

Arc

Commodity

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A long-awaited pause

US–Iran Ceasefire Negotiations in Islamabad (April 2026)

The Pakistan mediated negotiations scheduled to commence on April 10, 2026 take place against the backdrop of a fragile, two week ceasefire announced on April 8. While the truce marks a tentative pause in overt hostilities, deep divergences limit the potential of the talks. Both camps are publicly declaring diplomatic success: the US and Israel emphasise the partial reopening of the Strait of Hormuz and the cessation of immediate Iranian military threats, whereas Tehran brings forward its 10 point framework as the basis for a broader political settlement. Despite these narratives, negotiating positions on both sides remain highly maximalist.

1. Iran's Nuclear Programme — Core Impasse

Iran seeks a formal recognition of its right to domestic uranium enrichment for civilian purposes, under the IAEA's supervision and with negotiated caps on enrichment levels. The US, by contrast, maintains a position of zero enrichment, demanding dismantlement of key nuclear facilities at Fordow and Natanz, alongside the removal of all enriched uranium stockpiles. This divergence represents an existential disagreement rather than a technical one. Tehran views enrichment as a pillar of sovereignty and a post conflict deterrent, while Washington continues to frame any enrichment capability as an unacceptable breakout risk.

2. Sanctions and economic relief

Iran is pressing for the full and permanent lifting of US sanctions, including the delisting of the IRGC and has raised the issue of economic reparations. The US position is limited to phased and conditional sanctions relief, explicitly tied to verifiable progress on nuclear compliance and constraints on Iranian regional activities. This disconnect has created significant disputes around sequencing, credibility, and enforcement.

3. Regional security and proxy dynamics

Tehran is demanding explicit US non aggression guarantees, a reduction of American military presence in the region, and an end to attacks on allied groups such as Hezbollah and the Houthis. The US and Israel, in turn, insist on tangible limits to Iran's proxy networks and missile capabilities — issues Iran refuses to formally link to the nuclear file. Israel's continued military operations in southern Lebanon underscore the fragility of the ceasefire and complicate the negotiation perimeter.

4. Verification, enforcement, and political constraints

The deep mutual distrust continues to obstruct agreement on verification and enforcement mechanisms. The presence of potential spoilers — including Israeli hardliners and Gulf states uneasy with Iran's prospective role in Hormuz security — adds a further downside risk. Domestic political constraints are equally binding: the influence of the IRGC within Iran and entrenched hawkish factions in Washington significantly narrow the scope for compromise.

Strategic context

From Tehran’s perspective, uranium enrichment is framed as a non negotiable element of national identity, energy security, and long term industrial policy, with plans for up to 19 civilian nuclear reactors. Acceptance of the US demands for total dismantlement and removal of enriched material — linked to earlier Trump era policy positions — would likely erode domestic political support for President Pezeshkian and strengthen hardline factions within Iran’s power structure.

Bull Case Scenario) - 60–70% probability

The most probable near term outcome is a 30–45 day extension of the ceasefire, accompanied by limited sanctions easing, a temporary cap on enrichment levels (e.g., 5–20%), and a provisional Hormuz security protocol. While such an arrangement would stabilise near term oil flows—critical given that roughly 20% of global oil supply transits the Strait — it would primarily serve to contain immediate macroeconomic risks rather than resolve the underlying strategic disputes. The negotiation process is therefore likely to remain protracted, fragile, and highly sensitive to external shocks.

Ceasefire halts crude oil rally

The announcement of a two-week ceasefire between the United States, Iran, and Israel marks the first significant de-escalation since military actions began on February 28, 2026. While the Strait of Hormuz remains effectively closed to large-scale commercial traffic, the cessation of active strikes on energy infrastructure has immediately deflated the “conflict premium.” Brent crude oil, which peaked near \$128/ bbl on April 2, has retraced to the \$93–\$95 range as on April 08. However, the structural damage to regional supply chains suggests that “fair value” remains significantly higher than pre-war levels.

What began as a targeted military campaign rapidly escalated into a regional conflict involving Iran’s retaliatory missile and drone campaigns against GCC energy infrastructure, shipping in the Strait of Hormuz, and US military installations across the Gulf turned out to be most consequential Middle East energy disruption since the 1973 oil embargo. The impact of war on the economy would be visible in coming months as oil prices surged 60% since the beginning of war and remains 35% above the pre-war level.

The EIA’s April 2026 STEO — released just yesterday on April 7 — reflects a dramatic revision to both supply and demand assumptions, given the conflict’s persistence beyond initial assumptions.

