TIM UNDERWOOD

Newsletter – May 2026

The war in the Gulf and the closure of the Straits of Hormuz do not seem to have impacted the financial markets very much, but it is a potential turning point in economic fundamentals. Here are some points from an AI research.

1. Estimates show between 1,600 to 2,000 commercial ships stranded across the Gulf waters, trapping an estimated 20,000 mariners

2. Approximately 211 crude oil tankers are currently trapped in the region, carrying an estimated 190 million barrels of oil.

3. Prior to the conflict 125 to 140 commercial ships passed through the Straits daily,

4. Before the war, an estimated 20 million barrels per day of crude oil and petroleum products passed through the Straits of Hormuz, representing roughly 20% of the world's global oil supply. Daily global demand is about 100 million barrels

5. The International Energy Agency released from emergency reserves 400 million oil barrels, of that 170 million will come from the USA reserve which holds 415 million barrels. This will be used up by mid July.

6. The 400m oil barrels are equal to 20 days loss of supply from the Gulf.

7. The Straits were blocked from 28 February 2026 so 92 days of oil is lost as at the end of May 2026 or approx 1,840 million barrels of oil.

8. The USA is exporting record amounts (latest 6 million barrels per day) but it also imports 6 million barrels per day. This is because not all oil is the same. The US oil is "light" but the oil many US refineries need is "heavy" which is imported. Source -

https://oilprice.com/Energy/Crude-Oil/US-Crude-Exports-Surge-To-All-Time-Highs-Amid-SPR-Releases.html

Given the AI points above, where are we today?

Logistics

1. The 400 million released from reserves is about 20 days of lost oil from Hormuz.

2. Once opened the 2,000 ships would take 15 days to exit the Straits assuming 140 pass per day

3. Of these 211 could be tankers with 190 million barrels of oil equal to 10 days of former supply

Problem

1. To open the Straits peace and security for the ships is essential.

2. Mines have to be cleared. Marine insurance has to be obtained. Order of exit has to be agreed

3. Once out of the Gulf, it is not known how many ships would return to reload and how long that would take, given oil tankers take weeks to transit from the Gulf to delivery ports.

4. It is also unknown how much damage has been done to the oil infrastructure in the Gulf.

Current Situation

1. Peace is not about to be agreed and so the Straits remain largely closed

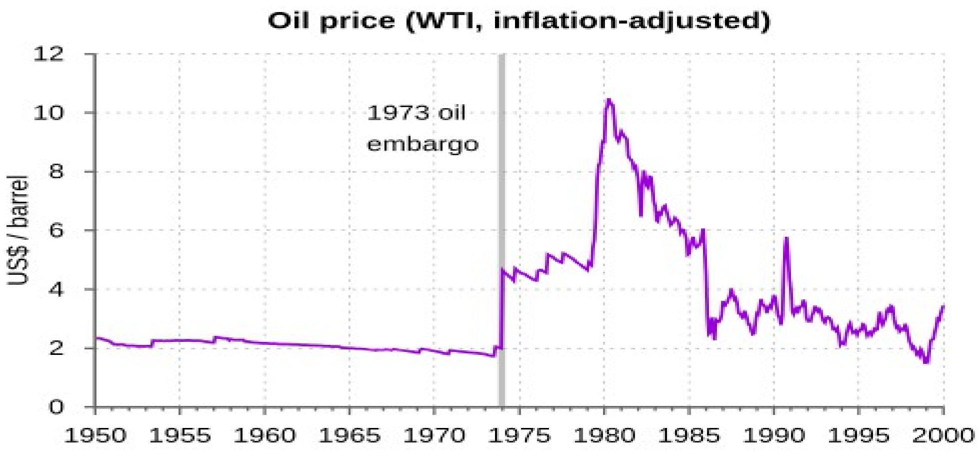
2. Even when opened the oil supply will take many months to recover, maybe into 2027.

3. The oil price quoted in the Press is the futures price, today at $90 (WTI) for July 2026. It is what traders are willing to pay for oil today and delivered in mid July.

Looking ahead

Many believe the disruption is more dramatic than any former oil supply shock, worse even than the 1973 oil embargo imposed by the Gulf States. However then the oil infrastructure was not damaged and supply could be easily restored, which is not the case today.

The world faces a structural change in the global energy system, rather than a temporary upset. This will have long term impacts on the financial world and asset allocation.



The above chart is the oil price adjusted for inflation. It doubled in 1973 so if that was repeated today it would be from $60 in January 2026 to $120 this summer. Note it went up 5 times over the years to 1980, which would be $300!

This video explains some features of the oil market relevant to today.

https://youtu.be/MQaPnQJ1IcA?si=mfJLE6EHQJkHXC5b

Best wishes

Tim 1 June 2026

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