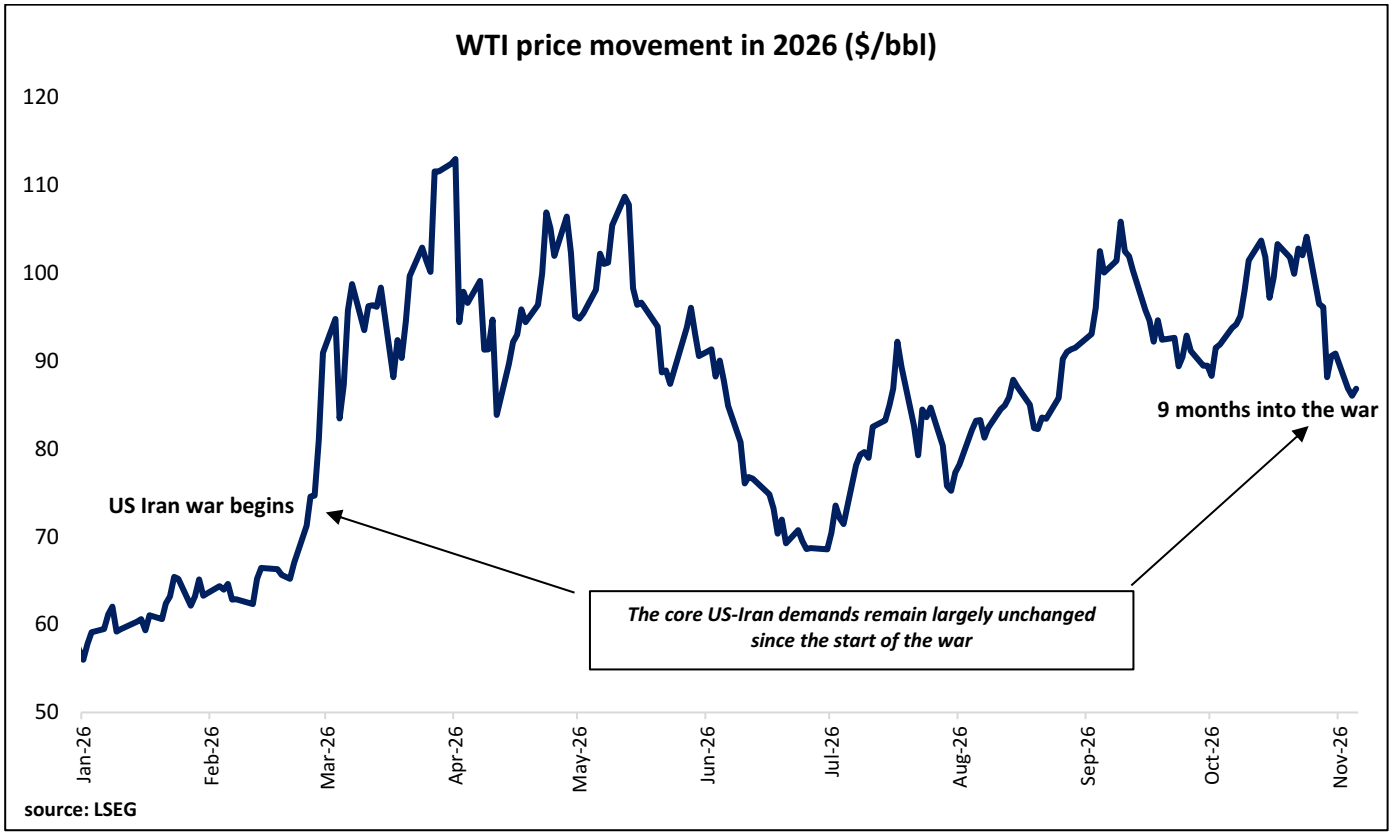
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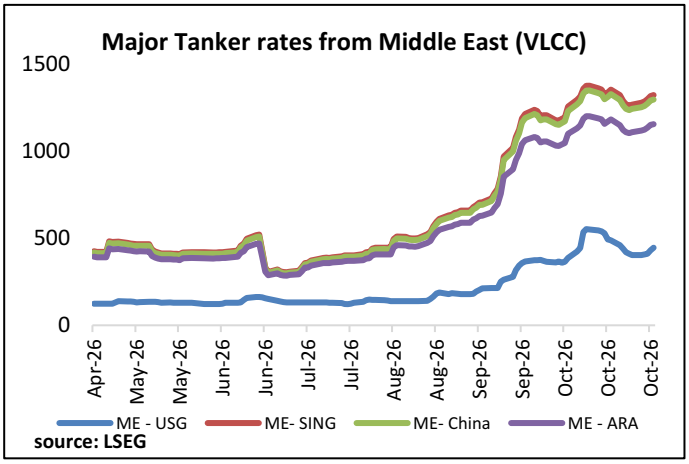
Crude oil : Pricing Peace Too Soon **11th November 2026**

