders and investors had not quite grasped the nettle soon enough of just how serious and dangerous for oil prices the attacks could be.

Whilst America swaggered, even they must have been surprised at just how rapidly Iran turned against its own neighbours, something that also caught the oil markets flat-footed, too.

During all my years as an oil trader the greatest fear was always that one day the Straits of Hormuz would become a sea of deserted shipping lanes and Middle East crude oil and product operations would be on the verge of an oil production and manufacturing crisis but this week that fear became a reality, and not one that easily embraced the idea that both could ever happen at the same time.

This week, oil prices have been upended and scrambled, relationships between products now off the scale, especially for diesel and jet fuel, which are roaring higher with seemingly no obvious price ceiling, Ice gas oil closed on Friday at \$1158.25/mt with jet fuel some \$300/330 a metric tonne higher, gasoline suddenly surged in price on Friday at the expense of the naphtha value, all the time we were thinking, those IEA forecasts of an oil glut now also need to become a reality as Middle East refinery infrastructure is fast approaching a significant crisis point.

Even though OPEC+ was declaring they would increase their April crude output by 206,000 barrels a day as long ago as last Sunday, it seems likely that it won't happen.

It's incredibly difficult to call where we go from here. Donald Trump assured the world this "war" would be short, but it also seems his latest adversary had a few cards up its sleeve, and whilst the war is only 7 days old, it already has the look of something that may be in our headlines for months.

Some pundits are filling their columns with headlines that shout "the sky is the limit for oil prices". That seems an overly simple thing to say; suggest we are in a stormy and cloudy sky, we need to get through all of that before we can ever see the sky again.

In other news:

US Allows India to Buy Russian Oil for a Month. The US Department of the Treasury is allowing Indian refiners to increase their purchases of Russian oil temporarily, provided the cargoes are loaded onto vessels before March 5 and arrive at Indian refineries within the next 30 days,

which in itself will boost the price of Russian crude grades.

Shippers Reject Trump's Tanker Insurance Offer. President Trump said that the US Navy could begin escorting commercial oil tankers through the Strait of Hormuz if necessary, reacting to insurance firms halting coverage in the region. There are still no crude transits out of the Gulf since March 1, so the offer has become a Catch-22 situation.

Middle East Freight Rates Cost More than Ever. VLCC freight rates from the Middle East to northeast Asia continue to rise on the closure of the Straits of Hormuz, jumping to an equivalent of \$12-\$16 a barrel this week.

Japan's Refiners Lobby for Strategic Oil Release. Japanese oil refiners are lobbying their government to release crude oil from the country's strategic petroleum reserves, wary of crude oil shortages as the island nation relies on the Middle East for 95% of its crude oil imports.

Iraq, Kuwait, and Saudi Arabia report refinery output is slowing. After Iraq was forced to shut its West Qurna-2 and Rumaila fields this week, Kuwait's state oil firm KPC started to cut refinery output at some of its fields as storage tanks are filling up fast in the country. KPC has already shut its 464,000 b/d Mina Abdulla refinery. Saudi Arabia has also shut its 550,000 barrels per day refinery at Ras Tanura. One ray of hope is a story that Saudi Aramco is studying re-routing some of its crude oil exports via the Red Sea to avoid the straits of Hormuz, but this is not confirmed.

Qatar Energy will keep its Ras Laffan gas liquefaction plant offline for at least two weeks as it will take another two weeks to resume LNG production, shutting 20% of global LNG supply for the next month.

This week's closing guide prices:

Name	Price	Last Week
Ice Brent	\$92.64	+13.38
WTI	\$90.90	+18.31
Ice Gas Oil	\$1158.25	+261.00
Euro Mogas Swaps	\$863.25	+131.50
Euro Naphtha Swaps	\$631.25	-0.50
Nymex Gasoline	\$2.7466	+4.21 ¢/gal
LPG Swaps	\$563.00	+34.63
OPEC Basket	\$90.10	
Gold	\$5171	