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The Oil Manual | Europe

Iran Scenarios

Oil is rallying on risk, not tightness: physical signals eased as options skew surged. We map four Iran scenarios—from premium unwind to transit impairment—and keep our base case for Brent drifting toward ~\$60 as risk premia fade and balances soften.

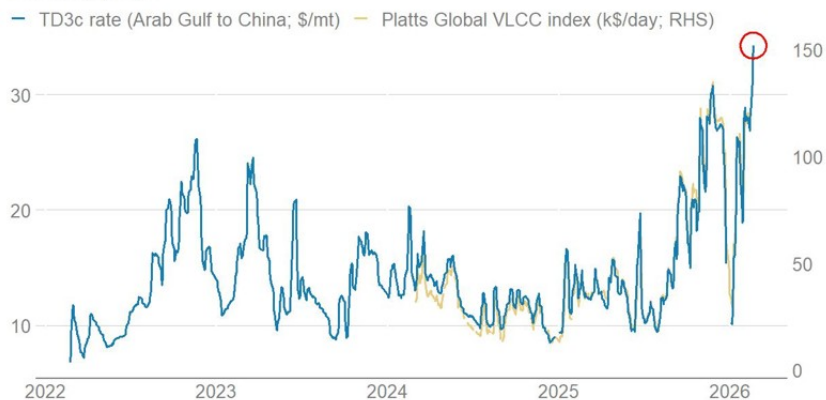
Key Takeaways

- Flat price, freight and risk-reversal rallied this week whilst structure and physical diffs weakened - the market priced geopolitical risk, not prompt tightness
- We exclude sustained Hormuz closure as a core case; instead we lay out four scenarios from de-escalation to transit impairment
- For modest shocks, China stockbuilding is the first buffer: discretionary builds likely slow as prices rise and backwardation steepens
- Largest shock channel is logistics: convoy/delay risk can cut fleet productivity - equivalent to ~2–3 mb/d of effective tightening for a brief period
- Base case forecast stays anchored by scenarios with little disruption: \$7-9/bbl risk premium can unwind and Brent can drift to \$60/bbl as surpluses re-emerge

Exhibit 1: Freight have surged, partly due to rising Middle East tensions

VLCC shipping rates

Last four years



Source: Platts, Vortexa, Morgan Stanley Research

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Exhibit 2: We raise near-term Brent forecasts as the geopolitical risk premium likely persists for a period, but still expect prices to soften to \$60/bbl later this year

Brent price forecasts

(\$/bbl)	2Q26	3Q26	4Q26	1H27	2H27
New	62.5	60.0	60.0	60.0	65.0
Previous	57.5	57.5	60.0	60.0	65.0
Change	5.0	2.5	0.0	0.0	0.0

Source: Morgan Stanley Research

Previous research:

- [The Oil Manual: Outlook 2026: Letting the Curve Do the Work \(4 Jan 2026\)](#)
- [The Oil Manual: A Tight Start but Likely Still a Loose Year \(3 Feb 2026\)](#)
- [The Oil Manual - Chartbook: 200 Charts that Decode the Oil Market \(19 Jan 2026\)](#)

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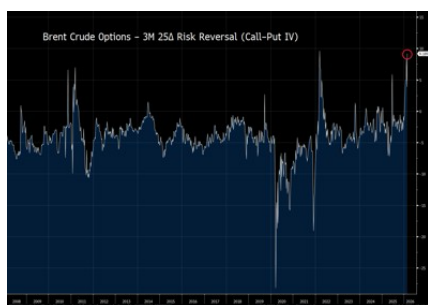
Four Scenarios for the Oil Market

Market signals: pricing risk premium repricing vs physical tightness

The oil market sent a striking message this week: paper risk re-priced higher even as signals of physical tightness eased.

Front-month flat price strengthened across all three benchmarks — Brent rose by around \$3.1/bbl to ~\$71.8/bbl, WTI by ~\$3.5/bbl to ~\$66.4/bbl, and Dubai by ~\$3.7/bbl to ~\$70.7/bbl (week-on-week) - and freight indicators also moved higher. In options markets, Brent 3 month 25 delta risk reversals widened sharply, approaching the levels last observed during periods of acute uncertainty such as early 2022.

Exhibit 3: Brent risk-reversal widened sharply and is close to the peak of early 2022 around the time of the Ukraine invasion

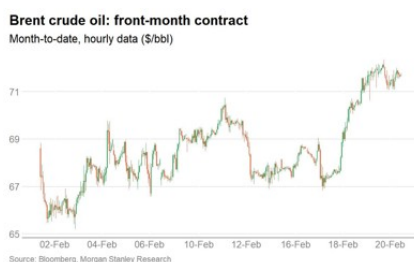


Source: Bloomberg

Yet several measures that typically track prompt physical conditions moved in the opposite direction: the Brent M1–M2 spread narrowed (from roughly \$0.7/bbl to ~\$0.5/bbl), Brent DFL declined materially (from about \$0.9/bbl to ~\$0.3/bbl), and Brent CFD compressed sharply (Week 1 from roughly \$3.0/bbl to ~\$0.7/bbl). Differentials for long-haul Atlantic Basin barrels also eased, including across West African and other arbitrage crudes - again, a pattern that is usually more consistent with loosening prompt supply than tightening.

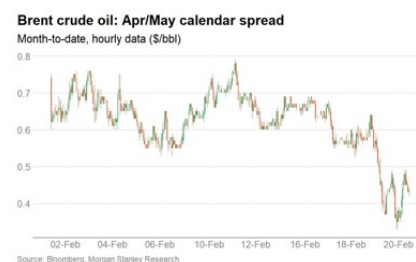
Taken together, the combination of higher flat prices, freight and risk-reversal skew alongside softer prompt spreads and weaker physical differentials reads as a classic signature of a market pricing geopolitical optionality and tail-risk hedging demand, rather than responding to immediate scarcity.

Exhibit 4: Opposing signals: the front-month Brent contract has rallied....



Source: Bloomberg, Morgan Stanley Research

Exhibit 5: ...whilst the Mo1-2 calendar spread has weakened



Source: Bloomberg, Morgan Stanley Research

Still, that geopolitical risk is there; we lay out four scenarios

Over recent weeks, public reporting has pointed to a visible build-up of US military assets in and around the Middle East, including additional squadrons of tactical aircraft (F 15s, F 35s and F 22s), refuelling aircraft and early-warning radar systems, alongside a reinforced naval posture. According to various newswires, the carrier Abraham Lincoln is already in the Gulf and a second carrier strike group, centred on USS Gerald R. Ford, is en route. A recent BBC News report described this as the largest US air and naval build-up in the region since the 2003 Iraq invasion. It is against this backdrop that we set out the scenario framework below.

Before diving in, however, we would like to clarify a key point: while an outright and sustained closure of the Strait of Hormuz is not impossible, we do not include it as a core scenario. The threshold for such an outcome is high and the likelihood appears very low. The US Fifth Fleet is headquartered in Bahrain with a longstanding remit to protect freedom of navigation, and the US and its allies maintain extensive air and maritime capabilities (including mine countermeasures) that would make a prolonged closure difficult to sustain.

A closure attempt would also be economically self-damaging for Iran, given its own exports rely on these waters, and would directly jeopardise flows to key customers such as China - factors that would likely galvanise a broad multinational response. Consistent with historical experience, we therefore focus on scenarios that range from de-escalation to limited frictions, localised Iranian export-chain disruption, and transit impairment via operational and shipping constraints (rather than sustained closure).

Exhibit 6: Iran's seaborne exports have declined slightly but remain robust

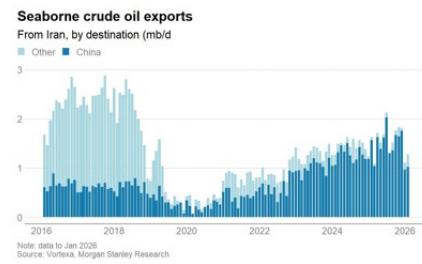


Exhibit 7: Approximately 15 mb/d of crude oil and 5 mb/d flow out via the Strait of Hormuz

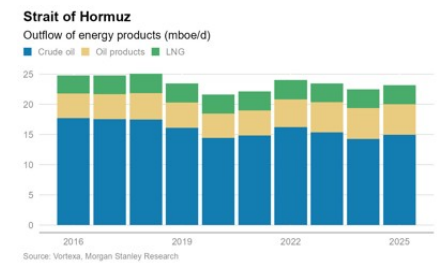
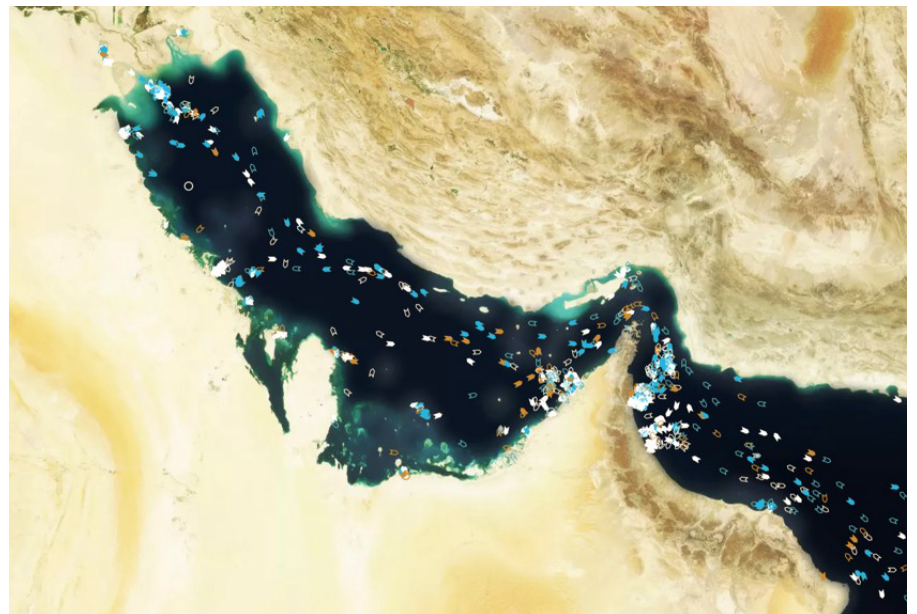


Exhibit 8:
The Middle East Gulf



Source: Vortexa

Scenario 1 - No Supply Disruption: De-escalation and Risk Premium Unwind

- Reference scenario; meaningful possibility
- No impact on production or exports
- Risk premium of \$7-9 dissipated: Brent falls back to low/mid-\$60s

In this scenario, diplomatic pressure combined with visible US military positioning proves sufficient to induce a negotiated adjustment in Iran's nuclear posture, avoiding direct military confrontation. Talks may remain protracted and incremental, but the threat of force serves primarily as leverage rather than as a precursor to kinetic action. Sanctions enforcement could remain firm, but no additional restrictions are imposed that materially alter current export flows.

