



Publishing
Intelligence
Consultancy

Oct. 5th, 2026

MONDAY MORNING QUARTERBACK

ENERGY MARKETS WEEKLY BRIEFING NOTE

“ ***The Forward Oil Markets Need to Alter Posture
from Short-Term Solution Expectations
and Brace for a Prolonged Structural Supply Shock*** ”

*The Monday Morning Quarterback
Series is supported by:*



MONDAY MORNING QUARTERBACK

ENERGY MARKETS WEEKLY BRIEFING NOTE – Oct. 5th

MONDAY MORNING QUARTERBACK

ENERGY MARKETS WEEKLY BRIEFING NOTE – Oct. 5th

The Forward Oil Markets Need to Alter Posture from Short-Term Solution Expectations and Brace for a Prolonged Structural Supply Shock

By Sean Evers, Managing Partner, Gulf Intelligence

Oil markets are sending a warning that is increasingly difficult to ignore. The headline price of Brent crude tells only part of the story. Beneath the futures screen, the physical market is flashing signs of extraordinary stress: Dated Brent has surged to almost \$127 a barrel, roughly \$25 above December Brent futures, diesel margins remain at historically extreme levels, freight costs have exploded and the disruption is increasingly being reflected far into the forward curve.

The critical issue is no longer simply whether enough oil exists globally, but whether the right barrels can reach the right markets at the right time — and at an economically sustainable cost. More importantly, forward oil markets need to alter their posture. What was initially treated as a short-term disruption requiring temporary logistical solutions is increasingly showing the characteristics of a prolonged structural supply shock extending well into 2027.

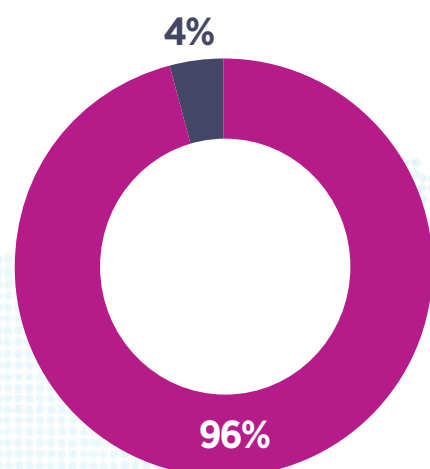
Physical Oil Is Telling a Very Different Story from the Futures Screen

Saudi Arabia's decision to restart pipeline flows through Petroline to Yanbu, which is Saudi Arabia's East-West crude oil pipeline, formally known as the East-West Pipeline, demonstrates the challenge. The route allows crude to bypass the Strait of Hormuz and reach the Red Sea, providing an alternative outlet for barrels moving towards Europe. But it does little to solve the problem confronting Asian refiners. For those buyers, crude exported through Yanbu still must travel south through Bab el-Mandeb, where security risks remain acute. Asian refiners therefore remain constrained in their access to flexible Gulf supplies and are being forced to compete more aggressively for Atlantic Basin barrels.

The consequences are clearly visible in the physical market. Dated Brent was assessed at \$126.90 a barrel on October 1, compared with December Brent futures at \$102.31 — a

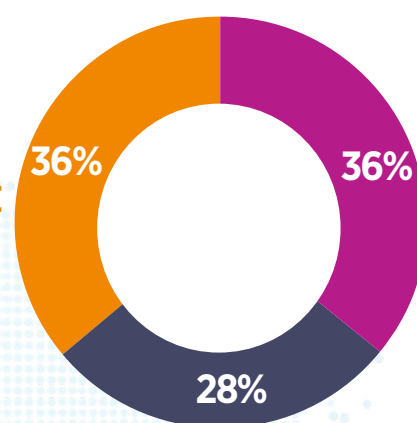
The forward oil markets need to alter posture to brace for a prolonged structural supply shock?

 Agree
 Disagree



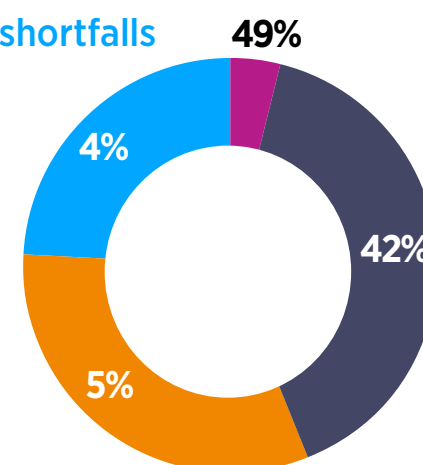
What impact will Republicans/Trump Midterms election loss have on oil markets?

