GoldSquawk

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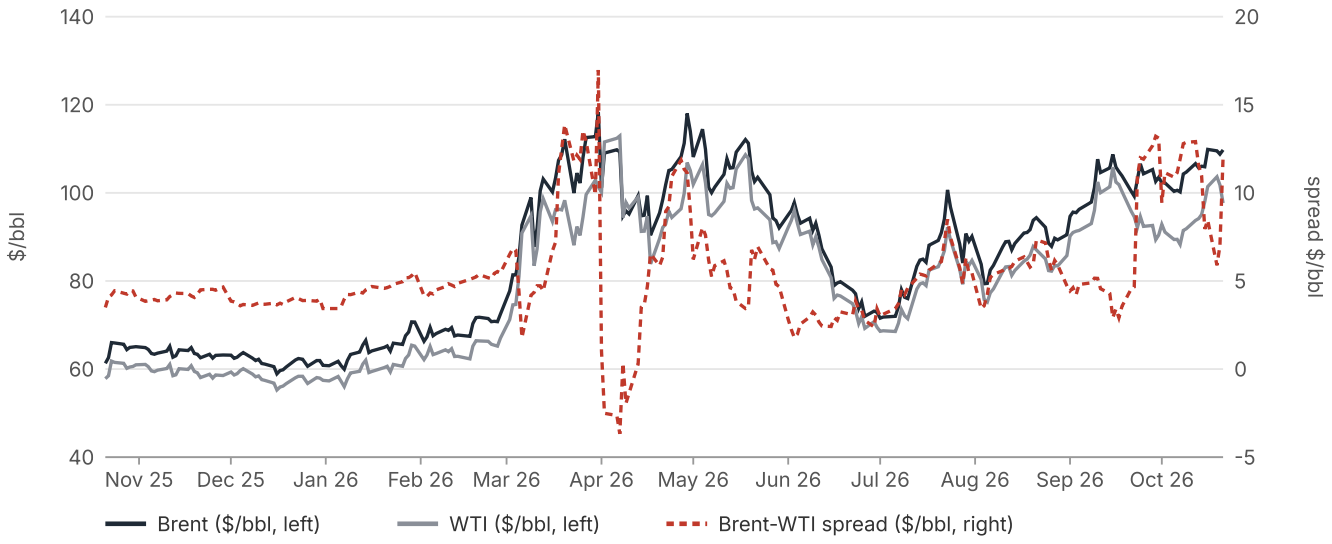
Hormuz's premium is shifting from closure risk to delivery risk

GoldSquawk Research

Key takeaways

- Hormuz remains too important for a binary open-or-shut framework: total oil flows through the strait averaged 20.9 mb/d in 1H25, equal to about 20% of global petroleum liquids consumption, while Saudi and UAE bypass options together can avoid only about 4.7 mb/d. Partial impairment therefore still matters globally.[1]
- The current premium increasingly reflects delivered-barrel risk rather than outright source-barrel loss. Gulf crude exports recovered to 13.9 mb/d in September, with Hormuz flows at 10.9 mb/d, yet refined products were only 1.9 mb/d versus 4.7 mb/d pre-war and LPG only 670 kb/d versus 1.5 mb/d.[2]
- The threat set has broadened beyond classic closure fears. JMIC assessed the regional maritime threat as CRITICAL, citing UAV, USV and missile risks, follow-on strikes, and persistent GNSS, AIS and communications disruption; JMIC also said the IRGC had directed vessels to use designated routing to avoid hazards in the primary traffic separation scheme.[3,4]
- Freight and insurance are now supply variables in their own right. EIA said Middle East Gulf tanker rates reached record highs in March 2026, while S&P Global reported war-risk premia around 0.8% AWRP after easing from mid-March extremes where some stranded tankers had paid up to 10% of hull and machinery value and one Suezmax reportedly faced a $7.5 million premium.[5,6]
- Underreporting and sparse tracking are part of the premium. For the seven days ending 14 October 2026, UKMTO-linked reporting cited 254 combined transits but only 42 observed through AIS data, limiting confidence in official attack counts and reinforcing precautionary pricing.[7]

Figure 1: Brent holds a wide premium to WTI



Source: ICE Brent and NYMEX WTI front-month futures via Yahoo Finance; GoldSquawk calculations, as of 21 October 2026.

