THEMATIC RESEARCH · OIL AND GAS

Oil Above $115: The Gulf Under Fire

claims, not damage

Houthi missile and drone claims against Saudi oil infrastructure, a fire near Ras Tanura and a new Iranian declaration closing the Strait of Hormuz pushed Brent to a six-month high. This report separates what is confirmed from what is claimed and examines supply, prices, inflation and the scenarios ahead.

Global Markets Research · Commodities Desk Prepared by ANDRA MARKETS

+60% since Feb

Coverage summary. Brent settled at $115.81 on 26 October, up 60% since the eve of the war with Iran on 28 February, after rising 6% last week. Over the weekend Yemen's Houthis claimed strikes on Aramco facilities at Yanbu, the Rabigh refinery and the East-West pipeline; Saudi Arabia reported intercepting missiles but has not confirmed any damage to oil infrastructure. On 27 October Bloomberg reported that a fire near Ras Tanura had been contained after a new attack. With effective OPEC+ spare capacity of only 0.27 million barrels a day, according to the IEA, the market has almost no buffer.

spare capacity ~0

BRENT, 26 OCT SETTLE	TTF GAS, 26 OCT	OPEC+ SPARE CAPACITY	US GASOLINE
$115.81	**€97.5**	**0.27 mb/d**	**$4.28**
+60% since 27 Feb	*intraday high since Dec 2022*	*IEA, effective*	*a gallon; $3.05 a year ago*

Exhibit A. The week in energy

Indicator	Latest	Before the war	Comment
Brent ($/bbl)	115.81	72.48	six-month high
WTI ($/bbl)	101.76	67.02	
TTF gas (€/MWh)	~95-97	~32	EU storage 74.6%, ~14 pts below norm
Oil volatility index (OVX)	58.7	64.7	peak 120.9 on 11 Mar
Brent prompt spread	~$5/bbl	n.a.	99th percentile since 1990
US gasoline ($/gal)	4.28	3.05 (a year ago)	diesel record $6.53

everything above pre-war

tight curve = scarcity

Sources: ICE and NYMEX via Yahoo Finance and Reuters; CBOE; Gas Infrastructure Europe; MUFG; AAA. Pre-war prices are closes of 27 February 2026.

1.0 Executive Summary

Key takeaways

The weekend added risk, not yet lost barrels. None of the Houthi claims on Yanbu, Rabigh or the East-West pipeline has been confirmed by Saudi Arabia or Aramco. Kpler data show Saudi crude exports of 5.5 million barrels a day in the first 25 days of October, and Yanbu loadings of 2.2 million.

claims ≠ damage

no buffer

The system has no shock absorber. The IEA puts usable spare capacity at 0.27 million barrels a day, most of it trapped behind Hormuz. Global inventories are 509 million barrels below end-February, and the US strategic reserve is at its lowest since 1982. Any confirmed outage would be priced at once.

Gas is the bigger problem for Europe. Qatar's LNG exports have almost stopped since March, TTF prices have tripled and EU storage is about fourteen points below normal going into winter.

Our view. We expect Brent to stay between $100 and $120 into year-end, with risks skewed higher until Hormuz traffic normalises. Inflation keeps central banks on a tightening path.

2.0 The Weekend Attacks

Claims and confirmations

Between 24 and 26 October Houthi spokesman Yahya Saree claimed strikes on an Aramco facility at Yanbu, the Rabigh refinery, crude pumping stations and the East-West pipeline, as well as airports and an air base. The Saudi-led coalition reported intercepting several ballistic missiles, drones and a cruise missile. On 27 October the Houthis claimed a missile had set fire to the Ras Tanura refinery, which processes about 550,000 barrels a day; Bloomberg, citing a person familiar with the matter, reported that a fire near the site had been contained. The extent of any damage is unknown.

