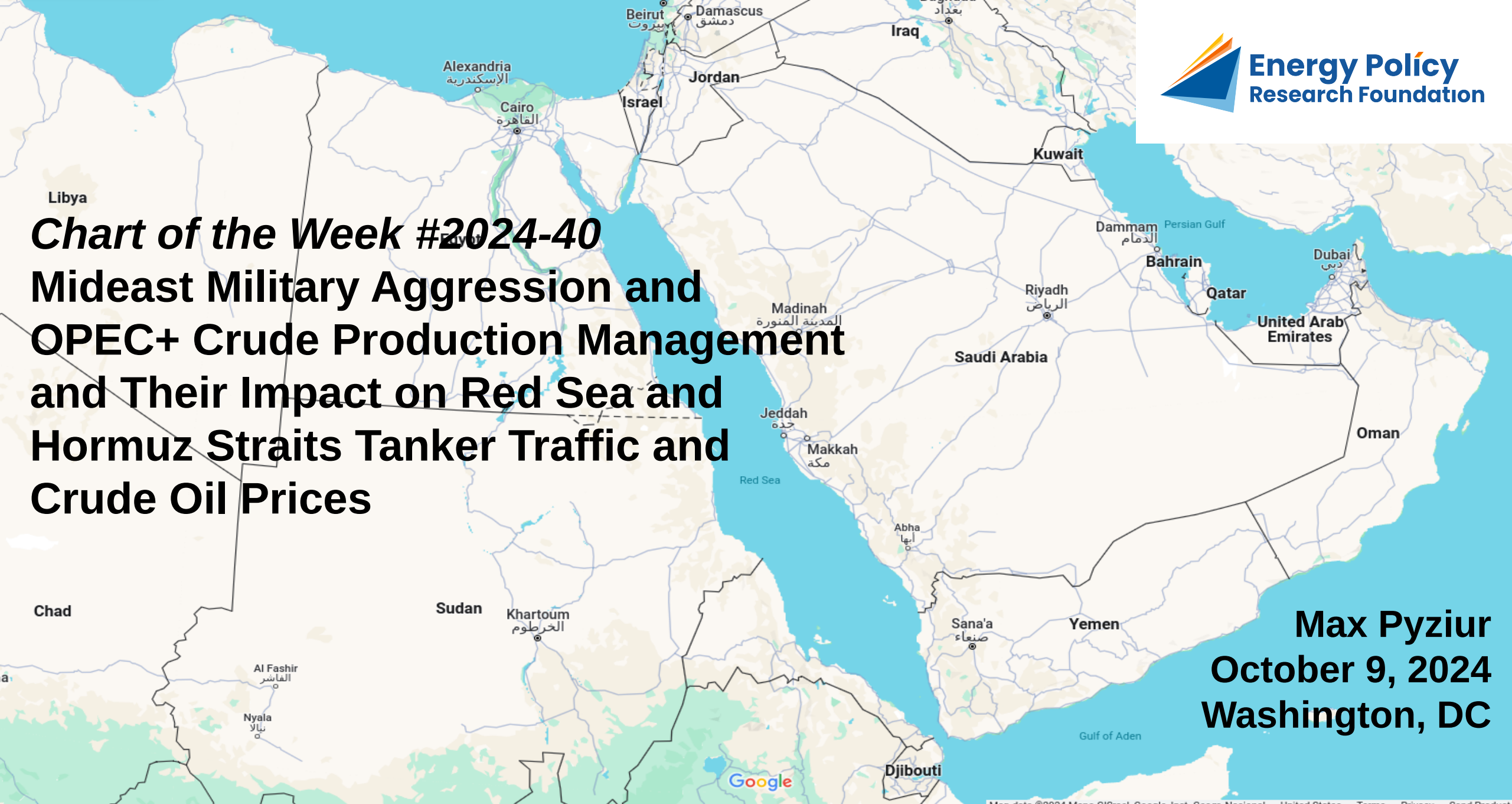


Chart of the Week #2024-40

Mideast Military Aggression and OPEC+ Crude Production Management and Their Impact on Red Sea and Hormuz Straits Tanker Traffic and Crude Oil Prices

