Oil Tracker: Persian Gulf De-escalation vs. Red Sea Escalation

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- Spot Brent futures prices fell below $90/bbl on Monday following a pause in US and Iran attacks in the Persian Gulf.
  - Iran and Oman are reportedly discussing a restart of Hormuz flows, potentially paving the way for resumed US-Iran talks.
  - However, Red Sea attacks continued over the weekend as the Houthis claimed to target Saudi oil infrastructure, including a 0.4mb/d Jazan oil refinery (reportedly hitting a storage tank) and Yanbu port (where no damage is confirmed).
  - We still expect Brent to moderate to $80 by year-end if Hormuz fully reopens by Q4, but Red Sea disruptions and attacks on Saudi oil infrastructure may pose a new source of upside risk for crude and refined products prices.
- Our estimated Persian Gulf flows edged down to 41% of pre-war levels (7DMA) (Exhibit 1), as Hormuz and Yanbu Red Sea flows each declined by around 1.5mb/d from a week ago (Exhibit 2 and Exhibit 3).
  - While noisy, Yanbu loadings edged down to 3.3mb/d (7DMA), and the Houthis reportedly targeted the port over the weekend.
    - Based on the three confirmed incidents in the Red Sea and the composition of tankers that crossed successfully, the Houthis appear to be targeting Saudi-flagged tankers, while Chinese-flagged tankers carrying Saudi crude can still cross Bab-al-Mandab.
  - Total Red Sea flows declined by over 3mb/d over the last week as Bab-al-Mandab flows declined by 2.1mb/d (7DMA).
    - Saudi Arabia redirected about 0.5mb/d of Bab-al-Mandab flows via the Suez Canal last week, while Russia decreased its Red Sea exports by 2.2mb/d.
- As Persian Gulf and Red Sea flows declined, our global visible stocks counter drew 0.7mb/d in July month-to-date, with draws accelerating over the last week to 11mb/d (Exhibit 6) on lower crude in transit (although high-frequency stocks data are noisy and can be revised).
  - With Persian Gulf exports declining, Asian crude buyers are turning back to the US, with fixtures data implying an August crude exports rebound.
- China net crude imports rose over 3mb/d over the last two weeks (14DMA),

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mainly on higher Saudi crude imports (Exhibit 7).

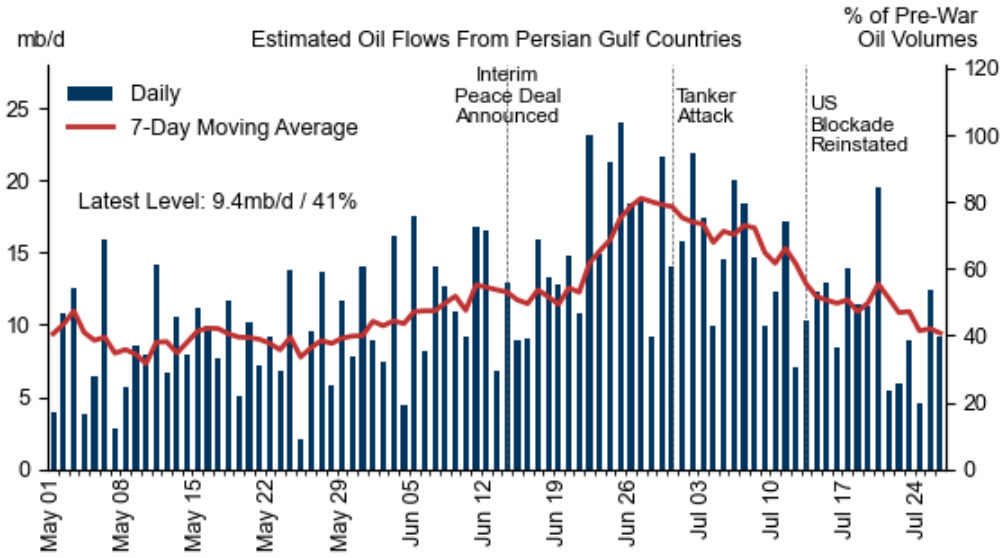
- China refinery utilization rates increased to 66% from below 60% in early July, driven by an increase in SOE runs, while independent refinery runs remained flat (Exhibit 8).
  - As China prioritizes energy security, refineries reportedly can only use product export quotas if their storage remains at or above end-February levels.
- Although China net exports of refined products edged up from mid-July lows, we do not expect a large rebound given the government's priority to keep domestic markets well-supplied (Exhibit 9).

