

Arc

Commodity

March 16, 2026

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Hormuz Ablaze: Crisis Deepens; Bab-el-Mandeb threat looms

Summary

- US-Israeli strikes on Iran have triggered a historic crude oil supply disruption – Brent prices surged from ~\$65 to touch \$120/bbl in two weeks.
- Strait of Hormuz is effectively closed with tanker traffic falling >90%. Blockade could drive up prices to \$200/bbl. IEA estimates Gulf production cuts of over 10 mbpd.
- Bab-el-Mandeb Risk: To add to the trouble, Houthis now threaten to shut the 'Gate of Tears' – a second chokepoint handling ~4.2 mbpd. Dual closure would leave only the Cape of Good Hope route.
- Saudi Pivot: Aramco's East-West pipeline now pumping ~5.9 mbpd through the Yanbu (Red Sea) – but these flows depend on safe passage at Bab-el-Mandeb.
- Emergency Response: Thirty two nations coordinated the largest-ever SPR release of 400 mb; US Navy mulling tanker escorts through Hormuz.
- Pricing scenarios: In the base case (four-week resolution) Brent prices could reach \$85/bbl; while a prolonged disruption could lead to levels of over \$100/bbl; a severe risk (Bab-el-Mandeb + Hormuz both shut) could push Brent above \$130/bbl.

1. The War That Changed Everything: Feb 28 – Mar 16, 2026

Our report dated February 27, 2026, correctly flagged that a full-blown US-Iran conflict could propel Brent to \$120/bbl. That scenario materialized the very next day. On February 28, 2026, the US and Israel launched 'Operation Epic Fury' – a coordinated airstrike campaign targeting Iranian leadership, nuclear facilities, and military infrastructure. Supreme Leader Ayatollah Ali Khamenei was killed in the opening strikes. His son, Mojtaba Khamenei, was swiftly appointed as the new Supreme Leader.

Iran retaliated by immediately ordering the closure of the Strait of Hormuz. The IRGC declared any vessel linked to the US, Israel, or their allies a 'legitimate target'. Tanker traffic through the world's most critical oil chokepoint declined by over 90% within 72 hours.

Key Escalation Timeline: Feb 28 – Mar 16, 2026

Date	Event	Brent (\$/bbl)	WTI (\$/bbl)	% Change (Brent)	Key Trigger
Jan 1, 2026	Year Open	\$60.86	\$57.32		Structural surplus; Iran deal hope
Feb 27, 2026	Sharekhan Report Published	\$72.48	\$67.02	19.1	US-Iran nuclear talks deadlock
Feb 28, 2026	Operation Epic Fury Launched	-	-	-	US-Israel strike Iran; Khamenei killed
Mar 1, 2026	IRGC declares Hormuz Closed	-	-	-	IRGC targets ships; tankers halt
Mar 3, 2026	Trump: US will escort tankers	\$81.40	\$74.56	33.7	Presidential tweet; partial relief
Mar 5, 2026	Hormuz traffic -90%; Intraday high \$86.28	\$85.41	\$81.00	40.3	Brent 19-month high
Mar 9, 2026	IEA: 10 mb/d Gulf production cut Intraday high \$119.50	\$98.96	\$94.77	62.6	Saudi Yanbu exports surge to 5.9 mb/d
Mar 10, 2026	Wild swings; false tanker reports	\$88.00	\$83.45	44.6	WTI intraday -19%; energy sec tweet deleted
Mar 11, 2026	Iran warns of \$200/bbl	\$92.00	\$87.25	51.2	3 ships hit; IRGC statement
Mar 12, 2026	IEA: Largest supply disruption ever; 400 mb SPR released	\$100.46	\$95.73	65.1	32-nation co-ordination
Mar 13, 2026	Mojtaba Khamenei: Hormuz stays shut	\$103.14	\$98.30	69.5	New supreme leader's first statement
Mar 14, 2026	Houthi threaten Bab-el-Man-deb	-	-	-	Saudi Red Sea bypass route at risk
Mar 16, 2026	Current (Report Date)	\$104.00	\$99.00	70.9	No ceasefire; dual chokepoint risk

Source: IEA Oil Market Report Mar 2026, EIA, Bloomberg, Kpler, – Mirae Asset Sharekhan Research

2. Strait of Hormuz: Live-disruption

The Strait of Hormuz, through which 20–21 mbpd of oil and refined products typically flow – representing ~20% of global petroleum liquids consumption – has been rendered effectively impassable for commercial shipping. Prior to the war, Hormuz accounted for more than one-quarter of total global seaborne crude oil trade.