Under this outcome, physical oil supply remains broadly unchanged. Iranian exports continue at roughly recent levels, and regional transit through the Strait of Hormuz is unaffected. The primary market effect would be the removal of the geopolitical risk premium currently embedded in front-end prices. Based on our regression analysis of OECD commercial inventories against the Brent M1-M4 calendar spread over the past 25+ years (see accompanying chart), current stock levels would be consistent with a flat to slightly contangoed structure rather than the prevailing backwardation.

The Brent M1-M4 spread currently trades at approximately \$1.75/bbl; in a scenario where it becomes clear that no physical supply disruption is forthcoming, this spread could reconnect with the level implied by the regression analysis, close to zero. If the front of the curve were to move into contango while longer-dated Brent prices remained broadly anchored, this would imply front-month Brent in the low-to-mid \$60s per barrel, compared with current levels around the low \$70s. This suggests that roughly \$7-9 per barrel of geopolitical premium could unwind relatively quickly in a de-escalation scenario.

The majority of the adjustment would likely occur within days to weeks rather than months, particularly if market participants gain confidence that regional supply and transit flows will remain uninterrupted.

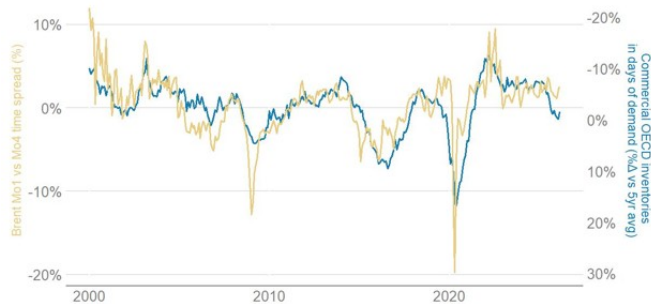
A recent precedent illustrates the speed with which such premia can unwind. In June 2025, following the Iran-Israel war, Brent rallied sharply from the mid-\$60s to close to \$80/bbl on fears of broader regional escalation and potential disruption to Gulf exports. However, as it became evident that energy infrastructure and transit flows were not materially affected, prices retraced within weeks back toward pre-strike levels.

The episode underscores that when physical supply remains intact, geopolitical premia can both build and dissipate rapidly. Volatility would likely compress and the front of the curve could shift into contango as physical balances, rather than geopolitical risk, reassert themselves as the dominant pricing driver.

Exhibit 9: Inventories and calendar spreads have long correlated...

Inventory cover vs time spreads

Monthly data since 1999

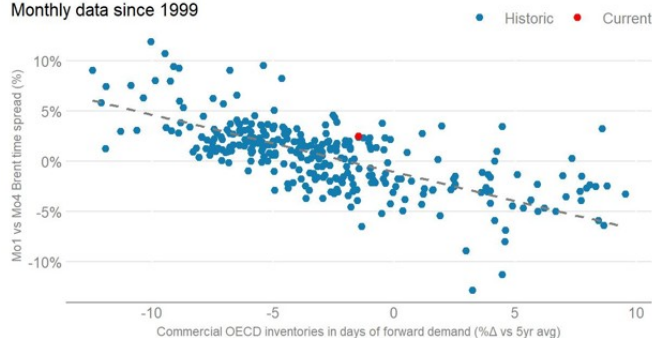


Source: IEA, Bloomberg, Morgan Stanley Research

Exhibit 10: ...but current stocks would suggest a flat M1-4 spread, not the current backwardation

Inventory cover vs time spreads

Monthly data since 1999



Source: IEA, Bloomberg, Morgan Stanley Research

Scenario 2 - Contained Response: Limited Strike with Short-Lived Logistical Frictions

- Meaningful possibility
- Possible supply outage of 0 - 0.5 mb/d for 1-3 weeks
- Temporary upside to Brent price into mid/high-70s, before normalising to low/mid-60s
- Slowdown in China inventory demand key balancing mechanism

This scenario assumes a targeted US military action, deliberately avoiding energy infrastructure. Iran responds in a calibrated manner designed to signal deterrence domestically without provoking broader escalation. Regional actors avoid direct involvement, and maritime transit through the Strait of Hormuz continues without sustained interruption.

Under this outcome, any physical supply impact would most likely arise from secondary logistical frictions rather than infrastructure damage. These could include short-lived shipping caution (for example, tanker delays of several days), a temporary rise in insurance premia, tighter sanctions enforcement, and limited self-sanctioning by traders.

As such, the plausible outage range is modest, in the order of 0 to 0.5 mb/d, and likely temporary, lasting approximately 1–3 weeks. It is also possible that no measurable disruption materialises at all, as seen during the June 2025 episode when regional strikes did not translate into sustained export losses.

Even in the event of a temporary shortfall within this range, available spare capacity in Saudi Arabia and the UAE would be sufficient to offset the disruption if deployed, limiting the risk of a prolonged physical imbalance.

Moreover, the first margin of adjustment would likely occur on the demand side via inventory behaviour rather than end-user consumption. Over the past six months, implied crude stock builds in China have averaged around 0.8 mb/d (see accompanying chart), though such estimates are inherently subject to revision.

In a higher price environment — particularly if front-end backwardation were to steepen

— discretionary stockbuilding would likely slow. While the precise price threshold is uncertain, we would expect inventory accumulation to become less responsive in the mid-to-high \$70s per barrel. A moderation of Chinese stock builds from recent elevated levels toward more normalised rates (for example, toward ~0.3 mb/d) could alone offset a 0.5 mb/d temporary disruption in Iranian exports.

From a market structure perspective, this scenario would likely produce a front-loaded response. Brent could spike into the \$75–80/bbl range, with the M1–M4 spread widening from its current level as near-term risk premia are priced in. However, absent evidence of sustained supply impairment, the curve would be expected to compress again as logistical frictions ease, OPEC spare capacity reassures the market, and Chinese inventory demand moderates.

While normalization could take longer than in Scenario 1 — potentially extending from weeks into a few months if uncertainty proves episodic — a sustained move toward materially higher prices would likely require either larger or more persistent disruptions than assumed here.

Exhibit 11: China's crude inventories likely built sharply in the latter part of 2025...

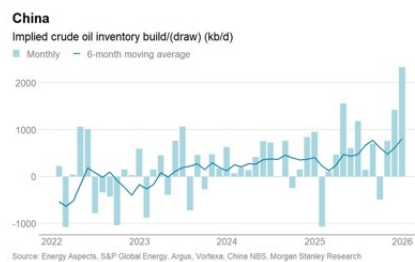


Exhibit 12: ...and based on known crude deals, deliveries for Feb and Mar are likely high again



Scenario 3 - Localised Iranian Export Disruption: Broader Strike but No Transit Impairment

- Low-probability escalation
- 0.8 - 1.5 mb/d outage for 4-10 weeks
- Price action in between Scenario 2 and 4

In this scenario, the US conducts a broader military campaign targeting a wider set of strategic assets inside Iran, while regional actors avoid direct involvement and transit through the Strait of Hormuz continues without sustained impairment—i.e., no sustained convoy regime and no systemic freight shock. Energy infrastructure is not the primary objective, but the scale of operations results in a material, localised disruption to Iran's export chain.

The relevant transmission channels would be operational rather than structural: intermittent interruptions to loading at key export terminals (including safety stand-downs), temporary power or communications outages affecting terminal operations, and short-term constraints on field-to-terminal logistics. In parallel, a sustained tightening in sanctions enforcement and commercial self-sanctioning could reduce liftings beyond the immediate period of military activity.

Under such circumstances, the plausible outcome is a meaningful reduction in Iranian exports—larger and longer-lasting than in Scenario 2, but without the region-wide shipping productivity shock embedded in Scenario 4. A reasonable range would be an effective loss of roughly 0.8–1.5 mb/d, with a duration on the order of 4–10 weeks, depending on the nature of the operational disruptions and the speed at which export logistics normalise.

The market response would likely be concentrated at the front of the curve: prompt spreads would be expected to widen and remain supported for longer than in Scenario 2, reflecting a more persistent physical tightening. However, the absence of sustained transit impairment would reduce the likelihood of the type of acute dislocation described in Scenario 4.

The balancing channels in this scenario would be more relevant than in Scenario 2 but still meaningful. Saudi Arabia and the UAE would have scope to offset a significant portion of a 1+ mb/d shortfall, although the pace of any response—and market confidence in that response—would be critical for price dynamics. On the demand side, higher prices and steeper backwardation would likely curb discretionary inventory demand, particularly in China, providing an additional buffer.

As evidence accumulates that the disruption is operational and reversible, the curve would be expected to begin compressing; nonetheless, normalization would likely be slower than in Scenario 2 given the longer duration of the export interruption and the lag required for the market to verify a sustained recovery in Iranian liftings.

Scenario 4 - Fleet Productivity Shock: Regional Maritime Leverage and Transit Impairment

- Tail risk
- Main mechanism is tanker delays, reducing effective shipping capacity and hence global crude exports
- This translate into supply loss of 2-3 mb/d for several weeks
- Price action resembles early-2022, although likely to last significantly shorter

This scenario assumes a large-scale US strike followed by a significant Iranian counter-response that uses maritime leverage in the Gulf without attempting a full closure of the Strait of Hormuz. Such actions could include repeated fast-boat harassment, selective tanker seizures, drone overflights, missile demonstrations, and other measures designed to raise risk and uncertainty. Commercial traffic would likely continue, but at a slower pace. Insurance premia would rise, some shipowners could temporarily withdraw tonnage, and naval escorts or convoy-style operations could re-emerge, lengthening effective transit times.

The primary impact in this scenario would arise not from wellhead outages but from reduced fleet productivity. By way of illustration, global crude and condensate shipping currently amounts to roughly 32 billion tonne-miles per day, of which approximately 11 billion tonne-miles originate from locations behind the Strait of Hormuz. The average voyage duration for these flows is around 29 days. If heightened security procedures, convoy operations, and routing delays were to extend voyage times by, for example, five days on average, the effective productivity of vessels operating on these routes would fall

by roughly 5/29, or about 17%.

Applied to Hormuz-origin flows, this implies a reduction of close to 2 billion tonne-miles per day in effective transport capacity, equivalent to around 6% of global crude shipping capacity. Given current seaborne crude flows of roughly 50 mb/d, this would correspond to an effective tightening on the order of 2–3 mb/d for a period of several weeks. While shipping markets would adapt over time through higher freight rates, reallocation of tonnage, and operational adjustments, the initial effect could be significant relative to available spare capacity.

From a balance perspective, such a disruption would likely exceed the offset that could be achieved through a pause in Chinese discretionary stockbuilding alone and would test the practical limits of Saudi and UAE spare capacity. In this respect, the price and curve response could begin to resemble early-2022 dynamics, when the market questioned whether available buffers were sufficient to absorb a multi million barrel per day shortfall and repriced the front of the curve accordingly. The market response would likely be concentrated at the front of the curve, with Brent moving sharply higher and prompt spreads widening materially as refiners and traders compete for near-term barrels.