- While the CPC terminal resumed loadings today after nearly a week of disruptions, disruptions remain plausible given continued drone attacks in the Black and Caspian Seas.
  - CPC loadings declined by 1.8mb/d over the last week (7DMA), pushing Kazakhstan oil production down by 1.2mb/d over the weekend from June levels (Exhibit 10).
  - Although attacks on Russia refineries continued over the weekend, a slight shift in the focus of drone attacks toward oil tankers provided some relief for Russian refinery runs, which picked up by 1.4mb/d over the last two weeks, but remain 1.4mb/d below the year-ago levels (Exhibit 11).
  - While Russia refined product exports remain down 1.1mb/d year-to-date (28DMA), crude and condensate exports also declined by 0.7mb/d over the last week following drone attacks on tankers (Exhibit 12).



1) Persian Gulf and Red Sea Flows

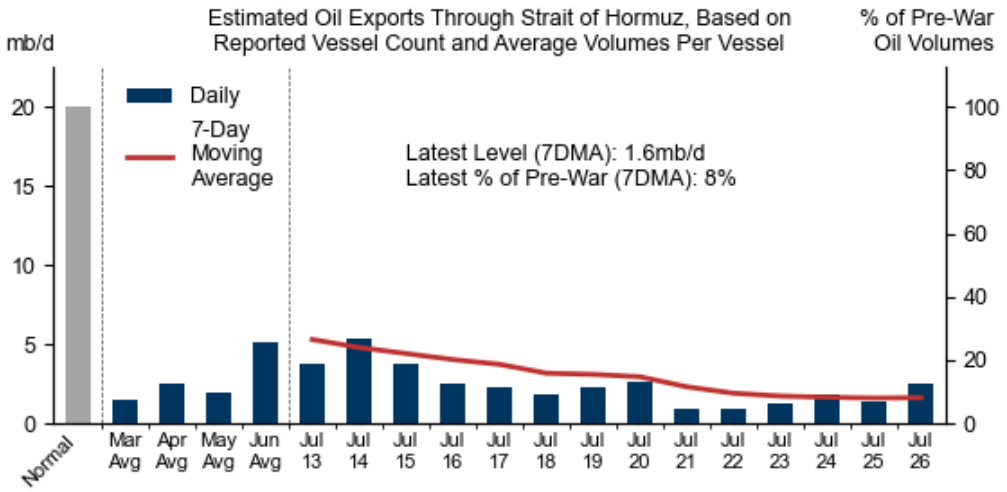
Exhibit 1: Oil Exports From the Persian Gulf Are at 41% of Pre-War Levels (7-Day Moving Average), Down from 80% in Late June Before Renewed Tanker Attacks



Includes flows through the Strait of Hormuz, Yanbu, Fujairah, Gulf of Oman, and Botas Ceyhan. Yanbu is on the west coast of Saudi Arabia, bordering the Red Sea and connected to Saudi eastern oil fields via the East-West pipeline. Fujairah lies east (outside) of the Strait of Hormuz and is connected to Abu Dhabi's onshore fields via the Abu Dhabi Crude Oil Pipeline (ADCOP). The Gulf of Oman connects the Strait to the Arabian Sea (southeast). The Kirkuk-Ceyhan pipeline allows northern Iraqi crude to be pumped through Turkiye to the Mediterranean sea. "Normal" flows are assumed to be 20mb/d for Strait of Hormuz and 2025 average for Yanbu (1.4mb/d), Fujairah (1.7mb/d), Gulf of Oman (0mb/d), and Botas Ceyhan (0mb/d).