Metric	Pre-War Forecast (Feb 2026)	IEA Mar 2026	EIA Apr 2026	YoY Change
Global Oil Demand Growth 2026 (mb/d)	0.93	0.64	0.6	-0.33 vs pre-war
Global Oil Supply Growth 2026 (mb/d)	2.4	1.1	Est. ~+1.0	-1.4 revision
Middle East Shut-in Production (mb/d)	—	~8–10	7.5 (Mar) / 9.1 (Apr)	Largest in history
Global Demand 2027 Rebound (mb/d)	—	—	106.2 (+1.6 mb/d)	Recovery assumed
LPG/Ethane: ME Exports to China (Mar–Apr)	Normal	□250 kb/d	Effectively shut in	Petrochemical impact

Source: Mirae Asset Sharekhan Research

Petrochemical supply tightness & cascading effects

The US-Iran war has delivered a dual shock to petrochemical markets: physical destruction of downstream assets and near-complete blockade of feedstock and product export flows through Hormuz.

QatarEnergy has halted production of urea, polymers, methanol, and aluminium at Mesaieed Industrial City following Iranian missile strikes on Ras Laffan. LPG and naphtha exports — critical feedstocks for Asian petrochemical plants — have fallen sharply. The IEA revised LPG/ethane demand for March-April down by 190 kb/d, with ME exports to China falling 250 kb/d and to India falling 200 kb/d.

Petrochemical Supply Tightness & Cascading Effects

Product	GCC Global Share	Disruption Scale	Key Markets Affected	Price Outlook (2026)	Recovery Timeline
LPG / Ethane	~35% of global supply	Near-complete shutdown	China, India, East Africa	↑ Sharply elevated; cooking fuel crisis in SE Asia	Pending Hormuz — 6–12 months
Naphtha	~20%	Severe; some naphtha substitution	NE Asia (Japan, Korea, Singapore)	↑ Elevated; naphtha competitive vs LPG now	6–12 months
Urea / Ammonia	~33% via Hormuz	Force majeure (QatarEnergy)	Global food supply chain	↑ +20% YoY; fertiliser crisis in planting season	6–12 months
Polymers / Plastics	~18%	Ras Laffan halted	Packaging, auto, construction globally	↑ Elevated; supply chain disruption	6–12 months
Methanol	~22%	Significant reduction	China (fuel blending, chemicals)	↑ Moderately elevated	3–9 months
Helium	~30% Qatar share of global	Ras Laffan offline	Semiconductor fabs, MRI, scientific	Critical shortage — no near-term substitute	12+ months
Sulphur	~40% of globally traded supply	GCC refinery damage reduces output	Indonesia HPAL nickel; zinc smelters	↑ Tight — feeds into Ni/Zn refining costs	6–18 months
GTL Diesel (Shell Ras Laffan)	Boutique premium market	Halted — Shell force majeure	Niche premium users	Loss of premium product supply	12–18 months
Aluminium (GCC smelters)	~9% global primary output	Bahrain Alba (□19%); EGA disrupted	Europe, USA, Asia ex-China	LME \$3,424/t — 4-yr high; \$4,000/t bull case	6–12 months

Source: Bloomberg, Mirae Asset Sharekhan Research

Expected Supply Recovery — Crude Oil & LNG from GCC

Country	Refinery/Facility Capacity Lost (est. b/d)	LNG Impact (Mt/yr)	Petrochem Impact	Recovery Timeline
Saudi Arabia	550,000–700,000	—	LPG export disrupted	3–6 months
Qatar	2,00,000	77 Mt fully offline	Urea/polymer halted	6–12 months
UAE	600,000–800,000	Low-level ops only	Shah/Habshan disrupted	6–18 months
Kuwait	~500,000	—	Significant	3–9 months
Bahrain	4,00,000	—	Moderate	3–6 months
Iran (refining)	500,000+	South Pars partial	Significant	12–24 months
Total (GCC + Iran)	~2.75–3.15 mb/d	~77+ Mt equiv.	Severe across chain	Staggered 2026–2027

Source: Bloomberg, Mirae Asset Sharekhan Research

A recovery in crude oil supply is expected to be gradual and asymmetric: crude export recovery through alternative routes will precede full LNG restart, which depends on physical repair at Ras Laffan.

Qatar's Ras Laffan represents the most critical global LNG bottleneck. With 77 MT/yr of LNG capacity effectively offline, European gas prices have roughly doubled since 28 February 2026.-

Base metal outlook — Aluminium, Copper & Zinc

The Iran conflict has created a stark bifurcation in the base metals complex: aluminium faces a genuine physical supply shock, while copper and zinc are primarily experiencing macro-driven demand pressure and cost-push inflation via energy and sulphur channels.