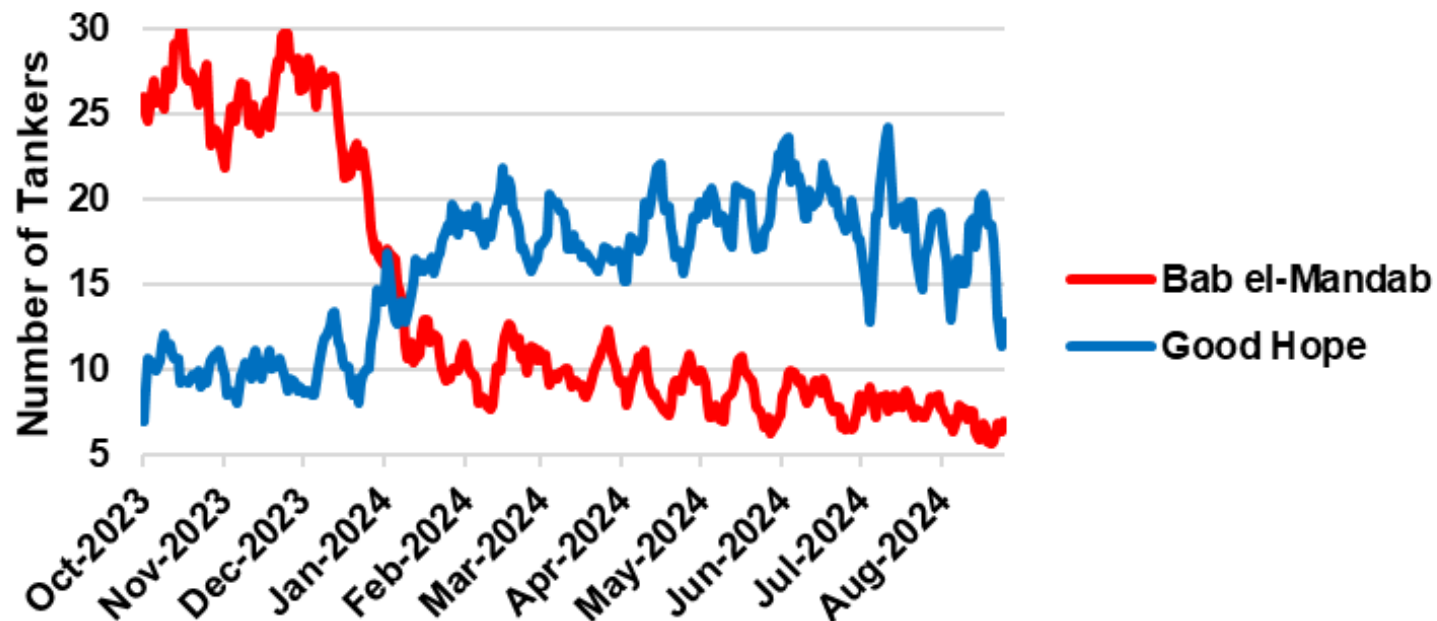
Max Pyziur
October 9, 2024
Washington, DC



- **The war that began with Hamas' attack of Israel on October 7, 2023 quickly expanded across the Middle East. Additional critical points of escalation were in April 2024 and more recently on October 1, 2024 when in both instances Iran launched multiple missile attacks against Israel.**
- **In the last twelve months, crude oil prices have been buffeted from one side by the escalation of Mideast military aggression that has led to supply diversions. Conversely, there have been OPEC+ supply management challenges coupled with demand weakness due to slowing economic factors.**

Tanker Traffic: Good Hope vs el-Mandab - 7 Day Moving Average

10/07/2023 - 09/30/2024



Analysis Based on Daily IMF Portwatch Data

Energy Policy Research

Pre-October 2023, about 20% of total Suez vessel traffic was comprised of tankers moving crude oil.