Source: Kpler, S&P Global Commodities at Sea, Goldman Sachs Global Investment Research

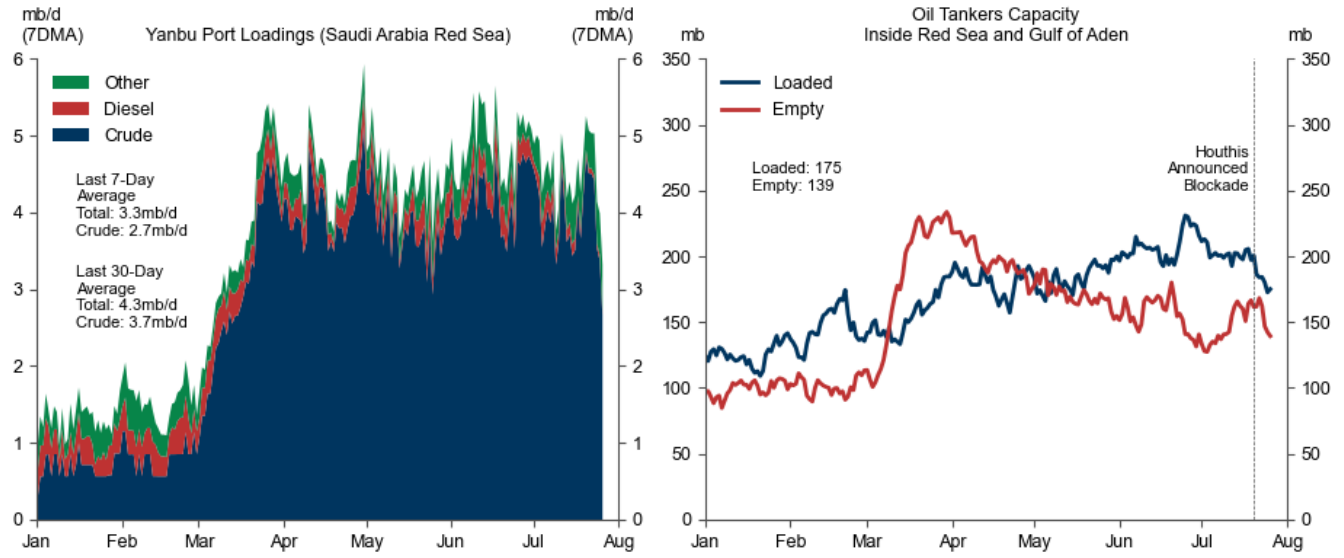
Exhibit 2: Flows Through the Strait of Hormuz Stand at 8% of Pre-War Levels (7-Day Moving Average)



Oil exports are estimated by taking an average of S&P and Kpler data on the daily number of oil tankers crossing the Strait of Hormuz and scaling by the average oil volumes per vessel since March 1 from Kpler. Normal oil volumes are assumed to be 20mb/d.

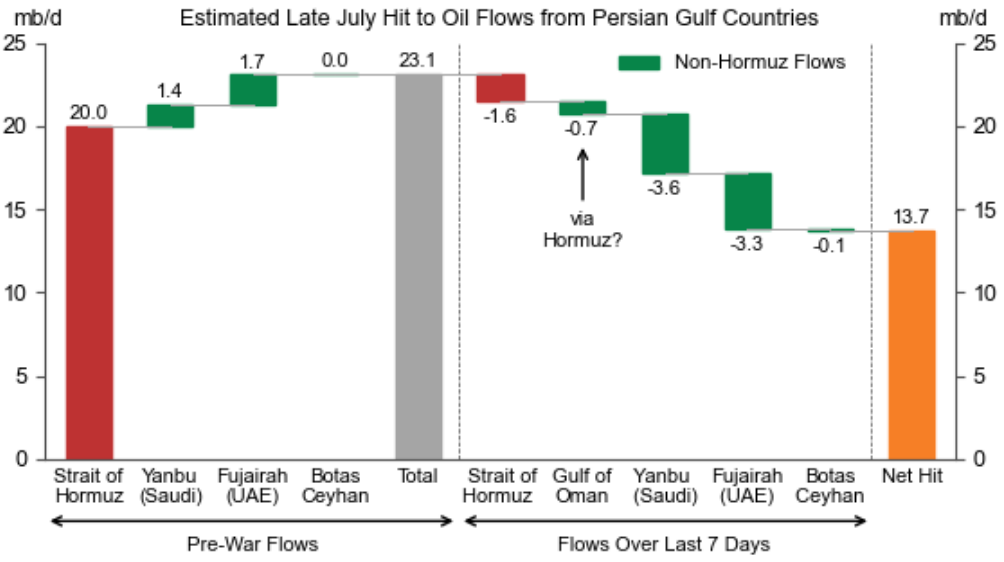
Source: Kpler, S&P Global Commodities at Sea, Goldman Sachs Global Investment Research