Daily Oil Flows (mb/d) & Global Trade Share

Metric	Pre-War (H1 2025)	Current (Mar 2026)	Change
Daily Oil Transit	20.9 mbpd	~2 mbpd (est.)	-91%
Tanker Traffic	Normal	~90% decline	Near halt
War Risk Insurance	~0.05% hull value	~1.5-2.0% hull value	+2,000-3,000%
Brent (Hormuz Risk Premium)	~\$0-2/bbl	~\$30-35/bbl est.	Surge
IEA Est. Gulf Production Cut	–	At least 10 mbpd	Acute Supply Loss
Backwardation (Brent Calendar Spread)	~\$4/bbl	~\$15-20/bbl (est.)	Extreme

Source: IEA Oil Market Report Mar 2026, EIA, Bloomberg, Kpler, – Mirae Asset Sharekhan Research

The IEA's March 2026 Oil Market Report described the situation as 'the largest supply disruption in the history of the global oil market'. Gulf countries such as Saudi Arabia, Iraq, UAE, Kuwait, Qatar, Bahrain, and Iran – have substantially reduced production as storage fills up and there are no export routes. Emergency stock releases of 400 million barrels (the largest-ever coordinated SPR release, by 32 nations) provided a temporary buffer but could not offset a near-blockade removing ~15 mbpd from global markets.

3. Bab-el-Mandeb: The Second Chokepoint Under Threat

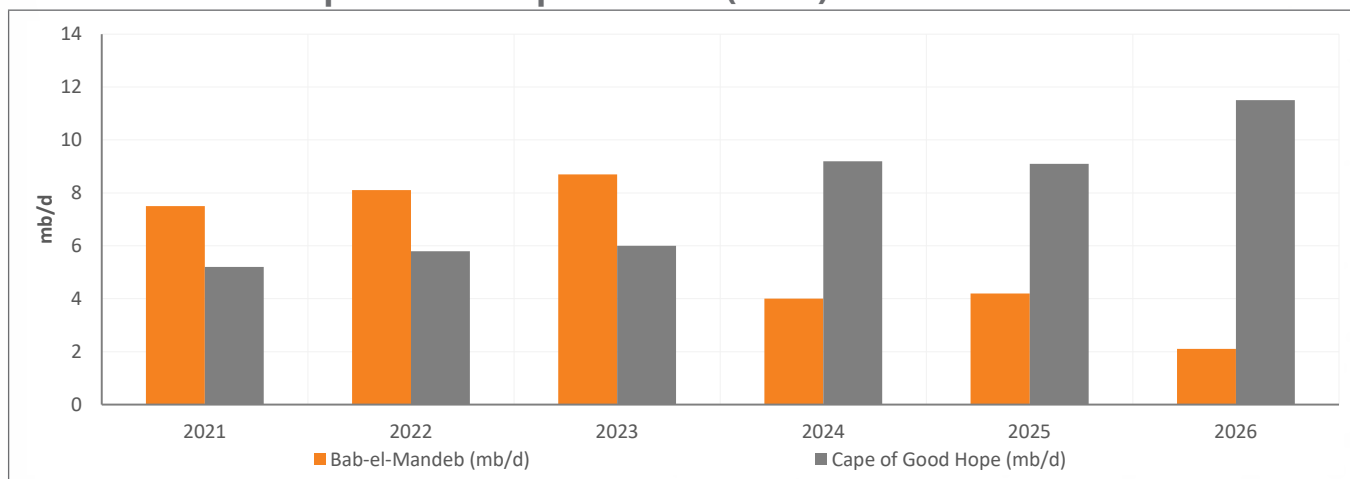
As Saudi Arabia pivoted to bypass Hormuz by routing crude through its 1,200-km East-West pipeline to Yanbu on the Red Sea – with exports surging to 5.9 mbpd by March 9 (vs 1.7 mbpd in 2025) – Iran-aligned Houthi forces in Yemen threatened to shut the Bab-el-Mandeb Strait, cutting off this alternate route and compounding the global supply shock.

Bab-el-Mandeb: Key Facts

Parameter	Data
Location	Between Yemen (Arabian Peninsula) and Djibouti/Eritrea (Horn of Africa)
Dimensions	~50 km long; ~26 km wide at narrowest point
Pre-2024 Oil Flow	~8.7 mbpd (2023 average)
H1 2025 Oil Flow	~4.2 mbpd (reduced due to Houthi attacks since late 2023)
Share of Global Seaborne Trade	~12% of total world seaborne oil trade
Key Routes Served	Red Sea, Suez Canal, Mediterranean (Europe); Red Sea, Gulf of Aden, Asia
LNG Exposure	Qatar's LNG exports to Europe pass through this route
Primary Threat Actor	Houthi movement (Yemen) – Iran-aligned; controls northern Yemen
Alternative Route	Cape of Good Hope (adds ~14 days and \$1-2m per voyage in costs)
Strategic Significance	Gateway to Suez Canal; closure forces rerouting of global trade

Source: EIA, IEA - Mirae Asset Sharekhan Research

Bab-el-Mandeb vs Cape of Good Hope Oil Flows (mb/d)



Source: Bloomberg– Mirae Asset Sharekhan Research

Historically, Houthi attacks since late 2023 had already reduced Bab-el-Mandeb flows by more than 50%, from 8.7 mbpd in 2023 to 4.2 mbpd in H1 2025. During that period, flows around the Cape of Good Hope surged by over 45% to 9.1 mbpd, as ship operators preferred the longer route. The war in Iran raises the stakes dramatically: a coordinated dual closure of both Hormuz and Bab-el-Mandeb would leave no viable alternative route at scale.

