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MONDAY MORNING QUARTERBACK

ENERGY MARKETS CEO BRIEFING NOTE

"China Remains the Quiet Stabilizer of Global Oil Markets!"

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China Remains the Quiet Stabilizer of Global Oil Markets!

China is arguably the most underestimated force shaping oil price direction. When surplus barrels appear, they often vanish into Chinese strategic stockpiles. Unlike other buyers, China is not constrained by short term market psychology. If storage is full, more can be built. If demand weakens, refinery output can be adjusted. This creates a structural support mechanism that prevents oversupply from crashing prices as aggressively as in past cycles. The strategic objective is resilience and independence from political pressure, not simply maximizing refining margins. As long as that priority holds, China will remain the hidden hand keeping the oil market tighter than the spreadsheets suggest.

By Sean Evers, Managing Partner, Gulf Intelligence

That tightening effect matters because the market is increasingly distorted by barrels that exist on paper but not in practice. A significant portion of global supply is trapped inside a sanctioned system that makes oil harder to move, harder to finance, and harder to insure. The world may look awash with crude, yet the flow of oil is restricted by geopolitics rather than pure economics. Sanctions create friction, and friction creates scarcity. This is why the market can appear balanced even while analysts insist there is excess supply. It is not only about how many barrels exist. It is about how many barrels can freely reach the buyer.

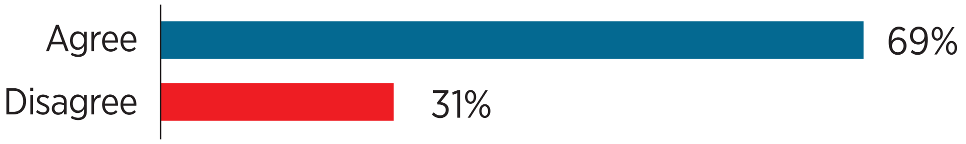
Iran Risk, Geopolitics, and Why the Market Refuses to Panic

This reality helps explain why Brent remains trapped in a familiar range, repeatedly snapping back toward the $65 to $70 band. Oil is behaving like a market without conviction. Traders do not believe a major supply shock is imminent, but they cannot dismiss the possibility either. That tension creates a price structure where rallies fade and dips find support. The result is a market that feels stuck, anchored between geopolitical noise and a supply demand balance that refuses to break decisively in either direction.

At the heart of this stalemate sits Iran, the recurring headline risk that the market refuses to fully price. The base case remains containment rather than war, defined by threats, negotiations, and maximum pressure tactics rather than a full-scale military rupture. The logic is simple. A major conflict risks spiralling beyond control, damaging energy flows, destabilizing the region, and delivering a global economic shock. Both sides understand that war creates unpredictable second order consequences, while managed escalation preserves leverage. The oil market itself signals this expectation by consistently resisting panic pricing.

Even if a strike occurs, markets have learned that geopolitical spikes often fade quickly. A sudden rally could be dramatic, but history shows these moves can become sugar rushes once traders realize supply is not permanently removed. The only scenario that sustains higher prices is prolonged instability that disrupts production for years, not days. The real question is not the first strike. It is the aftermath. If exports continue and infrastructure remains intact, the spike collapses. If chaos spreads into long term disruption, oil reprices structurally higher.

China oil imports will remain the top key north star for direction of oil markets in 2026?



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How much Iran supply risk premium is now in the oil price at $67?

The New Oil Order: The Americas, Political Price Pressure, and the Fight for a Floor

Still, the bearish case continues to loom. A strong argument persists that crude is sliding toward $50, driven by expanding supply in the Western Hemisphere and a fragile demand outlook. In this view, geopolitical tension is simply delaying a decline that was already underway. Rallies are opportunities to sell, not signals of a new bull cycle. If the market must find its true floor, it will test the pain threshold where producers finally shut in supply and break the oversupply dynamic. That implies a move toward $50 and possibly lower.

Yet this bearish logic meets a powerful counterforce. Oil cannot sustainably live at $50 because low prices collapse investment. Producers do not respond to low prices by drilling aggressively. They retreat. Capital expenditure falls, drilling slows, and supply growth weakens. The market becomes self-correcting. Any drop toward $50 may happen briefly, but it cannot persist without triggering the conditions for a rebound. The industry requires a floor that supports reinvestment, and investors increasingly demand returns rather than reckless growth.

That tension is sharpened by the structural shift in global supply leadership. The oil market is no longer shaped solely by Middle Eastern decision making. The Americas have become the dominant swing producer bloc, with the United States, Canada, Brazil, Guyana, and Argentina expanding supply capacity. When prices rise, producers hedge forward and accelerate flows. This creates a ceiling that did not exist in earlier decades. The centre of gravity in oil pricing is moving westward, and that shift reduces the impact of Middle Eastern risk unless the disruption is extreme and sustained.

Politics adds another layer to the oil outlook. Energy prices are not simply a market outcome. They are a strategic tool. With inflation sensitivity and elections looming, the incentive is clear: suppress oil prices rather than allow sustained rallies. While governments cannot fully control crude markets, they can influence sentiment, sanctions enforcement, and supply dynamics. Markets respond not only to barrels but to political intent. When leadership signals a preference for cheaper energy, traders begin pricing that bias into the curve.

Meanwhile, the broader investment world is shifting toward real assets. Metals have led this rotation because their supply is constrained and their demand is driven by electrification and industrial transformation. Oil is positioned to benefit from this trend, but only if fundamentals tighten. Investors will not chase crude simply because it looks cheap. They will chase it when the market turns structurally tight, when disruption becomes real, or when underinvestment begins to bite. Until then, oil remains the laggard commodity in a wider real asset resurgence.

This is the oil market's paradox today. It is trapped between bearish supply narratives and bullish structural fragility, between geopolitical tension and political restraint, between paper oversupply and real-world friction. The price remains anchored because the world is waiting for one variable to break the equilibrium. And until that happens, the real driver may not be Washington, Tehran, or even OPEC. It may be the quiet strategic buyer in Asia that continues to absorb barrels, reshape trade flows, and prevent the oil market from collapsing the way the bears insist it should. ■

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