Exhibit 3: While Noisy, Oil Loadings at the Saudi Yanbu Port Have Declined to 3.3mb/d (7-Day Moving Average); Empty Tanker Capacity Inside the Red Sea Has Decreased By 15% Since the Houthis Announced Blockade



Source: Kpler, Goldman Sachs Global Investment Research

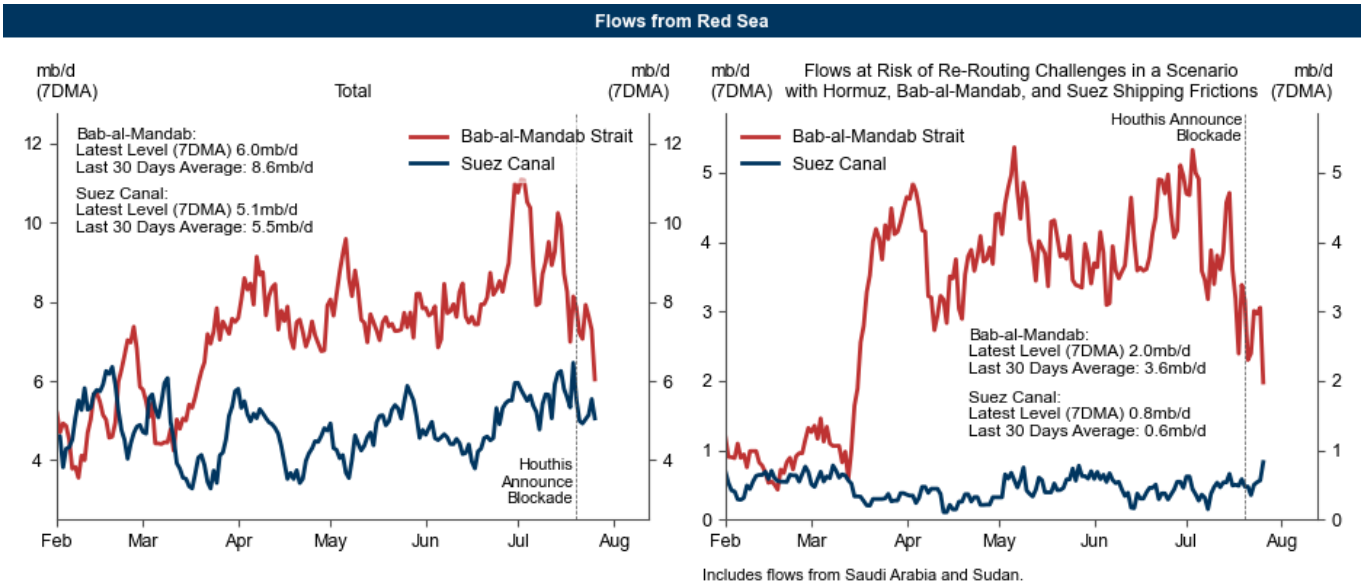
Exhibit 4: Our Estimate of the Hit to Oil Flows From the Persian Gulf Has Doubled Since Early July and Now Stands at 13.7mb/d



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Source: Kpler, S&P Global Commodities at Sea, Goldman Sachs Global Investment Research