Dual Chokepoint – Possible disruption scenarios

Scenario	Brent Price Range	Global Impact	Key Risk
Hormuz Closure (Current)	\$95–120/bbl	~10-15 mbpd disrupted; Gulf producers cutting output	Duration of conflict
Hormuz + Bab-el-Mandeb Closure	\$120–150/bbl	Saudi Red Sea bypass route blocked; only Cape route remains	Houthi escalation / Iran directive
Dual closure + Iran Infra Damage	\$130–200/bbl	Global stagflation; food, fertilizer, LPG shocks cascade	War expansion to Gulf states
Rapid Resolution (4 weeks)	\$80–90/bbl	Gradual normalisation: structural \$10-15 risk premium remains	Iran new leadership stance
IEA Est. Gulf Production Cut	–	At least 10 mb/d	Acute Supply Loss

Source: IEA Oil Market Report Mar 2026, EIA, Bloomberg, Kpler, – Mirae Asset Sharekhan Research

A key differentiating factor for Bab-el-Mandeb vs. Hormuz is that while Hormuz has limited pipeline bypasses (Saudi East-West ~5.9 mbpd; UAE Fujairah ~1.8 mbpd – total ~7.7 mbpd), a Bab-el-Mandeb closure would block even these bypass flows from reaching Asian markets. Approximately 75% of Saudi crude exports go to Asia, meaning tankers must transit Bab-el-Mandeb both to collect and deliver crude.

4. India-Specific Impact

India is particularly exposed to this crisis. As the world's third-largest oil importer and a nation that sources ~85% of its crude oil from overseas (with a significant share from the Gulf), the Hormuz closure directly hits India's energy security.

India: Energy Exposure & Impact Assessment

Parameter	Status / Impact
India's share of Hormuz crude flows	~13% of all crude passing through Hormuz
India's crude import source (Gulf)	>60% of total imports from Gulf nations
Russian crude pivot	India scaling up Russian crude intake immediately; key near-term buffer
Jamnagar refinery	India's Reliance Industries positioned as primary alternative supplier for EU jet demand
LPG exposure	Severe; Delhi has capped LPG supply at 20% of avg daily consumption
Forex pressure	Rupee under pressure from higher import bills; RBI monitoring closely
Petrol/Diesel prices	Domestic price hike risk if conflict extends beyond 4-6 weeks
India's crude import source (Gulf)	>60% of total imports from Gulf nations

Source: IEA, Business Today, Kpler – Mirae Asset Sharekhan Research

5. Revised Outlook & Key Monitorables

Our prior report forecast Brent at \$65/bbl average for 2026, with an extreme scenario of \$120/bbl if the Strait of Hormuz was closed. That extreme scenario has materialised. We now revise our near-term outlook as follows:

Outlook

Time Horizon	Brent Range	WTI Range	Key Assumption
Immediate (1–4 weeks)	\$95–110/bbl	\$88–103/bbl	Hormuz remains effectively closed; Bab-el-Mandeb under threat
Near-Term (1–3 months)	\$80–100/bbl	\$74–93/bbl	Partial Hormuz opening; SPR releases offset some loss
Medium-Term (3–6 months)	\$70–85/bbl	\$65–80/bbl	Ceasefire/deal; Iranian new leadership pragmatism
Year-End 2026	\$70–80/bbl	\$63–73/bbl	Market adapts; non-OPEC supply + SPR restocking
Tail Risk (Bab-el-Mandeb + Hormuz)	\$130–210/bbl	\$120–185/bbl	Dual closure; global supply shock; stagflation

Source: Mirae Asset Sharekhan Research

Key Variables to Watch

- Hormuz tanker throughput data (Kpler/Vortexa daily): Any recovery of >20% is bullish for de-escalation thesis
- Bab-el-Mandeb: Houthi attack frequency; Saudi Red Sea export data from Yanbu port
- US Navy tanker escort program: Pentagon has signalled escorts 'possible by end of March'
- IEA emergency stock releases: 400 mb of supply is a 2-week buffer at current disruption levels
- Iran's new Supreme Leader (Mojtaba Khamenei) signals: any moderation would trigger sharp correction
- Iraq/Kuwait force majeure: Both near 100% storage capacity; shut-ins could worsen supply picture
- India's import strategy: Russian crude pivot speed; strategic reserve drawdown
- OVX (crude oil volatility index): Elevated levels support options strategies; watch out for normalisation

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