Unlike in 2022, however, the first balancing margin would not necessarily require a sustained reduction in end-user consumption: higher prices and steeper backwardation would be expected to curb discretionary inventory demand (notably in China) and accelerate shipping and operational adaptation, helping to limit the duration of the dislocation. Freight rates would be expected to rise in parallel. As operational adjustments take effect and if transit continues despite elevated risk, the effective tightening would gradually ease. However, during the period of impairment, prices could trade well above the levels described in Scenario 2, with normalization dependent on the restoration of confidence in Gulf transit security.

Price forecast adjusted but remains rooted in Scenarios 1 and 2

The scenario framework above reflects the near-term uncertainty around geopolitically driven supply risk. That said, our central view remains anchored by Scenarios 1 and 2, in which there is eventually little to no disruption to physical supply.

If that outcome materialises in the coming weeks, our regression framework - linking OECD commercial inventories to the Brent M1–M4 calendar spread - suggests that a geopolitical premium of around \$7–9/bbl could unwind from front-month Brent, with the curve flattening toward levels implied by current inventory conditions and spot moving back toward the low-\$60s.

Beyond the near term, however, our fundamentals remain soft. January balances were tighter than we expected due to temporary supply disruptions (including Kazakhstan and the US), but these appear to be reversing. In addition, early tracking from Petro-Logistics indicates OPEC+ production is on course to rebound by around 1.2 mb/d month-on-month in February. As a result, our crude oil balances still point to a surplus of around 2.5 mb/d in 1H26 and 1.4 mb/d in 2H26.

We assume that roughly 0.8 mb/d of the surplus is absorbed via inventories in China, but we do not assume a further increase in oil-on-water storage in 2026 of the magnitude seen in 2025. That leaves an estimated 0.6–1.7 mb/d that would need to be absorbed into

onshore inventories outside China, including a meaningful share in commercial stocks in OECD/Atlantic Basin pricing centres.

Historically, that scale of inventory absorption would likely require the front of the Brent curve to return to a mild contango later in the year. Applying our regression relationship to our projected stock trajectory suggests that, while a near-term de-escalation could pull Brent back toward the low-\$60s, a later-year build in OECD commercial stocks could be consistent with a somewhat deeper contango and a front-month price nearer the high-\$50s under purely fundamental conditions.

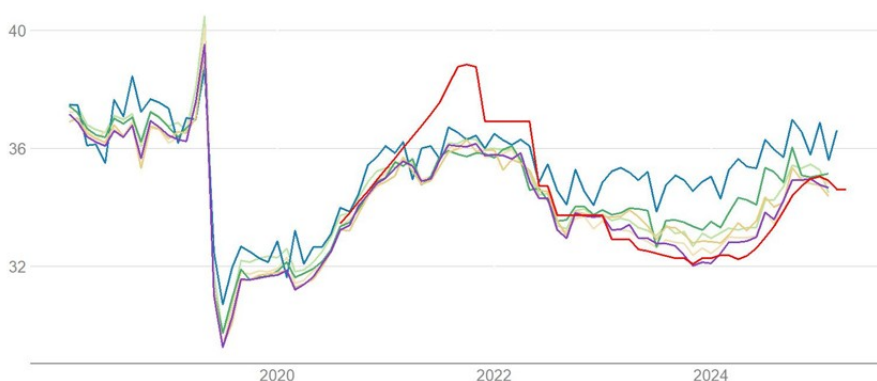
In practice, however, prices are unlikely to be determined by pure fundamentals alone. Recent weeks have again highlighted that geopolitical risk premia can provide material support at the front end, particularly when prices soften, providing a negative feedback look when prices go lower. On this basis, our base-case expectation is for front-month Brent to drift toward ~\$60/bbl as 2026 unfolds, but we see limited scope for sustained weakness materially below that level absent a clearer and more durable easing in geopolitical risk.

Exhibit 13: After a weaker January, OPEC 9+3 production is on track to rebound ~1.2 mb/d MoM in February

OPEC 9+3 crude oil production

According to various sources (mb/d)

— Rystad — Platts — PetLog — IEA — EIA — Argus — Quota



Note: OPEC 9+3 consists of the 9 formal members of OPEC and the 3 non-OPEC countries that have agreed to additional voluntary cuts (i.e. Russia, Kazakhstan and Oman)
 Source: S&P Global Platts, Argus, IEA, Energy Aspects, EIA/DOE, Petro-Logistics, Rystad, Morgan Stanley Research

Summary balances and price forecasts

Exhibit 14:

Liquids balance													y/y change													
	4Q2025	2025	1Q26	2Q26	3Q26	4Q26	2026	1Q27	2Q27	3Q27	4Q27	2027	2026	2027												
Demand	105.6	104.6	104.2	105.3	106.5	106.8	105.7	105.2	106.2	107.3	107.8	106.7	1.1	0.9												
OECD	45.9	45.7	45.3	45.5	46.3	46.1	45.8	45.3	45.5	46.3	46.1	45.8	0.1	0.0												
Non-OECD	59.7	58.9	58.9	59.8	60.2	60.7	59.9	59.9	60.8	61.1	61.7	60.9	1.0	0.9												
Non-OPEC supply	73.2	72.2	72.3	73.0	73.5	73.2	73.0	73.1	73.5	74.0	73.8	73.6	0.8	0.6												
USA	21.5	21.1	21.0	21.2	21.2	21.2	21.2	21.2	21.3	21.3	21.3	21.3	0.1	0.1												
Russia	10.6	10.6	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	10.3	0.2	0.0												
OPEC NGLs/condensate	5.6	5.6	5.8	5.8	5.8	5.8	5.8	5.8	5.8	5.9	5.8	5.8	0.2	0.0												
Call on OPEC crude	26.8	26.9	26.1	26.6	27.2	27.7	26.9	26.4	26.8	27.5	28.2	27.2	0.0	0.3												
OPEC crude	30.2	29.6	30.1	30.2	30.1	30.1	30.1	30.1	30.1	30.1	30.2	30.1	0.5	0.0												
Implied balance	3.4	2.7	4.0	3.6	2.9	2.4	3.2	3.7	3.3	2.7	2.0	2.9	0.5	0.3												
Misc to balance	-	1.1	-	1.1	-	0.9	-	1.0	-	1.1	-	1.2	-	1.1	-	1.3	-	1.4	-	1.5	-	1.6	-	1.4	0.1	0.4
Stock change	2.4	1.6	3.0	2.6	1.8	1.2	2.2	2.4	1.9	1.2	0.4	1.5	0.6	0.7												

Price forecast - Brent (\$/bbl)

Period	Bear	Base	Bull
2Q26	52.5	62.5	90.0
3Q26	50.0	60.0	90.0
4Q26	50.0	60.0	90.0
1Q27	50.0	60.0	90.0
2Q27	50.0	60.0	90.0
3Q27	55.0	65.0	90.0
4Q27	55.0	65.0	90.0

Price forecast - WTI (\$/bbl)

Period	Bear	Base	Bull
2Q26	48.5	58.5	86.0
3Q26	46.0	56.0	86.0
4Q26	46.0	56.0	86.0
1Q27	46.0	56.0	86.0
2Q27	46.0	56.0	86.0
3Q27	51.0	61.0	86.0
4Q27	51.0	61.0	86.0

Crude and condensate balance													y/y change	
	4Q2025	2025	1Q26	2Q26	3Q26	4Q26	2026	1Q27	2Q27	3Q27	4Q27	2027	2026	2027
Demand	84.6	85.0	84.8	84.8	86.6	85.6	85.4	85.3	85.6	87.3	86.4	86.2	0.5	0.7
Refinery runs	84.0	84.3	84.2	84.1	85.6	85.0	84.7	84.8	84.9	86.4	85.8	85.5	0.5	0.7
Direct burn	0.6	0.7	0.5	0.7	0.9	0.6	0.7	0.5	0.7	0.9	0.6	0.7	0.0	0.0
Non-OPEC supply	55.3	54.6	55.0	55.0	55.0	55.2	55.1	55.4	55.2	55.3	55.5	55.3	0.4	0.3
USA	13.8	13.6	13.6	13.6	13.5	13.5	13.6	13.5	13.5	13.4	13.4	13.5	0.0	0.1
Russia	10.3	10.2	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	0.2	-
OPEC supply	32.4	31.8	32.3	32.5	32.4	32.4	32.4	32.4	32.5	32.5	32.6	32.5	0.6	0.1
Crude	30.2	29.6	30.1	30.2	30.1	30.1	30.1	30.1	30.1	30.1	30.2	30.1	0.5	0.0
Condensate	2.3	2.2	2.2	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.4	2.4	0.1	0.1
Implied balance	3.2	1.4	2.6	2.7	0.8	2.0	2.0	2.5	2.1	0.5	1.6	1.7	0.6	0.4
Misc to balance	-	0.3	0.1	-	-	-	-	-	-	-	-	-	0.1	-
Stock change	2.9	1.5	2.6	2.7	0.8	2.0	2.0	2.5	2.1	0.5	1.6	1.7	0.5	0.4

Source: IEA, S&P Global, Argus, Energy Aspects, Wood Mackenzie, Rystad, Vortexa, Morgan Stanley Research

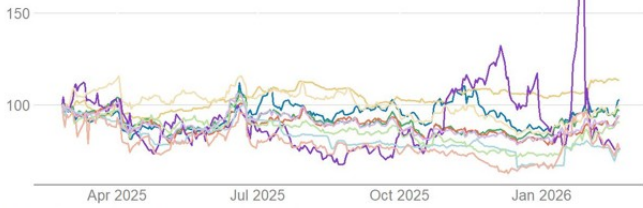
Prices

Exhibit 15:

Global energy prices compared

Index: 1 year ago = 100

— ARA ULSD — Dated Brent — Henry Hub — NYH RBOB — TTF
 — Coal — Dubai — JKM — Singapore FO — WTI



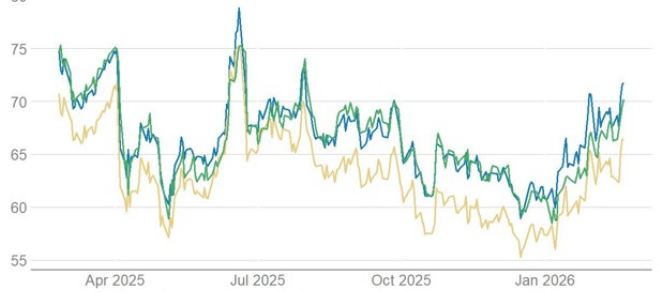
Source: Bloomberg, Platts, Morgan Stanley Research

Exhibit 16:

Benchmark crude oil prices

(\$/bbl)

— Brent — WTI — Dubai



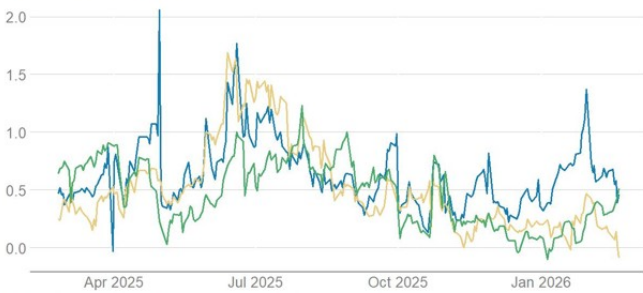
Source: Bloomberg, Platts, Morgan Stanley Research