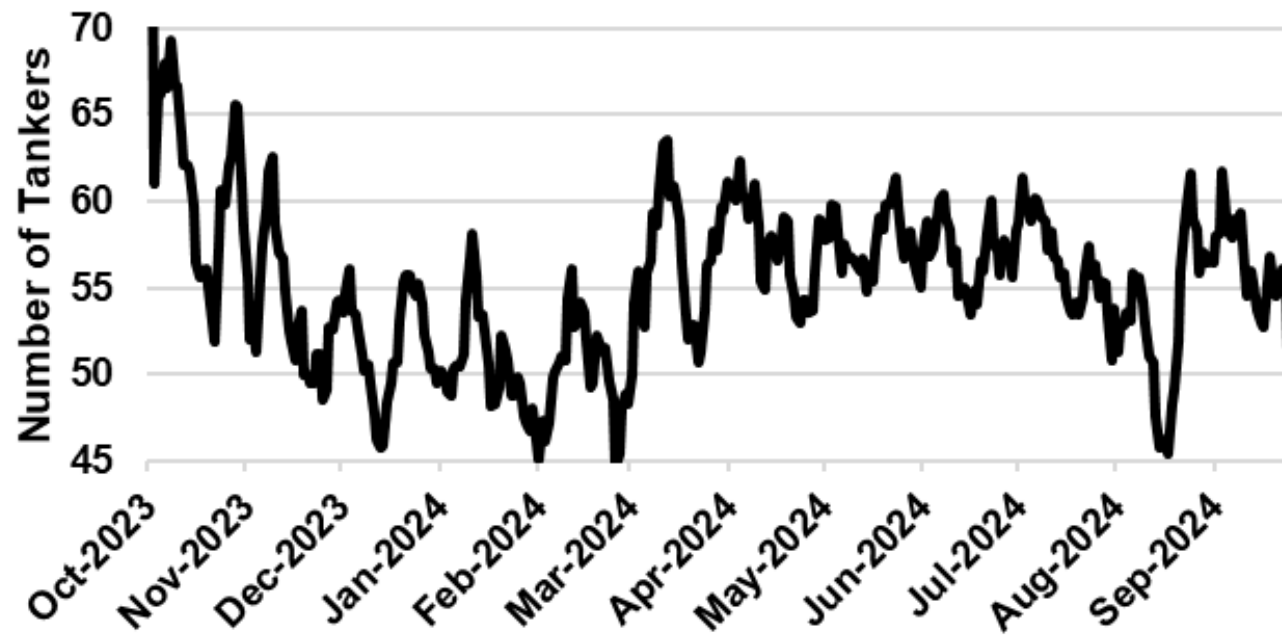
Notably, in the months that followed, some of the tanker traffic crossing the Bab al-Mandab strait at the southern entrance to the Red Sea was attacked by pirates, drones, and missiles from the Iranian-backed Houthi-controlled region of Yemen.

Since then, many ships have diverted their journeys around the Cape of Good Hope resulting in Red Sea tanker traffic dropping to 40% of its pre-war level.

In response, Cape of Good Hope-routed tanker traffic has increased, but levels remain considerably less than that of Red Sea traffic loss.