Exhibit B. What is claimed and what is confirmed

Target	Claim	Confirmed
Aramco, Yanbu	Houthi strike claim, 24 Oct	missiles intercepted; no damage reported
Rabigh refinery	Houthi claim, 24 Oct	no statement
East-West pipeline pumping stations	Houthi claims, 24 and 26 Oct	no statement
Ras Tanura	Houthi claim: refinery hit, 27 Oct	fire nearby contained (Bloomberg); 3 missiles intercepted
Riyadh, Khamis Mushait	missile and drone attacks	interceptions reported by coalition

Sources: ABC; Newsquawk; FinanceFeeds; Bloomberg; KFGO/Reuters; Saudi-led coalition statements. Claims are unverified.

The market has seen this before. On 10 September drones disabled several pumping stations on the East-West pipeline, launched from Iraq according to Saudi Arabia; Yanbu loadings stopped for eleven days and Brent rose more than $3 in a session. The pipeline is now the main route around Hormuz, which makes it the most valuable target in the region.

3.0 Hormuz and the Bypass Routes

Where the barrels go

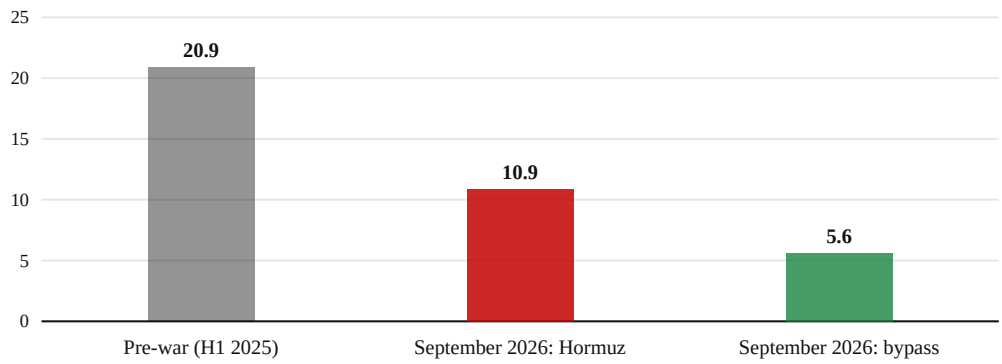
Before the war about 20.9 million barrels a day of crude and products passed through the Strait of Hormuz, a fifth of world consumption. The IEA estimates that 10.9 million passed in September, with another 5.6 million on bypass routes: the Saudi East-West pipeline to Yanbu and the UAE's Habshan-Fujairah line. Daily tracking is erratic, because many tankers sail with transponders off, and at least 28 attacks or security incidents were recorded in the first half of October.

4.0 The Supply Balance

No spare capacity

The IEA has described the shock as the largest supply disruption in the history of the oil market: world output fell by 10.1 million barrels a day in March, about 9% of supply. Supply has partly recovered to 102.3 million barrels a day in September, but the 2026 average is 5.8 million below last year, while demand is down only 2.6 million. The gap has been filled from inventories, which are now 509 million barrels below end-February.

Exhibit 1. Oil flows through and around the Strait of Hormuz (million barrels a day)



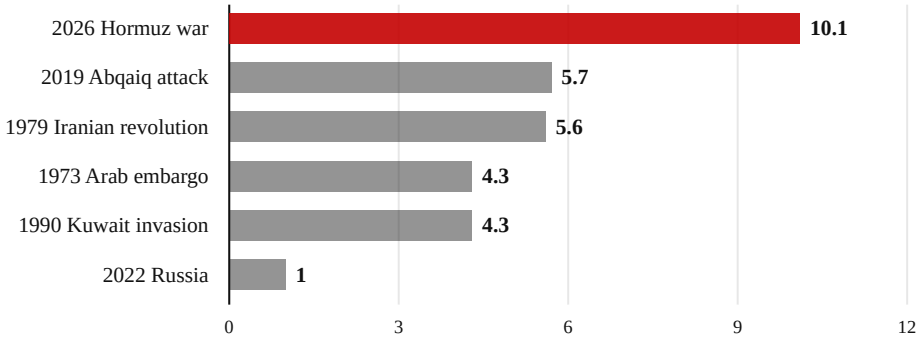
Sources: EIA (pre-war flows); IEA Oil Market Report, October 2026.