Exhibit 17:

Calendar spreads Mo1 vs Mo2

(\$/bbl)

— Brent — WTI — Dubai



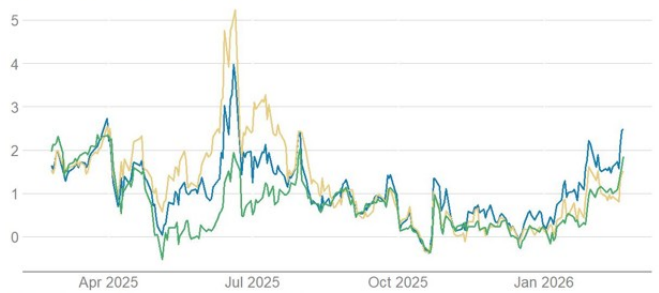
Source: Bloomberg, Platts, Morgan Stanley Research

Exhibit 18:

Calendar spreads Mo2 vs Mo6

(\$/bbl)

— Brent — WTI — Dubai

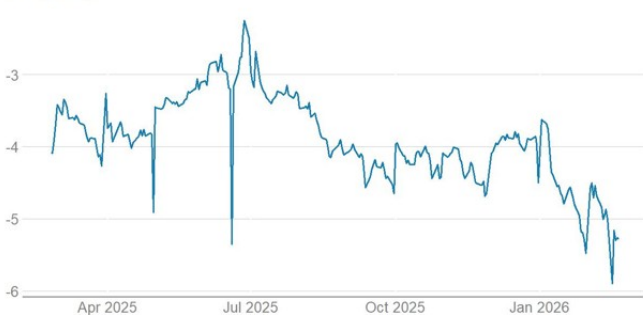


Source: Bloomberg, Platts, Morgan Stanley Research

Exhibit 19:

WTI/Brent spread

Mo1 (\$/bbl)



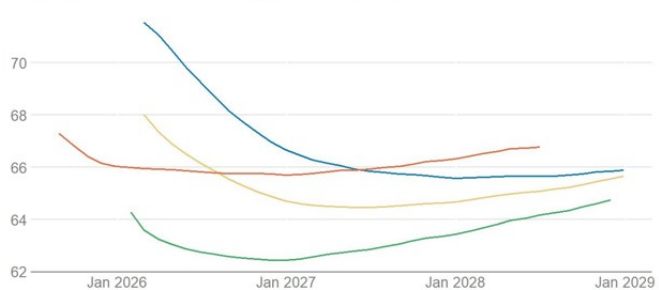
Source: Bloomberg, Morgan Stanley Research

Exhibit 20:

Brent futures

Forward curve on different dates (\$/bbl)

— Current — Last week — Last month — 6 Months ago



Source: Platts, Morgan Stanley Research

Exhibit 21:

Brent CFD curve

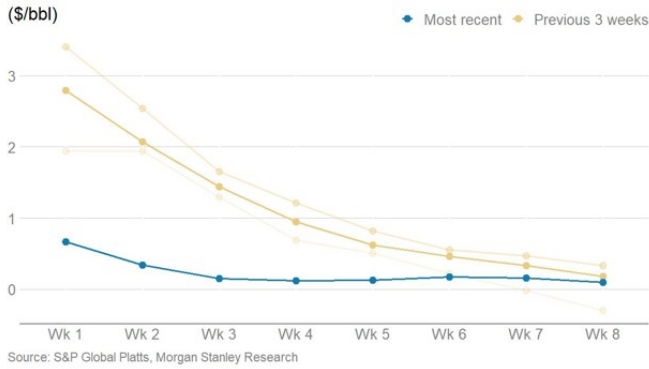


Exhibit 22:

CFD curve structure

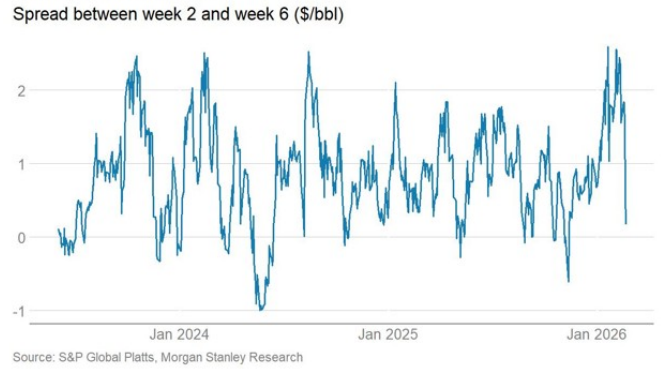


Exhibit 23:

Brent DFL curve

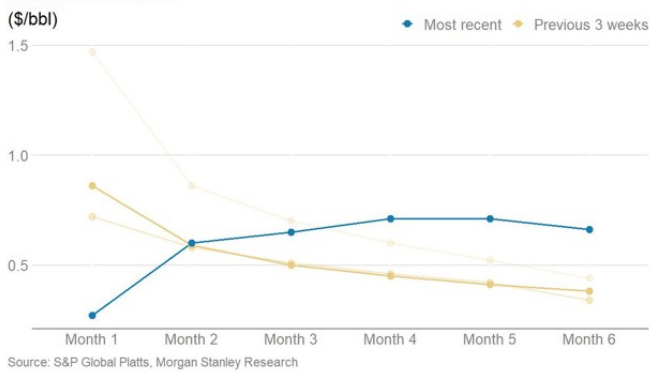


Exhibit 24:

DFL curve structure

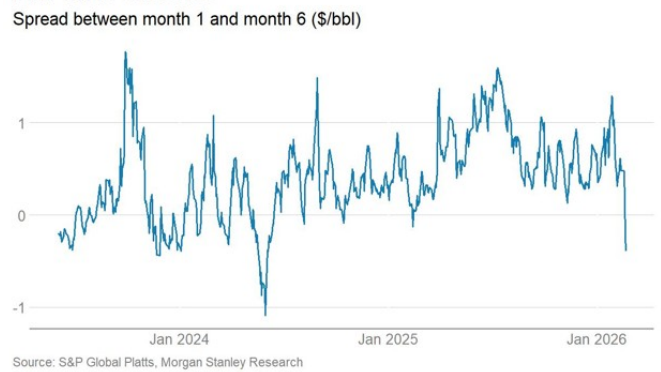


Exhibit 25:

Cash Dubai premium

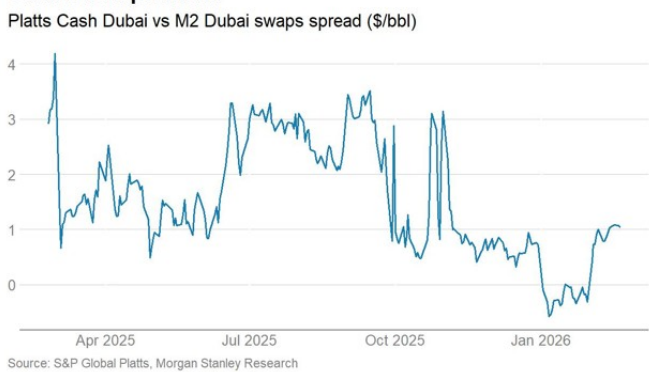
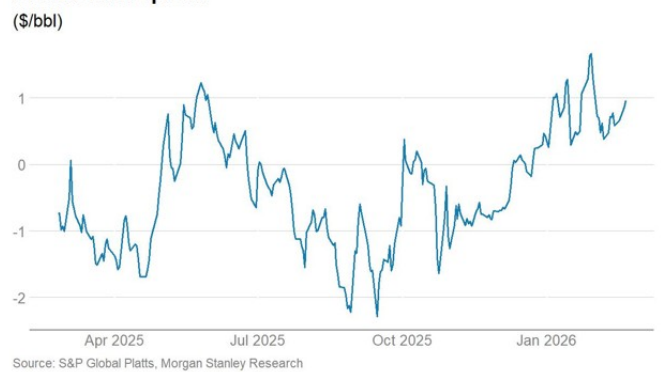


Exhibit 26:

Brent/Dubai spread



Differentials

Exhibit 27:

North sea

Differential to forward Dated Brent (\$/bbl)

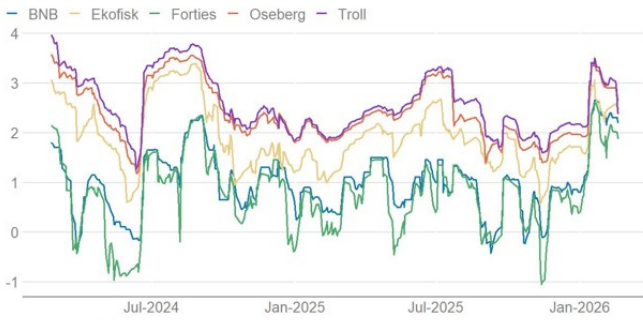


Exhibit 28:

Angola

Differential to Dated Brent strip (\$/bbl)

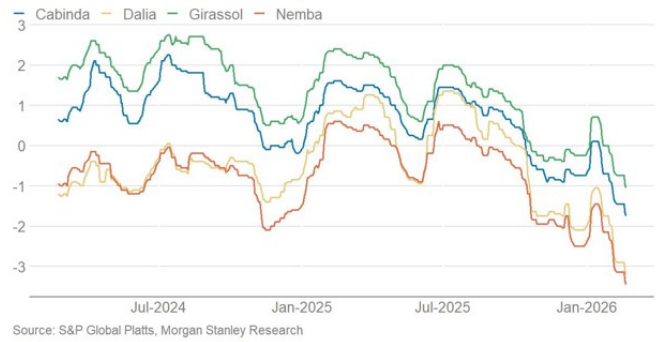


Exhibit 29:

Nigeria

Differential to Dated Brent strip (\$/bbl)

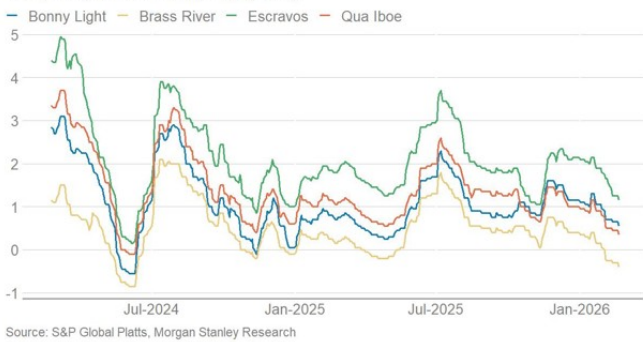


Exhibit 30:

Kazakhstan

Differential to Dated Brent strip (\$/bbl)