From closure premium to physical delivery premium

- The old question — whether Hormuz is closed — is no longer sufficient. The better test is how much effective export capacity is impaired by direct attack risk, route controls, insurance rationing, tracking disruption and product bottlenecks even when crude transit continues.[3,4,8]
- IEA's October report shows real crude recovery: Gulf crude exports rose 4.4 mb/d month on month in September to 13.9 mb/d, Hormuz flows rose 3.7 mb/d to 10.9 mb/d and bypass exports rose 970 kb/d to 5.6 mb/d. But that still left crude only just over 75% of pre-war levels, while products and LPG lagged far more sharply.[2]
- This uneven recovery matters because the physical premium sits in delivered supply. IEA said record tanker rates raised crude delivery costs and eroded refinery margins, while global stocks at end-September were 509 mb below pre-war levels and on-land inventories were hovering at their lowest since at least 2016.[2]
- The futures market still reflects a sizeable seaborne disruption premium: Brent settled at $109.73/bbl versus WTI at $97.71/bbl on 21 October, leaving a Brent-WTI spread of $12.02/bbl within a 12-month range of -$3.68 to +$16.97. [chart]

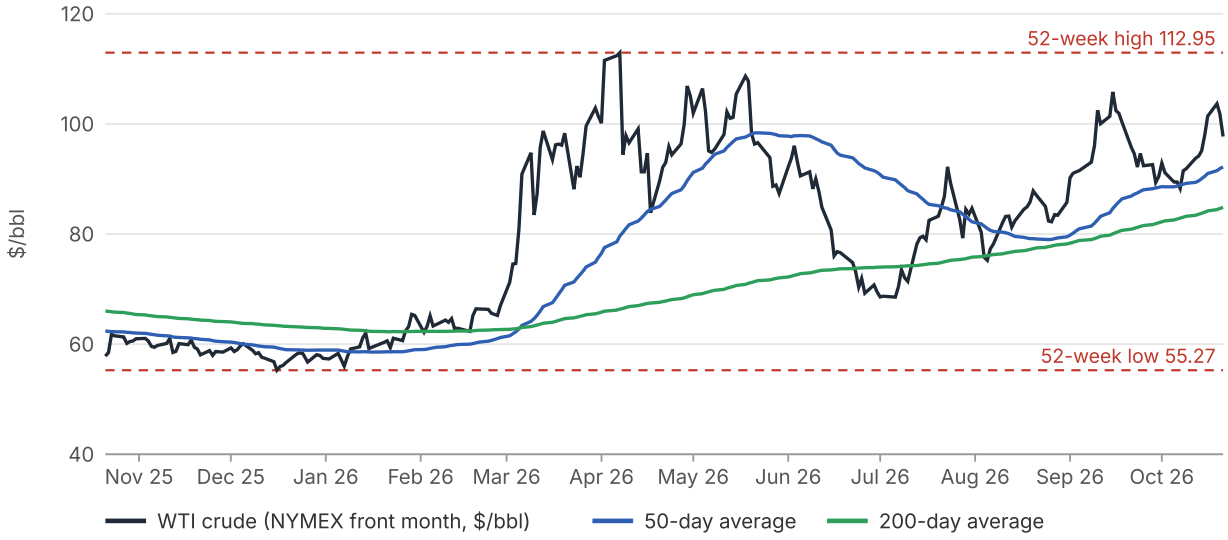
Attacks, mines and route control widen the risk envelope

- Projectile strikes remain active and appear geographically broader. UKMTO said it received a report of a tanker struck by an unknown projectile while transiting Hormuz, with a fire resulting, and noted a time-late report for an incident on 28 September; Reuters-reported shipping coverage also cited two more tankers struck by unidentified projectiles in separate incidents near Hormuz and in the northern Persian Gulf on 20 October.[9,10]
- Mine allegations add a different class of risk. Reuters-derived coverage carried Iranian and IRGC claims on 17 October that two oil tankers caught fire after hitting naval mines while crossing Hormuz, followed by a claim that a supertanker carrying more than 2 million barrels struck a mine south of the strait; these claims were not independently confirmed in the secondary coverage cited here.[11]
- Even without verified closure, navigation is no longer fully commercial in the ordinary sense. JMIC said on 12 April that the IRGC had directed all vessels intending to transit Hormuz to use designated routing to avoid hazards in the primary traffic separation scheme, while JMIC's March advisory had

already set the threat level at CRITICAL because of credible UAV, USV and missile risks plus GNSS, AIS and communications disruption.[4,3]

