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U.S. announcements, HORMUZ & THE COMMODITY SHOCK

What the U.S. President is saying, what the U.S. order actually covers, and the likely impact on oil, LNG, refined products, fertilizers, chemicals and global supply chains.

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1. What Trump is saying vs. what the order appears to do

Headline rhetoric is broader than the operational wording now in circulation.

Market conclusion: even a narrow blockade can create a broad supply shock through fear, delay, insurance repricing and rerouting.

Trump / public framing

- • Iran is using Hormuz as "world extortion".
- • Vessels paying Iranian tolls would not be safe.
- • U.S. would remove Iranian sea mines.
- • The message is coercive: restore freedom of navigation, cut Iranian leverage, and pressure Tehran after talks failed.

Operational order / CENTCOM wording

- • Blockade starts with traffic entering or leaving Iranian ports.
- • Shipping to non-Iranian Gulf destinations is not meant to be obstructed.
- • In market terms, this is not yet a full legal closure of all Gulf exports.
- • But shipowners, insurers and banks may still behave as if wider danger exists.

2. Why Hormuz matters: the volumes are systemically important

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Even if the order is narrower than the rhetoric, this chokepoint remains critical.

OIL

20 mb/d

about 25% of world seaborne oil trade

80% of these oil flows normally head to Asia

3.5–5.5 mb/d

estimated bypass pipeline capacity — useful, but far below normal flows

GAS / LNG

19%

of global LNG trade moves through Hormuz

93% / 96%

of Qatar / UAE LNG exports use the strait

No alternative route

for equivalent LNG volumes to reach global buyers

OTHER COMMODITIES

29% LPG trade

19% refined products

13% chemicals trade

~ one-third fertilizer trade

Meaning: this is not only an oil story; it transmits into food inputs, petrochemicals and inflation.

3. Impact chain: from military move to commodity tightness

The first shock is usually not missing barrels alone — it is friction and fear in the transport system.

U.S. blockade of Iranian traffic → **Shipowners / insurers reprice risk** → **Transit slows, routes change** → **Cargo availability tightens** → **Prices, freight & volatility rise**

Oil

- Risk premium rises first.
- Asian buyers are most exposed.
- Spare Gulf capacity helps less if it cannot be shipped.

LNG

- Potentially sharper than oil.
- Qatar / UAE dependence makes Europe and Asia sensitive.
- No true bypass route.

Chemicals / fertilizers / food chain

- LPG, fertilizers and chemicals move materially through Hormuz.
- Higher input and freight costs can feed into food inflation.

4. Scenario investigation: likely market paths from here

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What matters next is whether legal nuance is believed by shipowners, insurers and Gulf exporters.

Base case

Narrow blockade, broad friction

- Oil stays supported by a large geopolitical premium.
- Freight, war-risk insurance and demurrage remain high.
- LNG stays tight; fertilizer and chemical costs remain firm.

Escalation case

Iran widens interference or military risk freezes most traffic

- A wider physical outage would threaten a much larger Gulf supply shock.
- Brent / Dubai / LNG could gap sharply higher.
- Global growth risk and inflation risk both rise meaningfully.

De-escalation case

Protected transit stabilises and diplomacy resumes

- Part of the risk premium comes out quickly.
- Oil can retrace faster than LNG / freight.
- But confidence may recover only gradually after a security shock.

Watchpoints: CENTCOM guidance | tanker owner behaviour | war-risk insurance | Qatar LNG sailings | Asian spot buying | retaliation against “allowed” traffic

5. SMK takeaway for management / treasury

This is a supply-risk event first, but it rapidly becomes a cash, margin, FX and procurement event.

- 1. Review direct exposure: oil, LPG, LNG, chemical or fertilizer dependencies; contracts linked to Gulf sourcing.
- 2. Review indirect exposure: freight, bunker, insurance, supplier repricing, working capital and customer pass-through risk.
- 3. Tighten treasury readiness: liquidity buffers, margin headroom, covenant sensitivity, stress testing and FX trigger levels.
- 4. Monitor market indicators daily: Brent/Dubai, TTF/LNG proxies, tanker freight, and supplier alerts — not only spot crude.
- 5. Prepare execution discipline: pre-agreed triggers for hedging, procurement windows, customer pricing and cash escalation.

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Bottom line:
Not yet a full legal closure of Gulf exports, but already enough to tighten energy and supply-chain conditions materially.

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