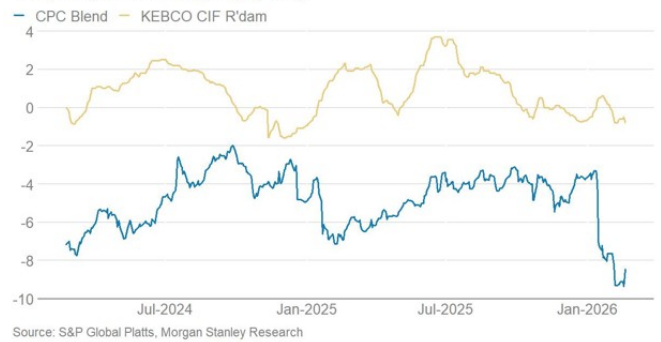


Exhibit 31:

Russia

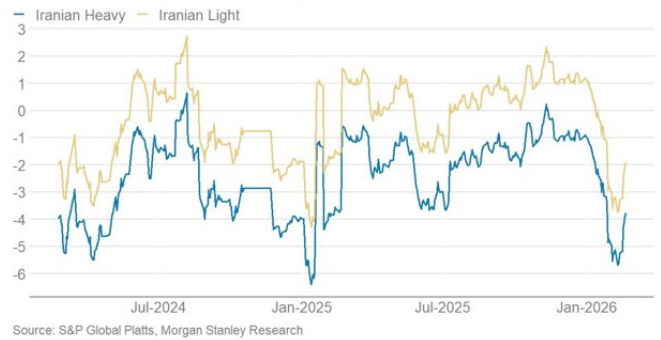
Differential to Dated Brent strip (\$/bbl)



Exhibit 32:

Iran

Differential to Dated Brent strip (\$/bbl)

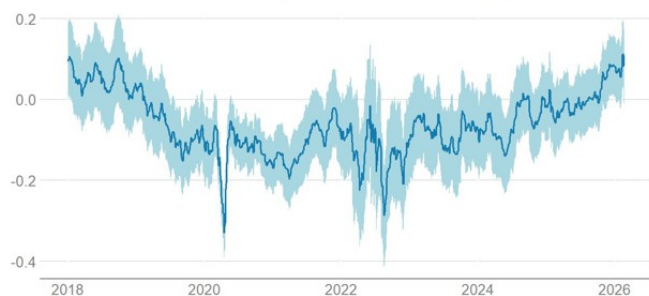


Crude Quality

Exhibit 33:

Heavy vs Light

Premium/(discount) for every 1 degree increase in API Gravity (\$/bbl)

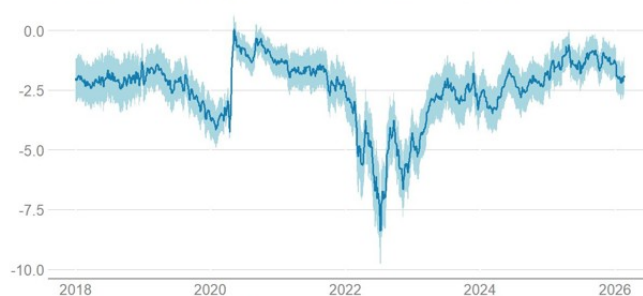


Note: analysis based on weekly regression across 95 seaborne crudes
Source: Platts, Morgan Stanley Research

Exhibit 34:

Sweet vs Sour

Premium/(discount) for every 1% increase in sulfur content (\$/bbl)

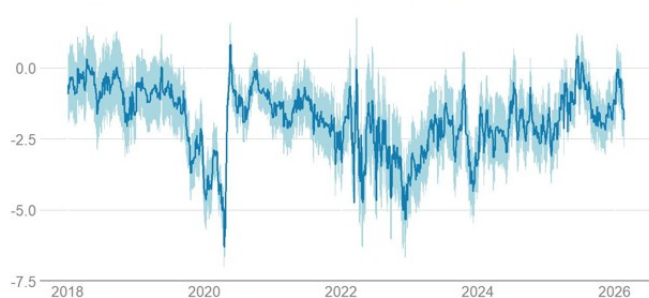


Note: analysis based on weekly regression across 95 seaborne crudes
Source: Platts, Morgan Stanley Research

Exhibit 35:

East vs West of Suez

Premium/(discount) for West- over East-of-Suez crudes (\$/bbl)

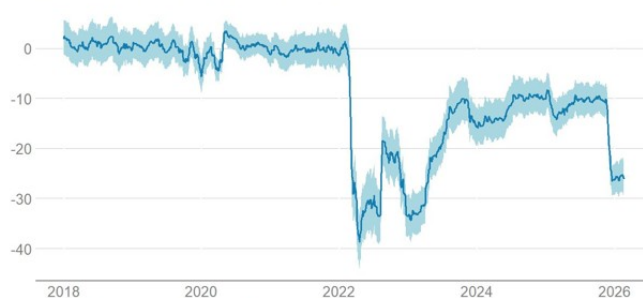


Note: analysis based on weekly regression across 95 seaborne crudes
Source: Platts, Morgan Stanley Research

Exhibit 36:

Russian vs non-Russian origin

Premium/(discount) for Russian crudes (\$/bbl)



Note: analysis based on weekly regression across 95 seaborne crudes
Source: Platts, Morgan Stanley Research

The analyses above are based on a daily regression of the price of 95 seaborne crudes against 1) their API gravity, 2) their sulphur content, 3) a dummy variable indicating whether the crude's origin is East or West of Suez, and 4) another dummy variable indicating whether the grade is from Russian origin or not. The charts above show how the sensitivity of these 95 crude prices to each of these variables has changed over time.

Refining Margins

Exhibit 37:

Cracking netback margin - Northwest Europe

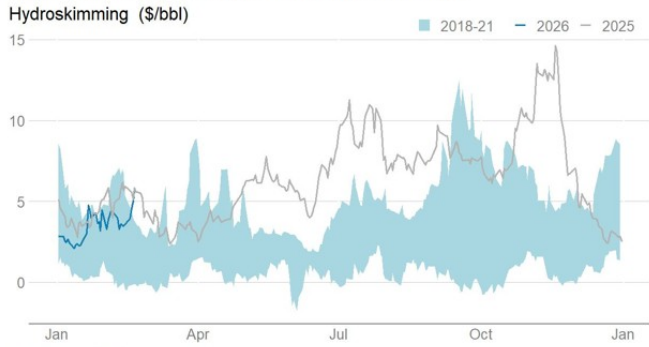


Exhibit 38:

Cracking netback margin - Northwest Europe



Exhibit 39:

Cracking netback margin - Southeast Asia

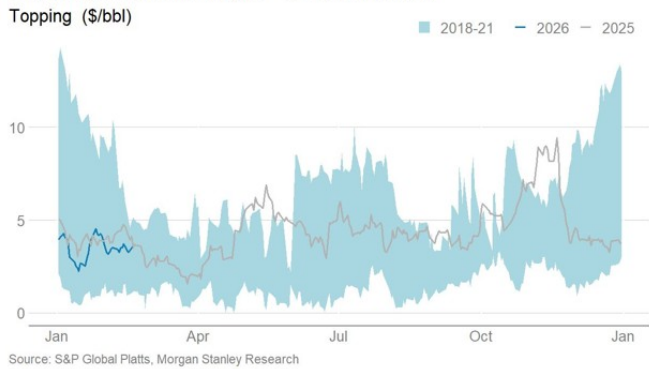


Exhibit 40:

Cracking netback margin - Southeast Asia



Exhibit 41:

Cracking netback margin - Western Mediterranean

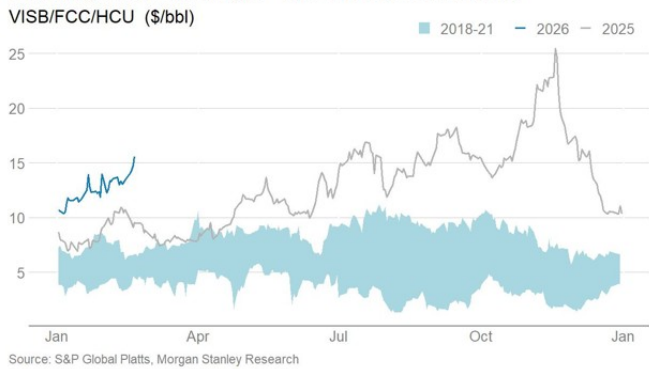
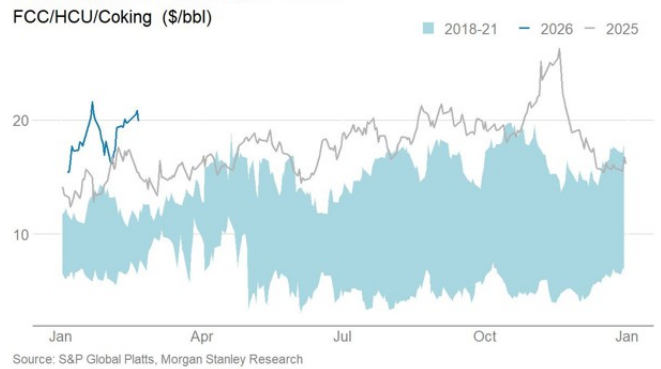


Exhibit 42:

Cracking netback margin - USGC



Product Crack Spreads

Exhibit 43:

Refined product crack spreads

vs Dated Brent; basis: Antwerp-Rotterdam-Amsterdam (\$/bbl)

— Naphtha — Gasoline — Diesel — VLSFO — HSFO

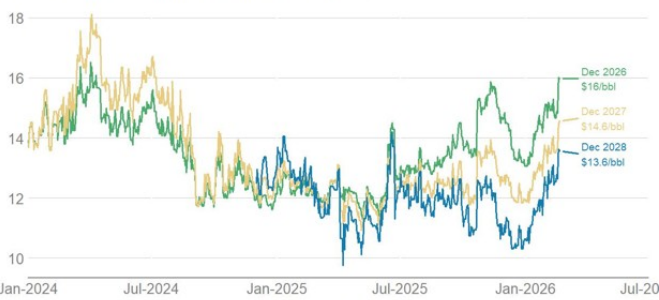


Source: Platts, Morgan Stanley

Exhibit 44:

Forward refining margins

Based on typical European configuration (\$/bbl)



Note: Analysis assumes yields of 30% gasoline, 60% middle distillate, 5% naphtha and 5% HSFO
Source: Bloomberg, Morgan Stanley Research

Exhibit 45:

China

Bohai Bay product crack spreads, excl. tax, \$/bbl)

— Gasoline — Gasoil/diesel

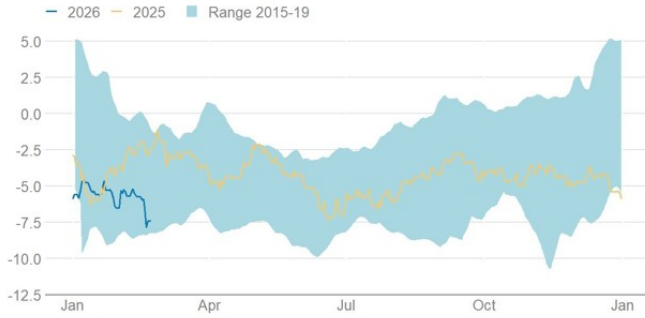


Source: Argus, Morgan Stanley Research

Exhibit 46:

Naphtha

Crack spread to Brent - NW Europe (\$/bbl)

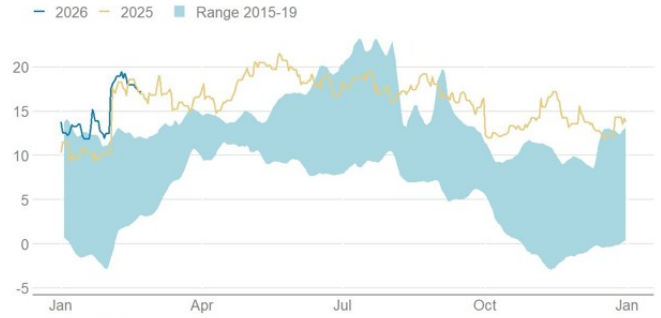


Source: S&P Global Platts, Morgan Stanley Research

Exhibit 47:

Gasoline

Crack spread to Brent - US Gulf Coast (\$/bbl)

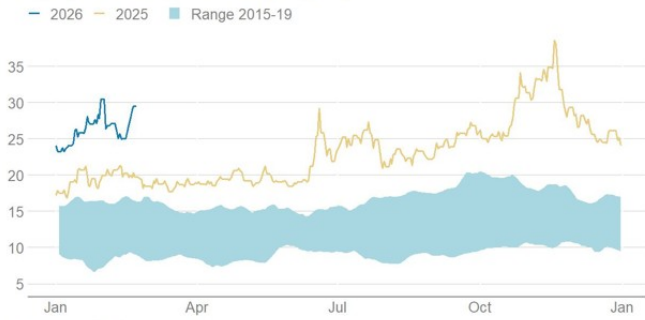


Source: S&P Global Platts, Morgan Stanley Research

Exhibit 48:

Jet fuel

Crack spread to Brent - NW Europe (\$/bbl)

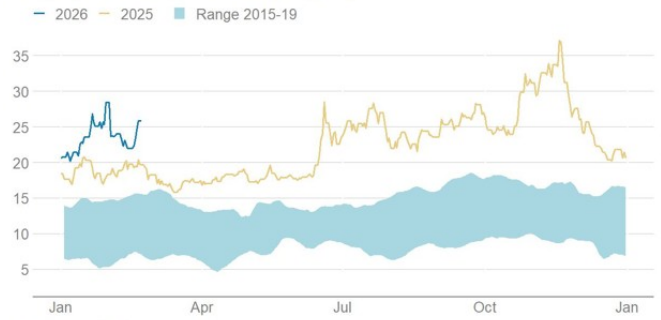


Source: S&P Global Platts, Morgan Stanley Research

Exhibit 49:

Gasoi/diesel

Crack spread to Brent - NW Europe (\$/bbl)



Source: S&P Global Platts, Morgan Stanley Research

Exhibit 50:

Gasoi/diesel

Crack spread to Brent - Singapore (\$/bbl)

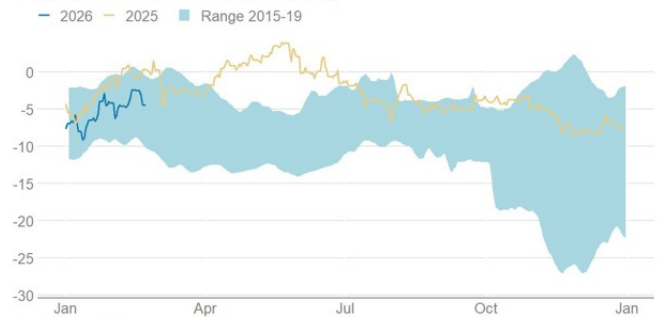


Source: S&P Global Platts, Morgan Stanley Research

Exhibit 51:

High-sulphur fuel oil

Crack spread to Brent - Singapore (\$/bbl)



Source: S&P Global Platts, Morgan Stanley Research

Refinery Outages

Exhibit 52:

Refinery outages

(mb/d)

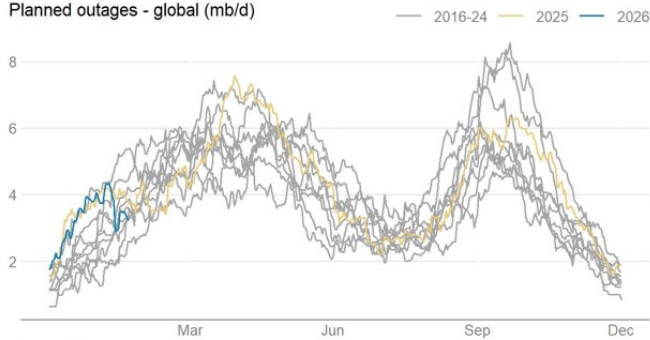
region	Actual												Known outlook			
	Jan 2025	Feb 2025	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Aug 2025	Sep 2025	Oct 2025	Nov 2025	Dec 2025	Jan 2026	Feb 2026	Mar 2026	Apr 2026
Africa	0.42	0.42	0.42	0.53	0.57	0.51	0.47	0.44	0.47	0.28	0.26	0.23	0.41	0.57	0.33	0.42
Brazil	0.12	0.15	0.13	0.05	0.11	0.14	0.16	0.09	0.09	0.12	0.07	0.06	0.03	0.00	0.00	0.00
China	0.48	0.40	0.63	1.62	2.05	1.45	1.20	0.91	0.86	0.96	1.22	1.19	1.12	0.50	0.24	0.55
Europe	0.66	1.25	1.41	1.26	1.51	1.12	0.38	0.17	0.57	1.03	1.16	0.36	0.29	0.69	1.03	0.72
India	0.00	0.05	0.05	0.35	0.15	0.20	0.06	0.18	0.15	0.14	0.22	0.26	0.00	0.00	0.00	0.64
Japan	0.26	0.48	0.39	0.26	0.51	0.73	0.52	0.35	0.42	0.46	0.42	0.10	0.13	0.15	0.16	0.11
Korea	0.00	0.42	0.45	0.00	0.11	0.11	0.00	0.00	0.00	0.17	0.17	0.17	0.00	0.24	0.37	0.31
Middle East	0.39	0.50	0.03	0.26	0.44	0.28	0.00	0.00	0.06	0.68	1.11	0.46	0.30	0.40	0.30	0.21
Other	1.33	1.52	1.29	1.61	2.22	1.32	1.18	1.02	1.18	1.36	0.74	0.49	0.71	1.12	1.08	1.35
Russia	0.23	0.72	0.56	0.59	0.60	0.70	0.76	1.48	2.05	2.21	1.98	1.50	0.67	0.70	0.40	0.54
Taiwan	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.24	0.24	0.24	0.31	0.15	0.00	0.18	0.18
US	1.03	1.35	1.28	1.67	0.66	0.24	0.23	0.22	0.77	1.41	0.64	0.10	0.75	1.05	0.53	0.65
World	4.96	6.91	6.57	8.17	8.87	6.76	4.95	4.81	6.69	8.96	8.13	4.78	4.44	5.21	4.54	5.48

Source: IIR, Morgan Stanley Research

Exhibit 53:

Refinery outages

Planned outages - global (mb/d)

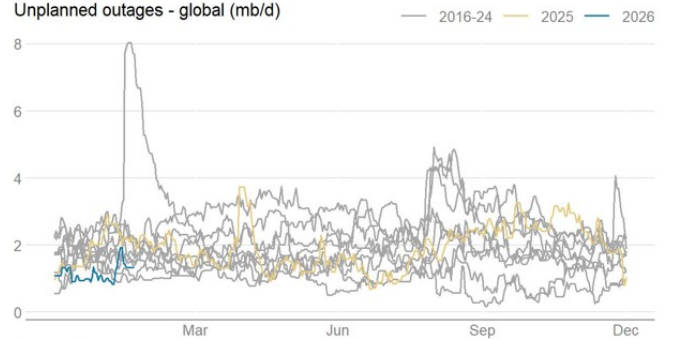


Source: IIR, Morgan Stanley Research

Exhibit 54:

Refinery outages

Unplanned outages - global (mb/d)



Source: IIR, Morgan Stanley Research

Inventories

Exhibit 55:

Observable crude oil inventories

(million bbl)

	Level	Average daily change						
		Current	-4 wks	-13 wks	-26 wks	Jan	Dec	Nov
Commercial								
	United States	419.1	-0.31	-0.07	0.00	0.07	-0.30	0.23
	Japan	61.7	0.20	-0.02	-0.07	0.02	-0.27	0.22
	ARA region	45.4	-0.10	-0.12	-0.06	0.06	-0.29	0.08
	Other OECD	557.3	-0.11	-0.34	-0.06	-0.13	-0.26	-0.11
	China	1,070.2	0.26	0.58	0.24	-0.26	1.84	0.05
	Other non-OECD	1,158.2	0.52	0.19	0.21	0.54	0.07	0.15
	Floating storage	80.9	-1.45	-0.33	0.01	-1.06	-0.07	2.04
	Oil-in-transit	1,184.6	0.36	-0.64	0.57	-1.32	-1.17	-1.12
Sub-total	—	4,577.5	-0.6	-0.8	0.8	-2.1	-0.4	1.5
SPR								
	United States	415.4	0.03	0.05	0.07	0.06	0.05	0.07
	Japan	259.6	-0.09	0.02	-0.02	0.09	0.00	-0.04
	ARA region	1.0	0.00	0.00	0.00	0.00	0.00	0.00
	Other OECD	259.0	0.00	0.03	0.00	0.00	-0.01	0.09
	China	188.1	0.02	-0.01	-0.03	0.03	-0.06	-0.06
Sub-total	—	1,123.2	0.0	0.1	0.0	0.2	0.0	0.1
Total	—	5,700.6	-0.7	-0.7	0.9	-1.9	-0.5	1.6

Source: IEA, EIA/DOE, PJK, IE, Genscape, PAJ, Platts, Vortexa, Morgan Stanley Research

Exhibit 56:

Observable oil products inventories

(million bbl)

	Level	Average daily change						
		Current	-4 wks	-13 wks	-26 wks	Jan	Dec	Nov
On land								
	Light ends	485.6	0.14	0.72	0.25	0.92	0.72	0.50
	Middle distillates	713.5	-0.59	0.10	-0.03	0.11	0.36	0.16
	Fuel oil & resid	144.2	-0.16	-0.03	0.03	-0.12	0.03	0.28
	Other/not specified	557.6	-1.28	-0.81	-0.31	-1.07	-0.63	-0.50
Sub-total	—	1,900.87	-1.89	-0.02	-0.06	-0.16	0.48	0.44
At sea								
	Light ends	203.5	-0.38	-0.05	0.03	-0.12	-0.03	0.20
	Middle distillates	356.3	0.17	0.13	-0.04	0.45	0.58	-0.27
	Fuel oil & resid	136.0	0.11	-0.03	-0.13	0.12	-0.03	-0.28
	Other/not specified	154.6	0.09	0.08	0.00	0.15	-0.24	0.04
Sub-total	—	850.49	-0.01	0.13	-0.14	0.60	0.28	-0.31
Total	—	2,751.36	-1.90	0.11	-0.20	0.44	0.76	0.13