- Underreporting compounds the physical premium. UKMTO-linked reporting said most struck vessels may not be reporting incidents directly; for the week ending 14 October, 254 combined transits were recorded but only 42 were observed through AIS data. That means market participants are pricing not only known incidents, but uncertainty around the true attack tempo.[7]

Figure 2: WTI remains elevated above key moving averages



Source: NYMEX WTI crude futures daily closes via Yahoo Finance; GoldSquawk calculations, as of 21 October 2026.

Selective security support and concentrated owner participation keep flows fragile

- Security support appears selective rather than equivalent to a broad escort regime. CENTCOM said on 4 May that the US had supported the transit of two US-flagged merchant vessels and was employing destroyers, more than 100 land- and sea-based aircraft, unmanned platforms and 15,000 service members across Hormuz, but UKMTO/JMIC's June dashboard said there were no current plans for naval escorts of merchant shipping.[12]
- Commercial willingness to transit looks narrower than headline flow recovery suggests. Lloyd's List reported on 21 October that one South Korean owner accounted for 47% of all VLCC Hormuz transits in September and more than half during the first 10 days of October, implying disproportionate dependence on a small high-risk-tolerant fleet cohort.[13]
- Freight and underwriting conditions remain a transmission channel into physical tightness. EIA said March 2026 VLCC rates from the Middle East to Asia were the highest since at least November 2005, while S&P Global later cited insurer losses in the billions and IMO data showing 84 ships attacked and at least 23 crew casualties in the region during the conflict.[5,14]
- WTI closed at $97.71/bbl on 21 October, above its 50-day moving average of $92.18 and 200-day moving average of $84.84; the 52-week high is $112.95 and the 52-week low is $55.27. These are useful markers for whether logistics risk continues to underpin crude despite resumed Gulf flows. [chart]

Scenarios

- **Supportive case:** Crude exports continue to recover, attack reporting becomes less severe, and military support plus designated routing are sufficient to keep Hormuz transits functioning without a

renewed insurance shock. In this setting, the premium would increasingly depend on whether product and LPG flows close the gap with crude and whether inventories begin to rebuild.[2,4,12]

- **Pressure case:** Projectile incidents spread further into loading approaches, mine claims become verified or commercially credible, and selective security support proves insufficient for broad merchant confidence. The likely effect would be tighter tanker availability, firmer war-risk pricing, and renewed pressure on delivered crude and product balances despite the absence of a formal closure.[11,9,6,12]
- **Uneven-normalisation case:** Headline crude flows stay resilient through bypass routes, STS workarounds and concentrated owner participation, but products, LPG and refinery logistics remain impaired. In that case, the market would continue to price a physical delivery premium rather than treating recovered crude exports as full normalisation.[2,1,13]

Levels to watch

- WTI last close: $97.71/bbl
- WTI 50-day moving average: $92.18/bbl
- WTI 200-day moving average: $84.84/bbl
- Brent-WTI spread: $12.02/bbl
- WTI 52-week high/low: $112.95 / $55.27 per bbl

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Glossary

AWRP: Additional War Risk Premium: an insurance surcharge charged for voyages through high-risk waters. [9]

AIS: Automatic Identification System: a vessel-tracking signal used to identify ship positions, though coverage can become sparse or unreliable in conflict conditions. [2][13]

GNSS: Global Navigation Satellite System: the satellite-based positioning signal that can be disrupted or spoofed, affecting navigation reliability. [13]

STS: Ship-to-ship transfer: moving cargo between vessels at sea or offshore to work around port or route constraints. [7][3]

TSS: Traffic Separation Scheme: a formal routing system used to organise vessel traffic through narrow or congested waterways. [17]

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