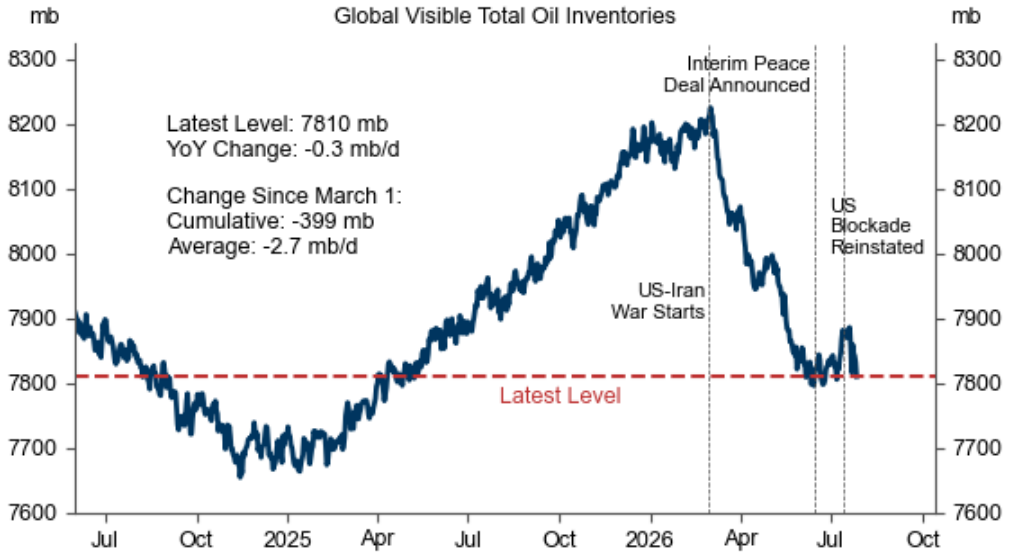
Exhibit 5: Oil Exports via the Bab-al-Mandab Strait and Suez Canal Combined Have Declined by Nearly 25% Since the Houthis Announced the Blockade, With Exports Averaging 11.1mb/d Over the Last 7 Days



Source: Kpler, Goldman Sachs Global Investment Research

2) Stocks

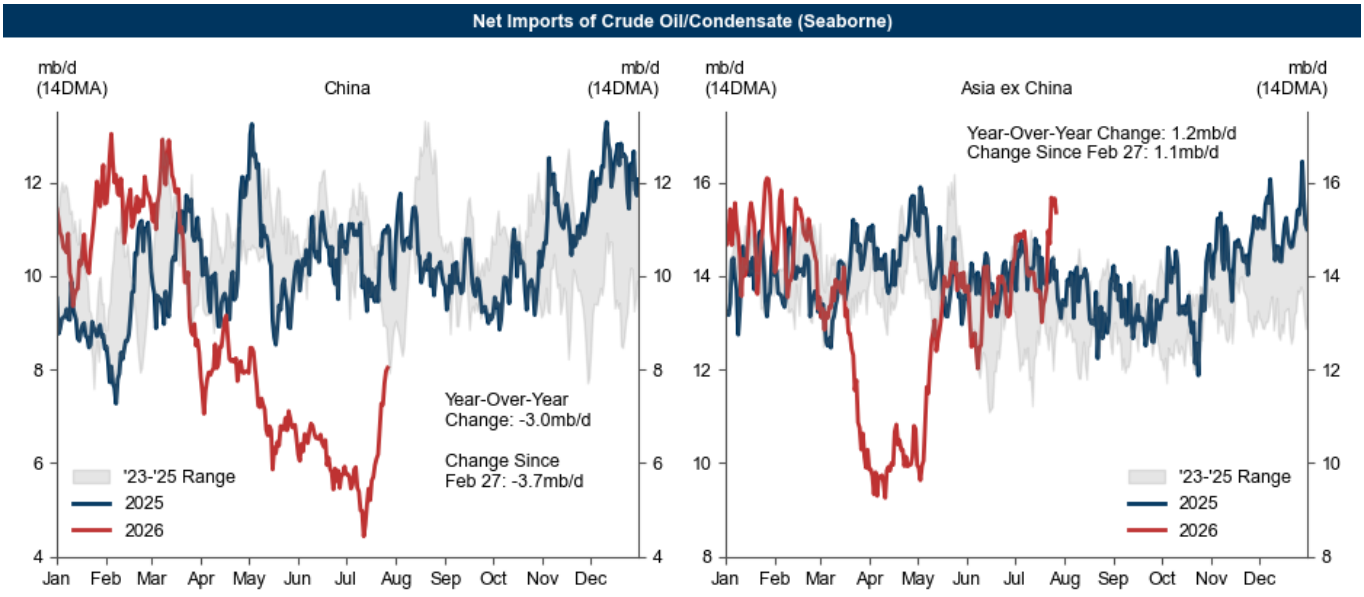
Exhibit 6: Our Global Visible Stocks Counter Remains Near Year-to-Date Lows But Only 0.3mb/d Below Year-Ago Levels