Exhibit C. Hormuz crisis timeline, 2026

Date	Event
28 Feb	US and Israeli strikes on Iran; Iran closes the strait
2 Mar	Qatar halts LNG production
11 Mar	IEA collective stock release of 400m barrels
17 Jun	Islamabad Memorandum; partial reopening
8 Jul	interim truce collapses
10-11 Sep	drone strikes shut the East-West pipeline
26 Oct	IRGC declares the strait closed again

Sources: IEA; Reuters; Wikipedia chronology (dates cross-checked with press reports).

Exhibit 2. Peak gross supply losses in major oil shocks (million barrels a day)



Sources: IEA, as compiled by globaloilshock.com; Abqaiq from IEA and Saudi Aramco (2019). The Abqaiq loss was restored within weeks.

Exhibit D. Buffers and balances

Indicator	Value	Source
OPEC+ effective spare capacity	0.27 mb/d	IEA, Oct OMR
Saudi output, September	8.3 mb/d	IEA (capacity 12.1 mb/d)
Global stocks vs end-February	−509m bbl	IEA
IEA emergency release, March	400m bbl	IEA
US SPR	~283m bbl	lowest since 1982

Sources: IEA Oil Market Report (14 October 2026); EIA; US Department of Energy.

5.0 Prices and the Curve

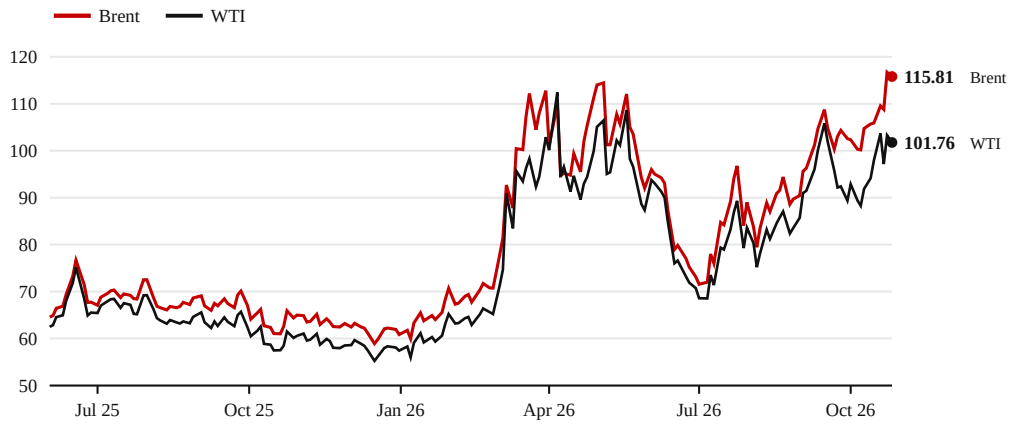
Scarcity premium

Brent's highest close this year was $118.03 on 29 April, and it briefly traded near $126 intraday the following day. The curve tells the same story as the inventories: the gap between the first two Brent contracts is about $5 a barrel, in the 99th percentile since 1990, according to MUFG. Refined products are tighter still. US heating oil futures are up more than 130% this year, and the refining margin on a typical barrel reached its highest since 2006 in September.

Apr high: $118 close

Exhibit 3. Brent and WTI crude oil futures ($ per barrel)

war: 28 Feb



second leg higher

Source: ICE and NYMEX front-month futures via Yahoo Finance, to 26 October 2026.

