
EPISODE
431
HOW BAD CAN THE MIDDLE EAST OIL SHOCK GET?
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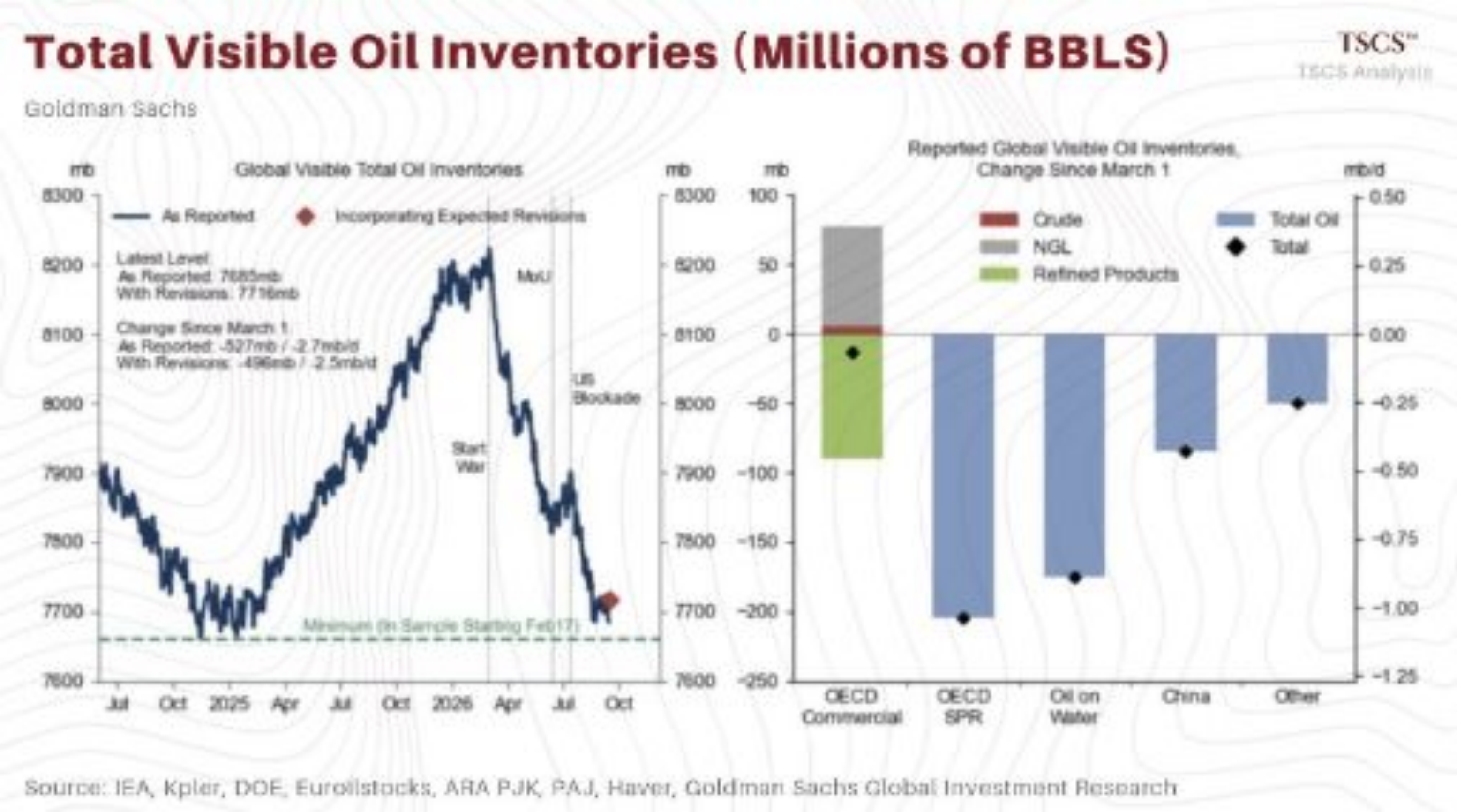
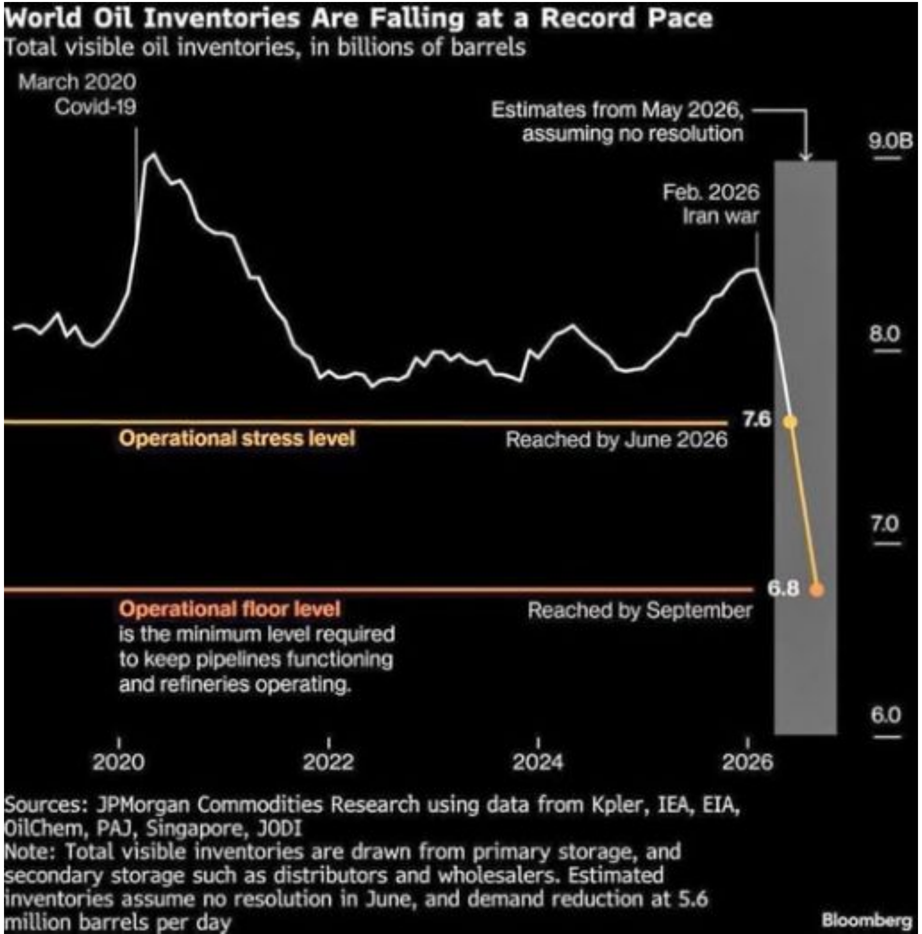
Fog of War:

- Goldman vs JPM
- China
- Midterms
- Ukraine / Russia
- Net effect supply/demand

Goldman: A solvable problem



JP Morgan: The end is nigh



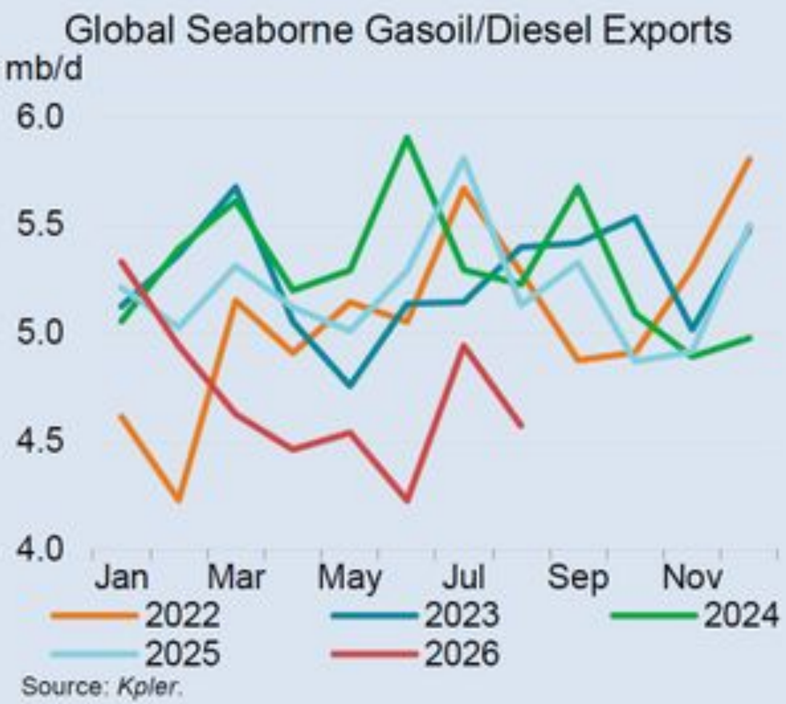
Points of difference

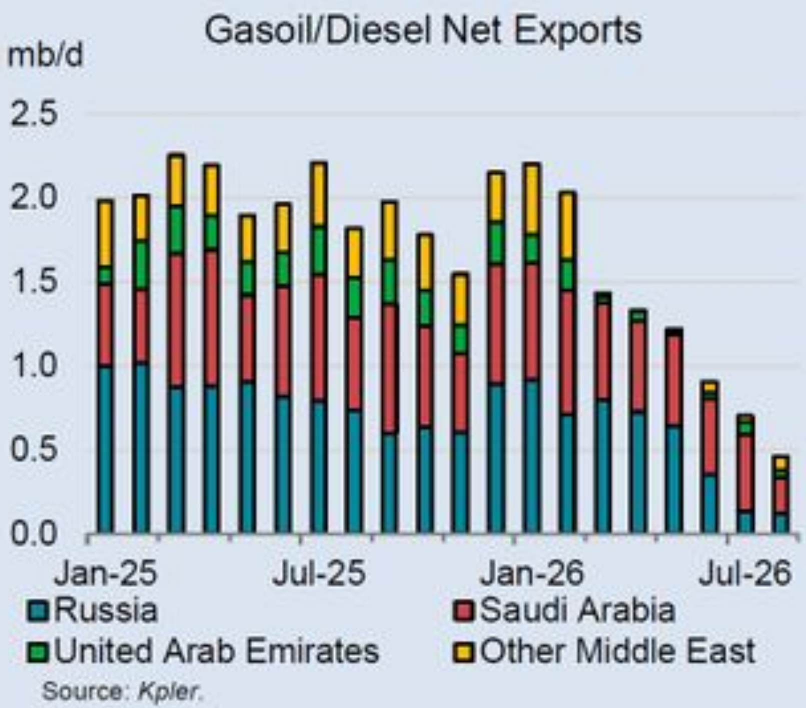
Inventory Definition: *JPMorgan isolates commercially accessible, un-trapped crude (warning of immediate scarcity), while Goldman Sachs tracks total global landed barrels (showing a comfortable multi-billion barrel buffer).*

Price Trajectory: *JPMorgan warns of severe upside spikes driven by infrastructure failure, whereas Goldman projects a downward glide path toward the mid-$60s as panic subsides.*

Market Bottlenecks vs. Paper Premiums: *JPMorgan diagnoses the market tightness as real physical underinvestment and chokepoint failure; Goldman views it primarily as a financialized sentiment shock layered over a market that remains long-term oversupplied.*

Diesel: A problem





ME Oil: Probably close to 10m through Hormuz

- 18m prewar
- Pipelines up from 2-3 to 5-6m
- Now pipelines partially shut, mixed reports about repair. From really quick to a while. Vulnerable to more attacks
- Ships ferrying in and out then ship to ship loading offshore
- Ship numbers not important. 2m barrels on big ones. Transponders.

Political Considerations:

- China
- Midterms
- Ukraine / Russia. Trump says deal

Net effect:

- Pipeline important
- Leakage important
- Take the rough view that supply>demand 5m barrels pre war
- Then demand down 3-5m barrels
- Supply down 1m in Russia (more if you count refined), 8-10 ME
- If pipeline back, probably OK
- If not, more shortages, higher prices
- High prices solve problem < demand, more incentive to run the gauntlet. But more inflation

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