Source: IEA, EIA/DOE, PJK, IE, Genscape, PAJ, Platts, Vortexa, Morgan Stanley Research

Exhibit 57:

Observable crude oil and oil products inventories

On land, at sea and in-transit (mln bbl)

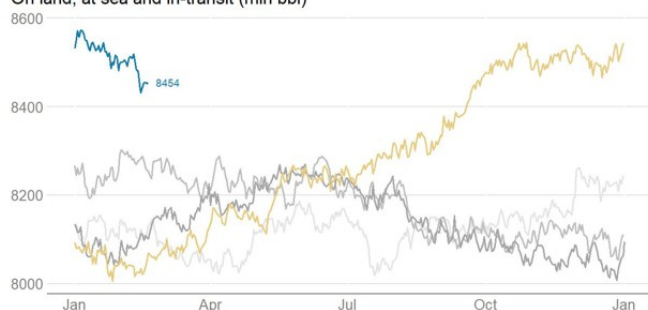
Note: Inventories include SPR
Source: IEA, EIA/DOE, PJK, IE, Genscape, PAJ, Platts, Vortexa, Morgan Stanley Research

Exhibit 58:

Observable crude oil inventories

On land, at sea and in-transit (mln bbl)

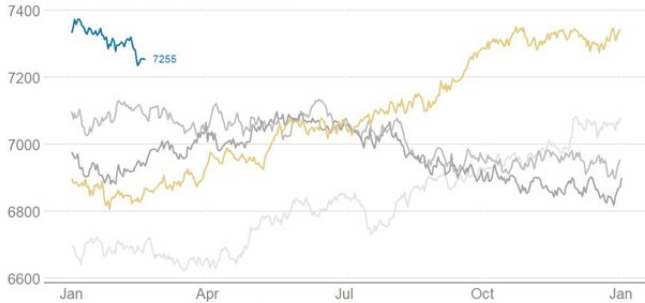


Source: IEA, EIA/DOE, PJK, IE, Genscape, PAJ, Platts, Vortexa, Morgan Stanley Research

Exhibit 59:

Observable crude oil and oil products inventories

In commercial storage only (mln bbl)



Note: inventories on land, at sea and in-transit, not including SPR in OECD countries
Source: IEA, EIA/DOE, PJK, IE, Genscape, PAJ, Platts, Vortexa, Morgan Stanley Research

Exhibit 60:

OECD commercial oil inventories

Total oil, on land only (mln bbl)

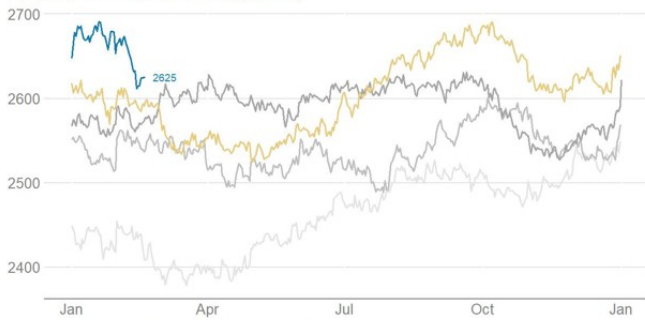


Source: IEA, EIA/DOE, PJK, PAJ, Platts, Vortexa, Morgan Stanley Research

Exhibit 61:

Observable refined oil products inventories

On land, at sea and in-transit (mln bbl)



Source: IEA, EIA/DOE, PJK, IE, PAJ, Platts, Morgan Stanley Research

Exhibit 62:

Observable refined oil products inventories, on-land only

(mln bbl)

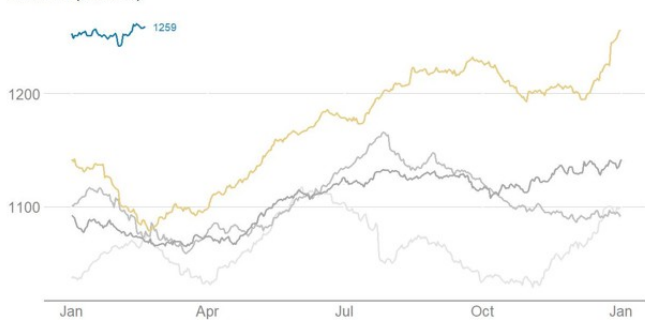


Source: IEA, EIA/DOE, PJK, IE, PAJ, Platts, Morgan Stanley Research

Exhibit 63:

Observable crude oil inventories in China

On land (mln bbl)



Source: Vortexa, Morgan Stanley Research

Exhibit 64:

Observable crude oil inventories outside China

On land, at sea and in-transit (mln bbl)



Source: IEA, EIA/DOE, PJK, IE, PAJ, Platts, Morgan Stanley Research

Seaborne Exports

Exhibit 65:

OPEC 9+3

Seaborne exports of crude oil and oil products (mb/d)

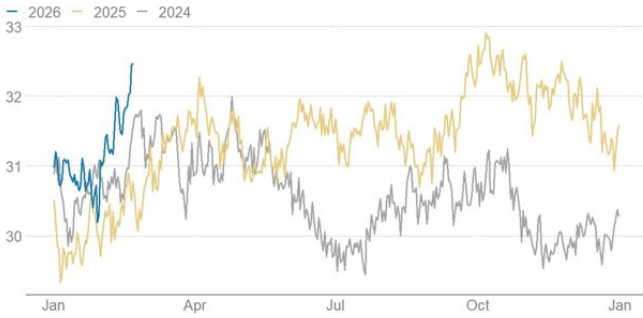


Exhibit 66:

Non-OPEC

Seaborne exports of crude oil (30-day mov. avg; excl. intra-country flows; mb/d)

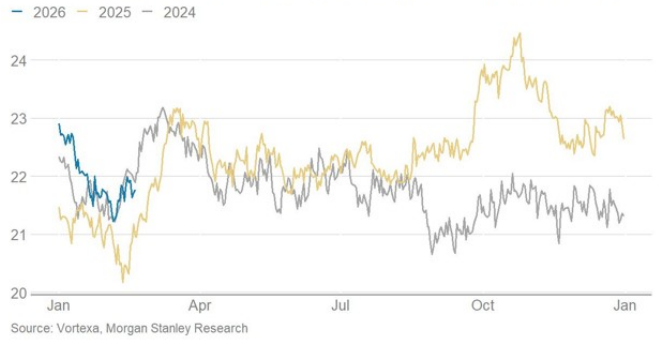


Exhibit 67:

Saudi Arabia

Seaborne crude oil exports (mb/d)

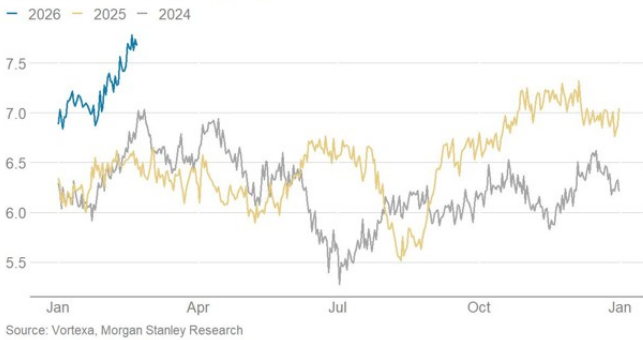


Exhibit 68:

Brazil and Guyana

Seaborne exports of crude oil (30-day moving avg; mb/d)

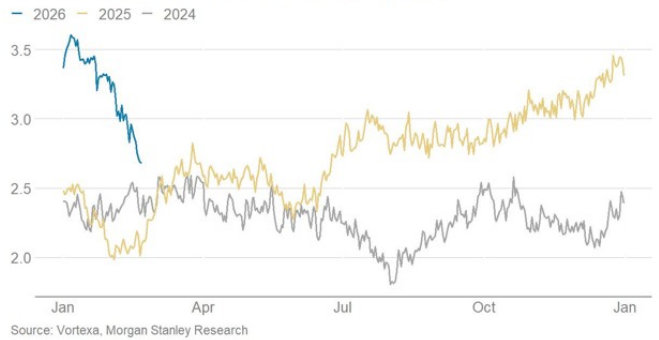


Exhibit 69:

Russia

Seaborne crude oil exports (mb/d)

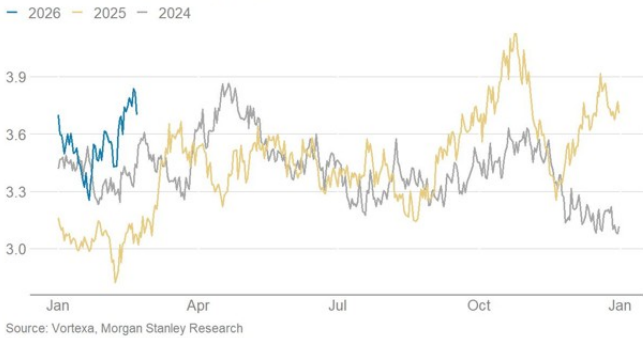
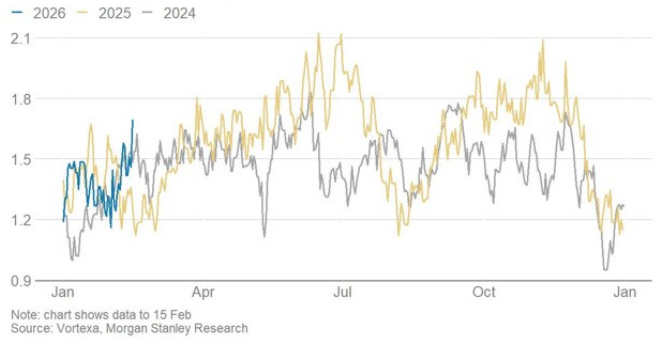


Exhibit 70:

Iran

Seaborne crude oil exports (mb/d)



US Production

Exhibit 71:

US crude + condensate production

Different sources compared (mb/d)

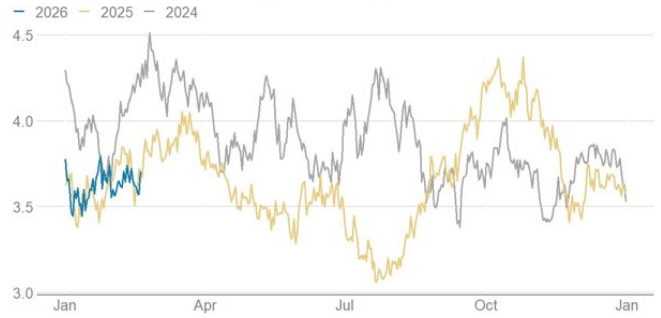


Source: DOE/EIA, Wood Mackenzie, Morgan Stanley Research

Exhibit 72:

United States

Seaborne crude oil exports (30-day average; mb/d)



Source: Vortexa, Morgan Stanley Research

Exhibit 73:

Permian

Crude oil and condensate production (mb/d)

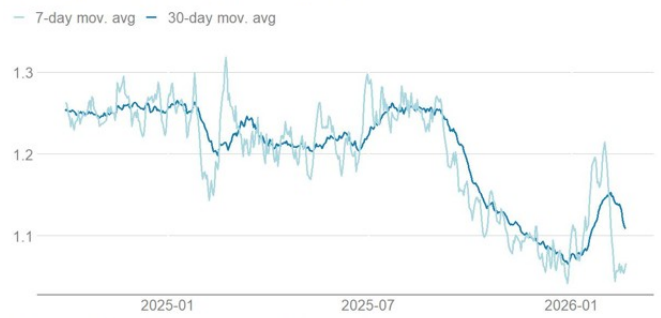


Source: Wood Mackenzie, Morgan Stanley Research

Exhibit 74:

Eagle Ford

Crude oil and condensate production (mb/d)

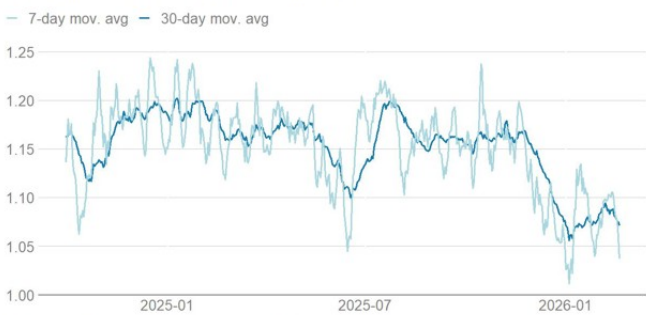


Source: Wood Mackenzie, Morgan Stanley Research

Exhibit 75:

North Dakota

Crude oil and condensate production (mb/d)

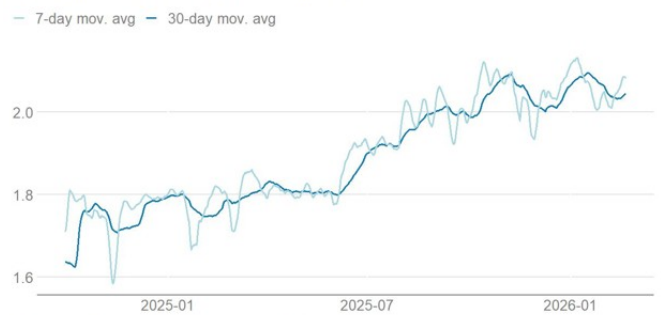


Source: Wood Mackenzie, Morgan Stanley Research

Exhibit 76:

Total GOM

Crude oil and condensate production (mb/d)



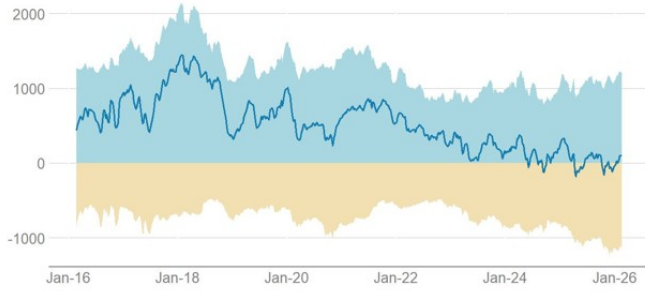
Source: Wood Mackenzie, Morgan Stanley Research

Positioning

Exhibit 77:

Total oil

COT report - Managed money and Other reportables (number of contracts)

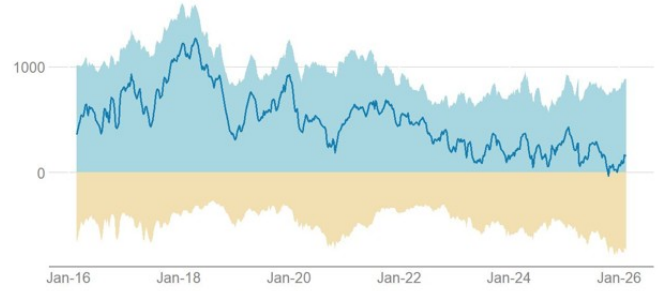


Note: light blue = long positions, yellow = short position, dark blue = net position
Source: CFTC, Morgan Stanley Research

Exhibit 78:

Brent and WTI

COT report - Managed money and Other reportables (number of contracts)

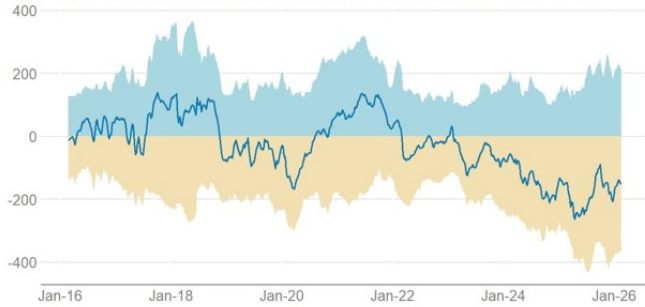


Note: light blue = long positions, yellow = short position, dark blue = net position
Source: CFTC, Morgan Stanley Research

Exhibit 79:

Gasoil and Heating Oil

COT report - Managed money and Other reportables (number of contracts)

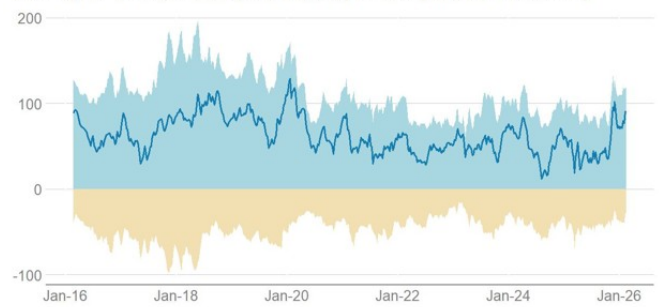


Note: light blue = long positions, yellow = short position, dark blue = net position
Source: CFTC, Morgan Stanley Research

Exhibit 80:

Gasoline - NY Harbour RBOB

COT report - Managed money and Other reportables (number of contracts)



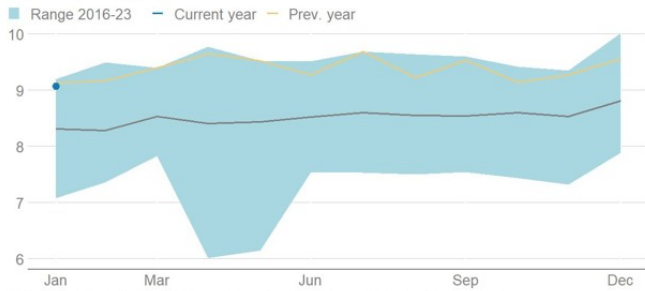
Note: light blue = long positions, yellow = short position, dark blue = net position
Source: CFTC, Morgan Stanley Research

Other Selected Charts

Exhibit 81:

Motor fuel imports

Top 100 ports (mb/d)

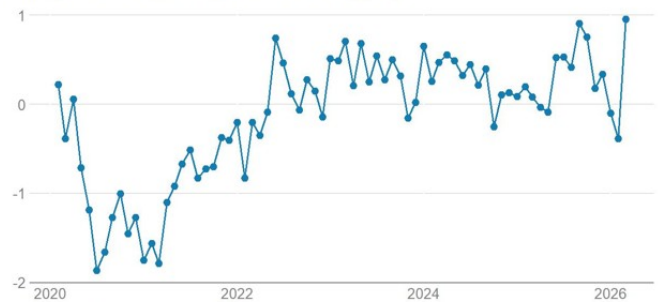


Note: analysis based on the 100 largest ports where imports are >90% of total flow, excluding large trading ports like Singapore, Rotterdam, etc
Source: Vortexa, Morgan Stanley Research

Exhibit 82:

Seaborne crude oil arrivals - Europe

Change vs seasonal average from 2016-23 (mb/d)



Note: analysis based on EU + Norway + UK
Source: Vortexa, Morgan Stanley Research

Exhibit 83:

Clean products net imports

Nigeria (30-day moving avg; mb/d)

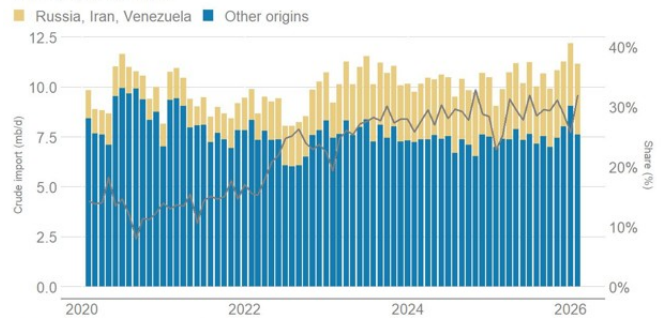


Source: Vortexa, Morgan Stanley Research

Exhibit 84:

Crude oil imports

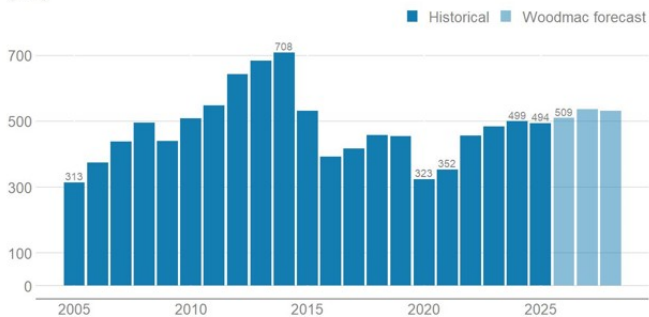
China, split by origin



Source: Vortexa, Morgan Stanley Research

Exhibit 85:

Global oil & gas capex (by Woodmac)
(\$bn)

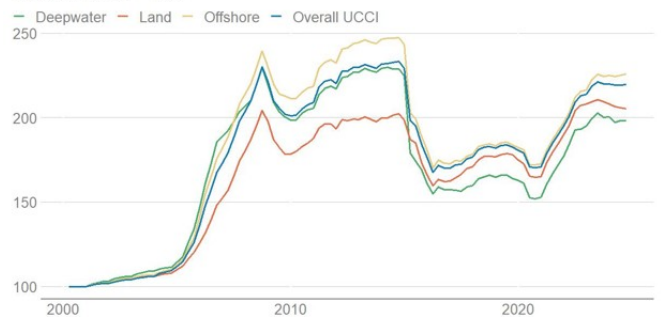


Source: Wood Mackenzie, Morgan Stanley Research

Exhibit 86:

Upstream capital cost

Index: 1Q 2000 = 100



Source: S&P Global, Morgan Stanley Research

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(as of January 31, 2026)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
Overweight/Buy	1520	41%	425	48%	28%	685	42%
Equal-weight/Hold	1579	43%	375	42%	24%	713	44%
Not-Rated/Hold	4	0%	1	0%	25%	1	0%
Underweight/Sell	592	16%	89	10%	15%	232	14%
Total	3,695		890			1631	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

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