
Carlsquare/Vontobel weekly trading note: The clock is ticking for the oil supply

President Trump is sending mixed signals to the market about where the war with Iran, and thus the price of Brent oil, is headed. While the U.S. has escorted neutral ships out of the Strait of Hormuz, Trump has warned Iran that the deadline for negotiations is approaching. There is also hope that China will mediate the conflict following the US-China summit this past weekend. Higher energy prices contributed to the increase in the U.S. Producer Price Index in April, which, in turn, is driving up U.S. interest rates.

One reason the price of crude oil has not increased more in the short term is that China has quietly accumulated a large strategic petroleum reserve of 1.2 billion barrels in recent years as a defense against possible sanctions. However, the pace of drawdowns is probably high currently. Normally, almost 20 percent of the global crude oil supply is shipped through the Strait of Hormuz. While some of it has been rerouted via land pipelines, most of the supply from the region remains affected by the de facto closing of this passage.

In April 2026, the US Producer Price Index was 1.4% on a monthly basis and 6.0% on an annual basis, compared to expectations of 0.5% and 4.9%, respectively. This could also lead to higher interest rates in the US.

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