Source: IEA, Kpler, DOE, Euroilstocks, ARA PJK, PAJ, Haver, Goldman Sachs Global Investment Research

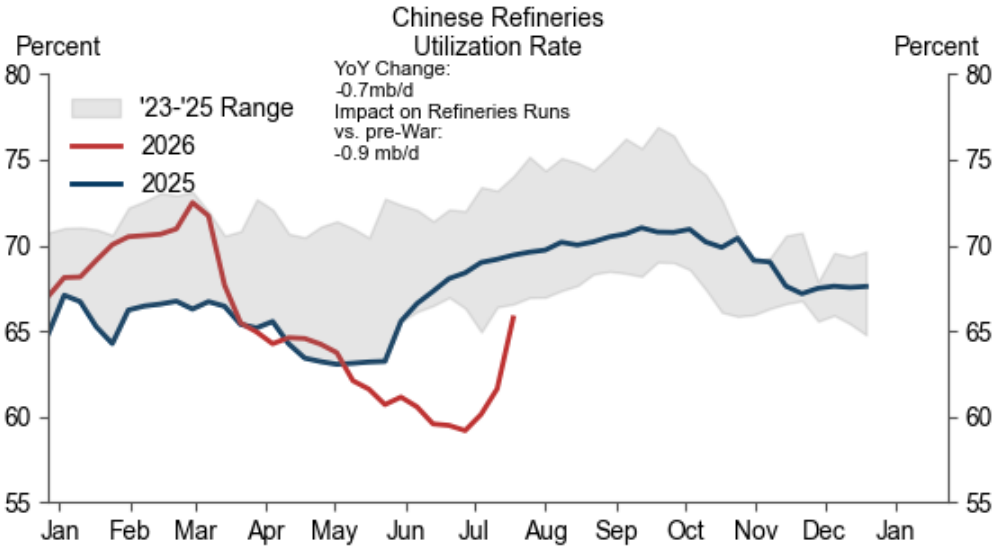
3) China Flows and Demand

Exhibit 7: China Net Imports of Crude/Condensate Have Rebounded by 3.4mb/d Over the Last Two Weeks But Remain 3.0mb/d Below Year-Ago Levels (14-Day Moving Average)



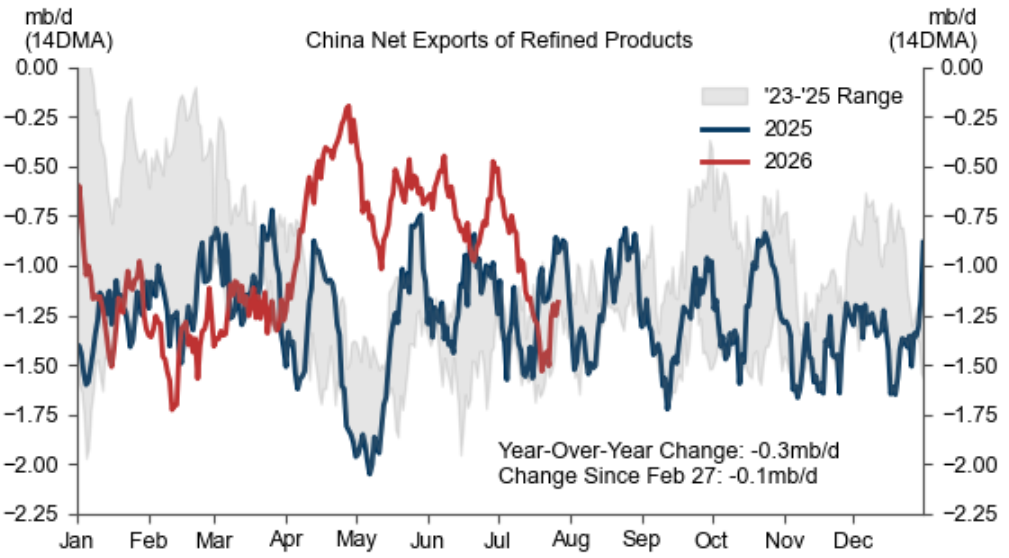
Source: Kpler, Goldman Sachs Global Investment Research