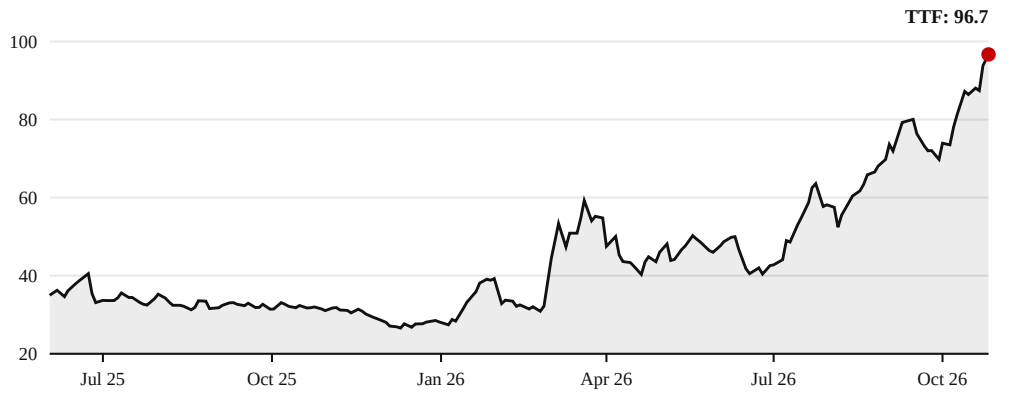
6.0 Natural Gas

Europe heads into winter short

Qatar: 18 cargoes vs 509

For Europe the gas market is the sharper risk. Qatar halted LNG production on 2 March and shipped 18 cargoes in the first six months of the war, against 509 a year earlier. The Dutch TTF benchmark touched €97.50 per megawatt-hour on 26 October, its highest since December 2022, and EU storage was 74.6% full, about fourteen points below the 2017-25 average. Asian LNG prices are near $30 per million British thermal units.

Exhibit 4. Dutch TTF natural gas futures (€ per MWh)



x3 since February

Source: ICE Endex via Yahoo Finance, to 26 October 2026.

7.0 Inflation and Central Banks

The second-round test

The shock has reached consumer prices. US inflation was 3.7% in September with energy up 20.4%; the euro area reached 3.8% with energy up 18.9%; the UK rose to 3.5% with motor fuels up 29.8%. The Dallas Fed estimates that a three-quarter Hormuz closure adds about 1.1 points to US headline PCE inflation but only 0.3 to the core. Central banks have chosen to lean against second-round effects: the Fed raised rates in September and the ECB in June and September.

energy CPI +20%

Exhibit E. Inflation and policy, October 2026

Economy	CPI (Sep)	Energy	Policy rate	Next move
United States	3.7%	+20.4%	3.75-4.00%	hold expected 28 Oct; Dec hike priced
Euro area	3.8%	+18.9%	2.50% (deposit)	hold expected 29 Oct
United Kingdom	3.5%	fuels +29.8%	3.75%	hike expected 5 Nov
Canada	3.1%	n.a.	2.25%	hike to 2.50% expected 28 Oct
New Zealand	n.a.	n.a.	2.75%	hike to 3.00% 80-86% priced

Sources: BLS; Eurostat; ONS; Statistics Canada; central banks; market pricing via press reports.

global tightening

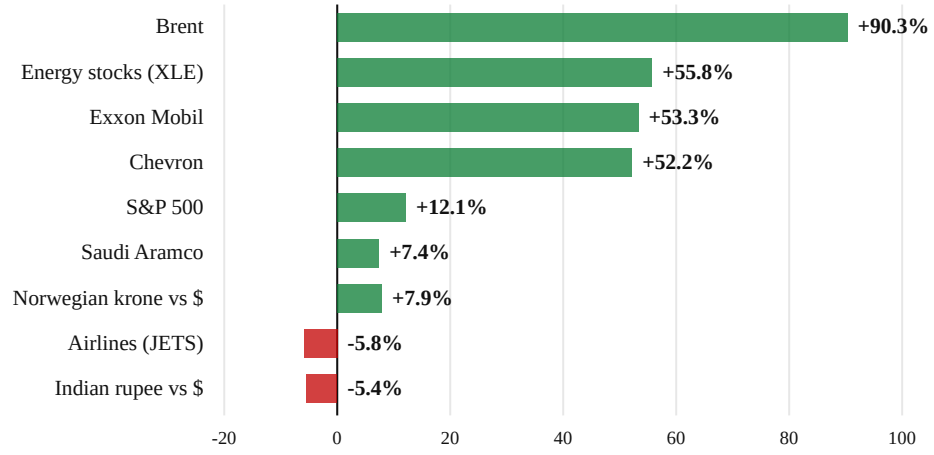
Michigan: 48.0

Households are feeling it. The University of Michigan's sentiment index fell to 48.0 in October, the second-lowest reading in 74 years, and one-year inflation expectations rose to 4.7%. Higher rates and lower real incomes raise the risk of recession in 2027, especially in energy-importing economies.