Aluminium — Physical supply shock

Aluminium — Detailed Analysis

Global Aluminium Output — GCC Share	~9% (ME region incl. Bahrain, UAE, Oman)
Bahrain's Alba Smelter	1.6 Mt/yr — World's largest smelter; cut output by 19%
EGA (Emirates Gl. Aluminium)	Major UAE smelter — significant disruption
Global Al Market 2026 Balance Revision	From +550,000t surplus to □600-800KT deficit
LME Al Q2 2026 Forecast	\$3,200–3,600/t, midpoint \$3,600; bull case \$4,000
Physical Premiums (Europe/US)	Record highs above \$4,000/t all-in cost for consumers
Key Bearish Risk	China restarts idle smelters — massive idle capacity available
Energy cost link	Oil represents 40–45% of smelting cost in some regions — indirect oil link
LME Cash-to-3M Premium	\$67.25/t at peak — indicating near-term supply shortage

Source: Bloomberg, Mirae Asset Sharekhan Research

The Gulf region accounts for approximately 9% of global primary aluminium output. Bahrain's Alba (1.6 Mt/yr — world's largest smelter) cut production by 19%. Emirates Global Aluminium (EGA) faces major disruptions. LME aluminium surged to four-year highs near \$3,424/t. Physical premiums in Europe and the US hit record highs above \$4,000/tonne all-in cost. We believe the structural damage to Aluminium facilities would see global aluminium market heading for an estimated deficit of 600-800 kt in 2026.

Copper — Macro-Driven Pressure

Copper's response has been primarily macro-driven. Iran accounts for less than 1% of global copper supply. Key transmission channels are: (1) energy costs raising global smelter operating costs; (2) stronger US Dollar; and (3) weaker Chinese demand expectations. The structural electrification and AI data centre demand backdrop provides underlying long-term support for copper but energy pushed inflation will see copper having a muted performance in 2026.

Zinc — Sulphur Chain Exposure

Zinc faces the sulphur transmission channel most acutely after nickel. Middle Eastern refinery disruption reduces sulphur by-product availability, tightening sulphuric acid supply essential for zinc refining. New zinc mining capacity from Rosh Pinah, Vedanta's Gamsberg, and Tala Hamza (Algeria) is scheduled for mid-2026, which should ease supply by year-end.

Outlook

Consolidated Risk & Recommendation Matrix

Asset	Current Level	3-6M Target	6-12M Target	Key Upside Risk	Key Downside Risk	MASK View
Brent Crude	~\$97/b	\$85-115/b	\$75-95/b	Ceasefire failure; re-escalation	Demand destruction; US shale surge	Near-Term
WTI Crude	~\$96+/b	\$82-110/b	\$72-90/b	Iran nuclear re-escalation	Non-OPEC+ supply surge	OVERWEIGHT Near-Term
Qatar LNG (TTF)	~2x pre-war	Elevated; FM intact	Partial easing H2 2026	Ras Laffan extended delay	Warm winter Europe; LNG demand fall	STRUCTURALLY TIGHT
Diesel/Gasoil Crack	Multi-year highs	Remain elevated	Gradual normalisation	Further GCC refinery damage	Demand destruction	Positive for Global REFINERS
Hormuz Risk Premium	\$10-12/b	\$6-9/b	\$3-6/b residual	Re-escalation	Formal peace deal	PERSIST INTO 2027
Aluminium (LME)	\$3,424/t	\$3,200-3,600/t	\$3600-3,800/t	Alba/EGA extended outage; Bahrain instability	China restarts idle smelters; demand destruction	OVERWEIGHT — Physical Shock
Copper (LME)	\$12,680/t	\$12,000-13,500/t	\$118,00-13,500/t	Electrification/AI data centers	Global recession; USD strength	NEUTRAL-TO-OW (Structural)
Zinc (LME)	\$3,235/t	\$3,000-3,400/t	\$2,900-3,500/t	Sulphur disruption extends	New mine supply mid-2026	NEUTRAL — Monitor Sulphur
USD (DXY)	~101(2026 high)	97	95-96	Conflict re-escalation	Petro-yuan corridor expansion	CAUTIOUS — Near-term strength
Gold (\$/oz)	~\$4,600+	\$4,800-5,000	\$5100-5400	War escalation; USD structural decline	Ceasefire; real yields rise	BULLISH — Safe Haven

Source: Bloomberg; Mirae Asset Sharekhan Research

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