Exhibit 8: Estimated Chinese Refineries Utilization Rate Picked Up in July to 66% But Runs Are Still 0.7mb/d Below Year-Ago Levels



Source: Industrial Info Resources, Goldman Sachs Global Investment Research

Exhibit 9: China Net Exports of Refined Products Edged Up by 0.4mb/d Over the Last Week But Remain 0.3mb/d Below Last Year Levels

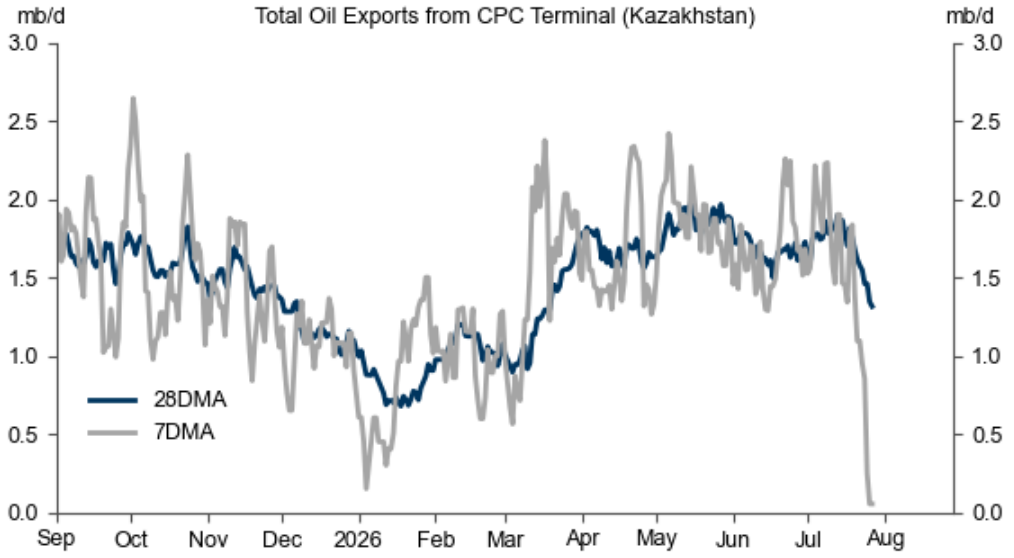


Refined products include LPG.