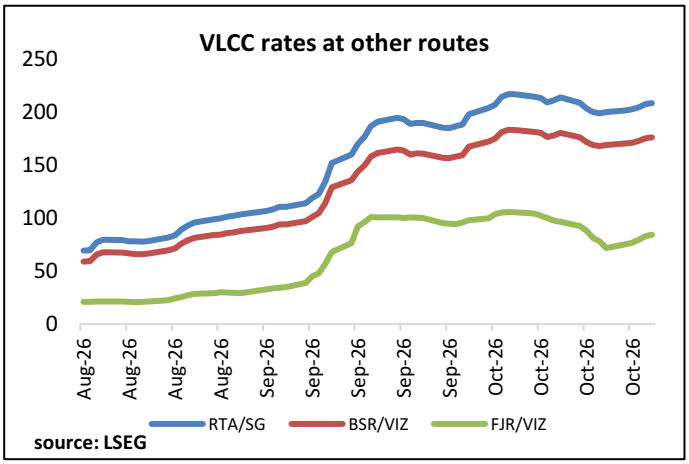


Crude oil has come under heavy selling pressure as markets increasingly price in the possibility of a diplomatic settlement between the US and Iran and the eventual reopening of the Strait of Hormuz. What stands out is how sharply market sentiment shifted during the first week of November, coinciding with the US midterm elections. Markets began factoring in the possibility that Trump's electoral setback could force a rethink of Washington's Iran policy and increase the likelihood of a negotiated exit from the conflict. This optimism was further reinforced by Iranian President Masoud Pezeshkian's indication of a willingness to pursue diplomacy, followed by Vice President JD Vance's remarks linking the Republicans' electoral losses to public dissatisfaction with the war. Together, these developments fuelled expectations of a softer US stance towards Iran and accelerated the unwinding of the geopolitical premium in crude.

However, one aspect the market appears to be overlooking is that the US has never really been able to dictate the course of this conflict. Iran has continued to retain considerable leverage over the war and, more importantly, the security of critical shipping routes. Whether through the IRGC or its regional allies, including the Houthis, threats to maritime traffic have persisted despite Washington's military actions. While the political rhetoric has changed and hopes of a settlement have strengthened, the situation on the ground remains largely unresolved.

Negotiations are still uncertain, the US naval blockade remains in place and commercial shipping through Hormuz continues to face severe constraints. The market, therefore, appears to be pricing in the potential end of the crisis much faster than the physical oil trade is recovering. The latest correction reflects a shift in expectations rather than any confirmed improvement in the security and logistics governing Middle Eastern oil flows.