Tanker Traffic: Straits of Hormuz - 7 Day Moving Average

10/07/2023 - 09/30/2024



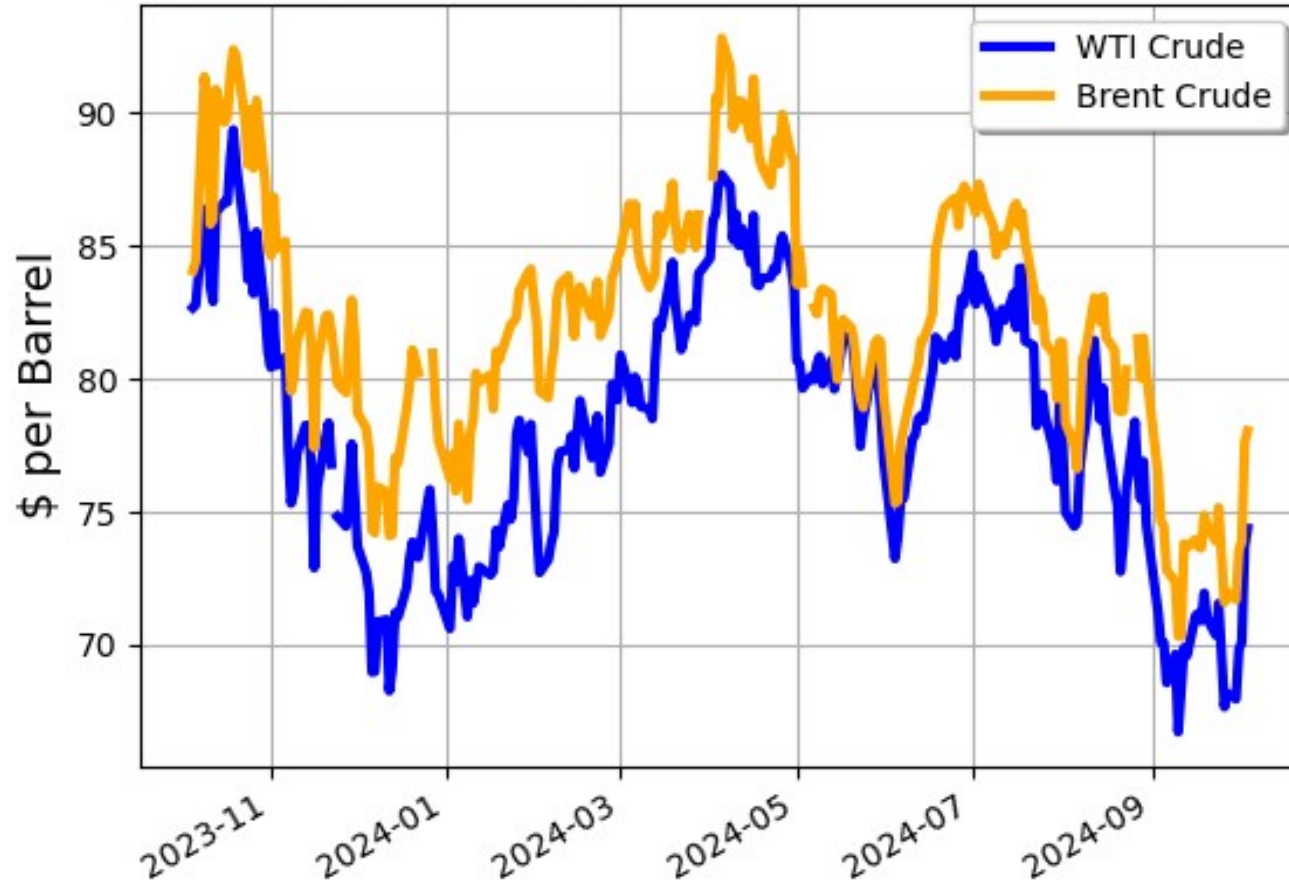
Analysis Based on Daily IMF Portwatch Data

Energy Policy Research

In the four months following October 2023, there had been a noticeable decline of tanker traffic through the Hormuz Straits; subsequently, there was a partial recovery.

But following the September 2024 regional escalation, along with speculation of an Israeli retaliation against Iran's October 1st attack, Hormuz traffic has begun to decline again.

WTI Crude and Brent Crude: 10/05/2023 to 10/05/2024



Analysis based on Daily EIA Data

EPRINC

While the overall trend has been downward, crude prices have seesawed during this period.

Initially, they rose in response to escalation of Mideast military aggression due to concerns that it could disrupt tanker traffic.

But they moved lower due to OPEC+ overproduction and declines in industrial production.

- Mid-2024, OPEC+ cited Iraq, Kazakhstan, and Russia for overproduction requesting that the three submit a plan on how to compensate other cartel members that led to price weakness and foregone revenues.
- Additional price weakness is due to flattening demand. Notably, U.S. manufacturing activity has declined since March 2024 leading to lower requirements for transportation fuels such as diesel.
- Nevertheless, the October 1, 2024 attack by Iran is causing global crude oil benchmarks to edge higher.
- With no abatement of Mideast aggression, the stage is set for more volatility. The one surprise is that U.S. hurricane disturbances have so far led to no perceptible price spikes.

This slide deck is available at: <https://eprinc.org/chart-of-the-week/>

For more information on these charts, please contact Max Pyziur (maxp@eprinc.org).