Source: Kpler, Goldman Sachs Global Investment Research

4) Russia and CPC Flows

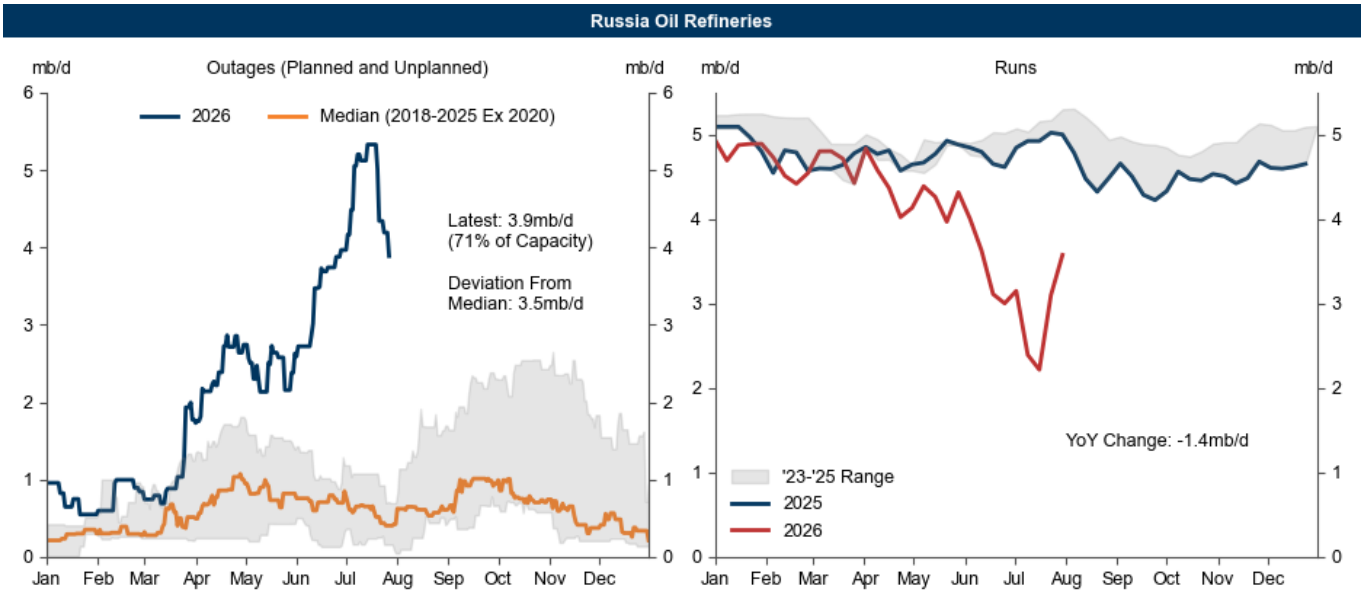
Exhibit 10: CPC Oil Exports Have Dropped to Near-Zero Levels (7-Day Moving Average) Following Drone Attacks on Tankers in the Black Sea



The Caspian Pipeline Consortium (CPC) transports Kazakh and Russian oil to Russia's Novorossiysk port, from where it is exported to the rest of the world. The CPC Terminal is the loading point at the port for this oil.

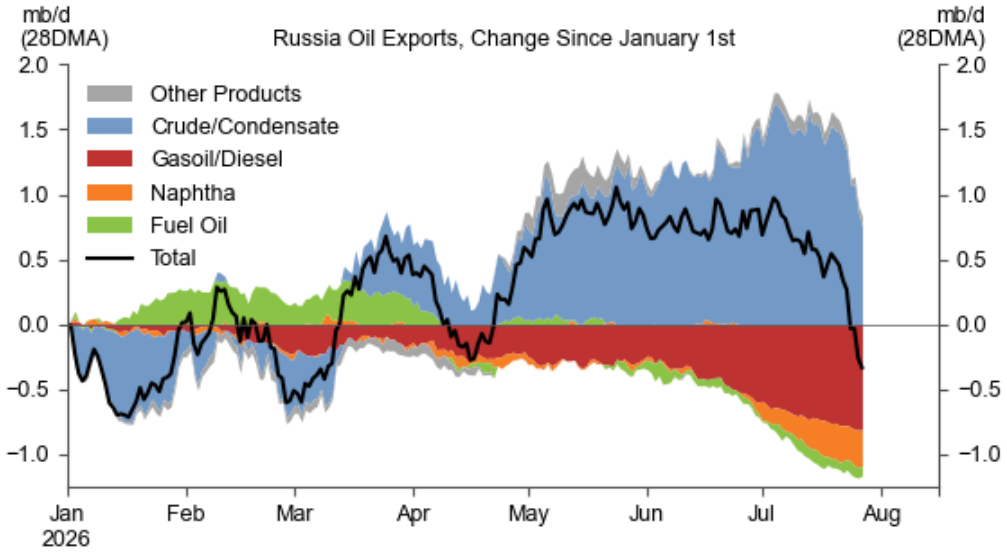
Source: Kpler, Goldman Sachs Global Investment Research

Exhibit 11: Russia Refinery Outages Moderated but Remain Elevated at 3.5mb/d Above Their Historical Seasonal Norms; Refinery Runs Have Increased by 1.4mb/d Over the Last Two Weeks



Source: IIR, Goldman Sachs Global Investment Research

Exhibit 12: Russia Refined Products Exports Have Declined by 1.1mb/d Year-to-Date, While Crude and Condensate Exports Declined by 0.7mb/d Over the Last Week



Source: Kpler, Goldman Sachs Global Investment Research