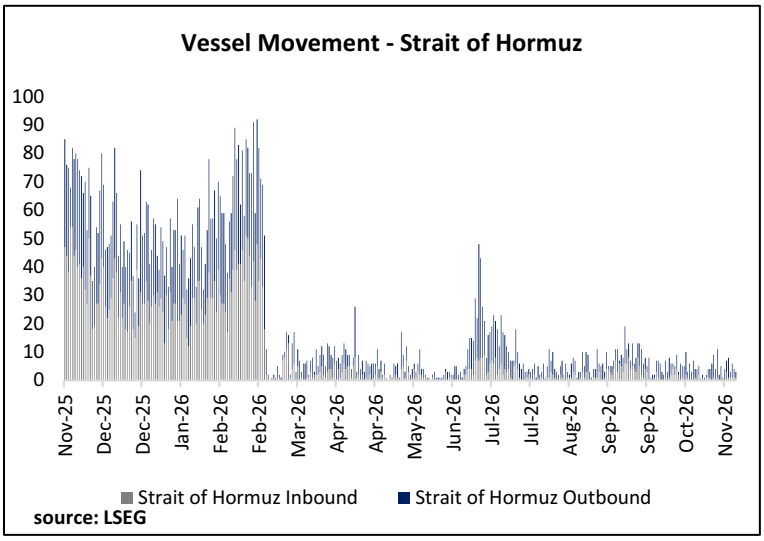


Diplomatic signals have improved, but the fundamental disagreements remain unchanged. Iran's proposal to reopen the Strait of Hormuz within 48 hours is conditional on the US lifting its naval blockade, easing sanctions, releasing frozen assets and agreeing to end hostilities across the region. First reported on November 2, the proposal is far from an unconditional commitment to restore shipping. Washington, meanwhile, continues to insist that any broader settlement must address Iran's nuclear programme, its enriched uranium stockpile and international inspection arrangements.

What is striking is that these are more or less the same issues that have kept both sides at loggerheads since the beginning of the conflict. Nine months into the war, neither side appears to have moved meaningfully from its original demands. The US has not agreed to Iran's conditions, and Tehran has shown little indication of accepting Washington's nuclear-related demands. So, what has actually changed? Attacks on the ground continue, shipping and insurance costs remain elevated, the naval blockade is still in place and the two sides have yet to agree on the terms of a settlement. It is difficult to see how this amounts to any meaningful easing of tensions beyond a change in political rhetoric.

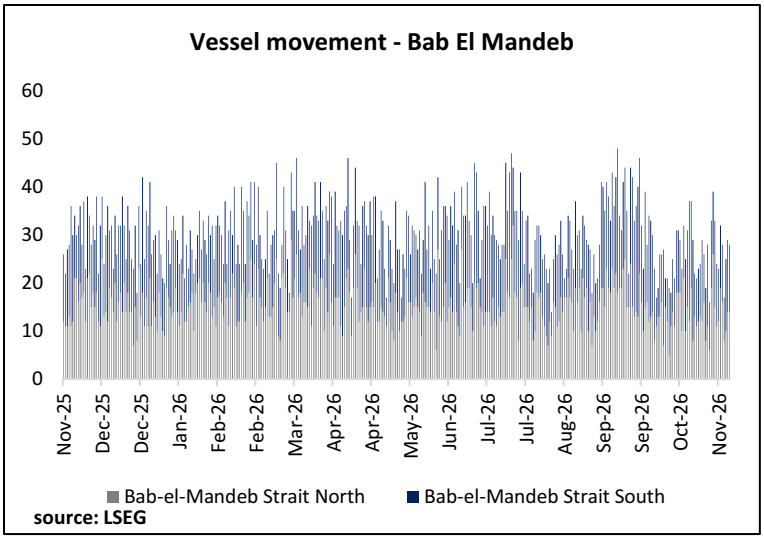
Adding to the uncertainty, Iranian security officials publicly denied on November 10 that negotiations were taking place. While Iran's proposal has clearly helped improve market sentiment, it remains a negotiating position rather than an agreed framework, let alone an operational plan to reopen the waterway. Markets appear to be treating the possibility of an agreement as evidence of progress towards one, even though the key obstacles remain firmly in place.

The political tone has changed, but the security situation at sea has not. President Donald Trump's decision to hold off on fresh strikes against Iran, following appeals from regional leaders, has reduced fears of another immediate military escalation. US Secretary of State Marco Rubio has also argued that sanctions and the naval blockade are working, reducing the need for major combat operations. Markets have interpreted these signals as evidence that the conflict could move towards de-escalation. Yet the blockade remains in force and attacks on commercial vessels have continued. Reports indicate that 37 ships were attacked in and around Hormuz during October and the tally for November has already crossed 10. Some vessels may have crossed with their tracking systems switched off, but the available data still point to a sharp deterioration in normal shipping activity.