8.0 Winners and Losers

Markets since the start of 2026

Exhibit 5. Change since 31 December 2025 (%)



producers win

importers lose

Source: Yahoo Finance closes to 26 October 2026; Andra Markets calculations. Currency changes shown as the currency's value against the dollar.

Aramco lags

The winners are US producers: Exxon and Chevron are up more than 50% this year and the energy sector ETF hit a record on 23 October. Saudi Aramco has gained much less, because its own exports are at risk. Importers pay the bill: the Indian rupee is close to its record low, Japan is running trade deficits and airlines have lost ground, with American Airlines' third-quarter fuel bill up 67.5%.

9.0 Forecasts and Scenarios

Next three to six months

Exhibit F. Bank and agency forecasts for Brent

Forecaster	Date	Forecast	Condition
EIA (STEO)	6 Oct	$105 Q4 2026; $84 avg 2027	assumes 4.5 mb/d shut in, Q4
Morgan Stanley	13 Oct	$105 Q4 2026; $100 Q1 2027	base case
JPMorgan	13 Oct	$105 Q4 2026; $100 Q1 2027	base case
Goldman Sachs	22 Oct	~$90 end-2026 / $140 early 2027	recovery / prolonged Gulf disruption
Citi	3 Sep	$86 Q3 2026; $70 Q4	expected supply recovery

Sources: EIA; Investing Live; GuruFocus; Observer Voice; Yahoo Finance. The Goldman October scenarios come from secondary reporting.

consensus ~$105

Exhibit G. Andra Markets scenarios to end-January 2027

Scenario	Probability	Brent	Trigger
Contained: claims stay unconfirmed, flows stable	45%	$100-115	Saudi exports hold above 5.5 mb/d
Escalation: confirmed Saudi outage or US strike on Iran	35%	$125-150	loss of Yanbu or Ras Tanura volumes
De-escalation: deal reopens Hormuz	20%	$80-95	agreement after US midterms; tanker traffic normalises

judgemental

Andra Markets scenarios; probabilities and ranges are judgemental.

10.0 What We Are Watching

Dates and indicators

Exhibit H. Calendar

Date	Event	Why it matters
27 Oct	Israeli election	timing of any new strike on Iran
28 Oct	Fed, Bank of Canada, RBNZ decisions	policy response to energy inflation
29 Oct	ECB decision	euro area tightening path
1 Nov	OPEC+ meeting	December targets; no change expected
3 Nov	US midterm elections	reported window for US-Israeli action
5 Nov	Bank of England	hike expected
Mid-Nov	IEA Oil Market Report	stocks, flows, spare capacity
Daily	Kpler and Lloyd's List tanker data	Hormuz and Yanbu flows

first test: Aramco

Andra Markets selection; dates from official calendars and press reports.

verdict: risk priced, damage unconfirmed. with no spare capacity, the next confirmed outage sets the price

Methodology and Source Notes

Method. This report uses market data from ICE, NYMEX and CBOE via Yahoo Finance, energy statistics from the IEA, EIA and Kpler, and press reporting for attack claims and official statements. Claims by the parties to the conflict are reported as claims. Prices are front-month futures settlements to 26 October 2026; the scenario probabilities are judgemental. Handwritten notes and highlights are informal commentary by the desk. This note is analysis, not investment advice.

Principal sources. IEA Oil Market Report; EIA (STEO, Hormuz flows); Kpler; Lloyd's List; Saudi-led coalition and Saudi Press Agency statements; BLS; Eurostat; ONS; Federal Reserve; Dallas Fed; University of Michigan; AAA; MUFG; Morgan Stanley; JPMorgan; Goldman Sachs; Citi; Reuters; ABC; Newsquawk; Al Jazeera; Gulf News; Yahoo Finance.

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