source: LSEG

Alternative routes are sustaining exports, but they cannot fully replace Hormuz. Saudi Arabia's East-West pipeline to Yanbu and the UAE's Fujairah export infrastructure have helped Gulf producers redirect some volumes away from the Strait. The World Bank notes that Middle Eastern exports had approached 2025 levels by early October, supported by bypass pipelines, ship-to-ship transfers and cargoes not fully captured by tracking systems. However, this recovery in aggregate exports should not be confused with a normalisation of shipping through Hormuz. aAlternative routes have capacity limitations, require additional logistics and cannot provide the same flexibility as unrestricted maritime transit.



source: LSEG

The distinction is important: oil can continue reaching global buyers through workarounds, but the system remains more exposed to delays, higher freight costs and renewed attacks on critical infrastructure.

Supply disruption far from resolved- The correction has also been supported by signs of easing in the prompt market. Media reports stated (on November 9) that Dated Brent, the benchmark used to price physical crude cargoes, had slipped to a discount against nearby Brent futures, pointing to some easing in immediate physical tightness. OPEC production has also increased, led primarily by higher output from Saudi Arabia, with additional gains from Kuwait and Iraq. Together, these developments have eased some concerns over near-term crude availability. **However, higher production does not necessarily mean more oil is freely available to global buyers, particularly when shipping routes, insurance costs and port access remain constrained.** Demand destruction is also beginning to weigh on the market, as months of elevated energy prices have forced consumers and industries to adjust their consumption. This has added to the bearish repricing, but there is a limit to how far demand can weaken. The current weakness in demand may be easing some of the supply pressure, but it does not eliminate the underlying dependence of the global economy on crude oil.

Depleted inventories remain the market's biggest vulnerability. The International Energy Agency estimated that observed global oil stocks were 509 million barrels below their end-February levels by the end of September, with on-land inventories at their

lowest since at least 2016. US Strategic Petroleum Reserve stocks fell to 279.5 million barrels in the week ending November 6, their lowest level since October 1982. This leaves the global market with a significantly thinner buffer to absorb another supply disruption.

The World Bank's October outlook projects Brent to average nearly $100 per barrel in the fourth quarter of 2026, before easing to $79 in 2027 and $70 in 2028. However, these projections are built around an assumption that Middle Eastern shipments will recover steadily, Gulf refinery activity will return to pre-conflict levels by the second quarter of 2027 and Russian crude production will rebound. This assumption deserves attention because the projected decline in prices depends heavily on a normalisation of supply routes that has yet to materialise. Nine months into the conflict, the fundamental disagreements between the US and Iran remain unresolved, and shipping through Hormuz is still severely constrained. In other words, these projections remain hinged on an expected recovery in supply rather than a disruption-free market already taking shape. **The risks become clearer under the Bank's adverse scenario. If around 5 million bpd of Gulf production is lost during the first half of 2027, alongside constrained Russian exports, Brent could average $105 per barrel in 2027.** The wide gap between the baseline and adverse scenarios highlights how heavily the medium-term price outlook depends on the restoration of Middle Eastern supply. **Until that recovery becomes visible in actual export and shipping data, the market cannot entirely discount the possibility of another significant supply shock.**

The latest correction reflects a genuine shift in political expectations, but it does not yet represent a comparable improvement in the physical oil market. The US has signalled restraint, yet the blockade remains, tanker attacks continue and recent vessel-tracking data show that Hormuz traffic has weakened sharply. Alternative pipelines and rerouted cargoes have helped prevent a deeper supply shortfall, but they are not a substitute for reliable, unrestricted shipping. At the same time, high prices have weakened demand and a softer physical market has added to selling pressure. **The distinction investors need to watch is whether diplomatic progress translates into a sustained recovery in vessel movements, lower shipping and insurance costs, and higher export volumes through normal routes. Until those indicators improve, the market risks pricing in the end of the supply crisis before the underlying constraints have been removed. With global inventories already significantly depleted, any breakdown in negotiations or renewed disruption to Gulf exports could quickly restore a substantial geopolitical premium.**

The sharp correction in crude oil has improved the risk-reward setup, with limited downside expected from current levels. Prices are likely to move higher towards October'26 highs. The bullish view remains intact unless crude oil breaks below ₹7,400, which would negate the current outlook.

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