 Bullish
 Bearish
 Little Impact

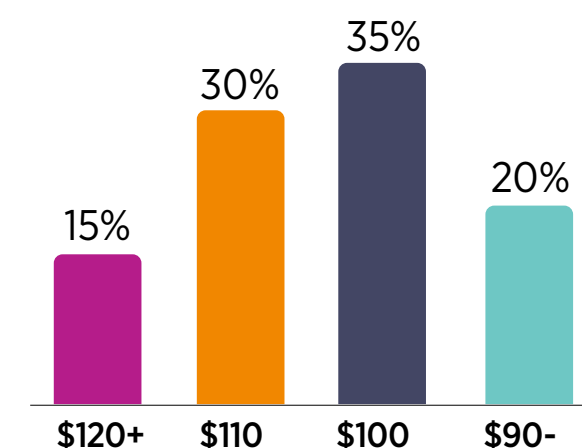


What will be the biggest driver of energy prices through Q4?

 Iran-US peace talks
 Tight diesel supply
 China crude demand
 Gas storage shortfalls



Brent crude has averaged \$93 approx. year to date — what will it average in Q4?



premium of \$24.59. That physical-to-paper spread had reached \$36 during the height of the disruption in April, collapsed to just \$1.60 in late August, and has now blown back out to around \$25. Freight is amplifying the problem, with VLCC transportation costs reaching extraordinary levels of around \$50 million while the Brent-Dubai differential has widened to almost \$20 a barrel. The result is a market where geography and logistics increasingly matter as much as the headline level of global supply.

The pressure is also spreading through refined products. China's decision to freeze fuel exports to prioritize domestic demand during Golden Week immediately tightened Asian product markets, pushing Singapore gasoil cracks to \$71.42 a barrel versus Dubai. Paper refining margins remain close to extraordinary highs, with Mediterranean diesel cracks against futures around \$97 a barrel and ARA barges above \$93, compared with a pre-2022 historical average of around \$12. But refiners do not process a futures contract — they process physical crude. When measured against physical Dated Brent, Northwest European ULSD margins compressed from \$101.72 a barrel at the beginning of September to \$70.62 by October 1.

Forward Markets Are Beginning to Price a Structural Shock

Perhaps the biggest change is what the forward market is now telling us. Earlier in the crisis, markets treated the disruption as temporary, assuming logistics would normalize, physical premiums would retreat and refining margins would eventually return to historical norms. That confidence is weakening as pricing further along the curve begins to reflect a much more persistent challenge.

The 12-month Brent strip has climbed from \$62.47 a barrel in January to \$82.43 by October 1, while prompt-to-12-month backwardation has widened to almost \$20 a barrel. Even more strikingly, the 12-month forward diesel crack for late-2027 delivery is around \$50 a barrel over crude — more than four times the historical norm of \$12. These forward signals suggest the market is no longer pricing only the immediate consequences of geopolitical disruption, but is beginning to account for persistent constraints in refining capacity, shipping routes, freight availability and product supply.

That requires a different posture from refiners, traders, consumers and policymakers. Temporary workarounds can redirect barrels, but they cannot fully compensate for a global energy system operating with increasingly limited logistical flexibility. The remarkable reversal in jet fuel provides

MONDAY MORNING QUARTERBACK

ENERGY MARKETS WEEKLY BRIEFING NOTE – Oct. 5th

China's biggest stimulus push since 2024 indicate domestic consumption is insufficient to drive oil demand growth back to pre-Iran conflict levels in 2027?



another warning: Northwest European jet moved from a \$12.35 discount to diesel at the beginning of September to a \$4.26 premium by October 1, while Singapore experienced a similar regrade reversal. These are not isolated price movements, but symptoms of a refining and logistics system where relatively small changes in supply availability can produce disproportionately large price responses.

Winter Could Expose the Market's Remaining Weaknesses

The next major test will be winter. North America enters the season with comfortable natural gas supplies and sub-\$3 gas, although distillate inventories remain low. Europe faces a considerably more complicated combination of risks, with gas storage standing at only 71.3% at the end of September, compared with 82% a year earlier and at a record seasonal low. TTF gas was assessed around €73.56/MWh, equivalent to roughly \$24/MMBtu, putting Europe directly into competition with Asian spot LNG at approximately \$27/MMBtu. Europe and Asia are therefore increasingly bidding for the same flexible Atlantic LNG cargoes just as winter demand begins to accelerate.

Oil products face their own seasonal challenge. Autumn refinery maintenance is removing capacity while inventories are already depleted, with ARA distillate stocks around 1.65 million tons in mid-September and US distillate inventories projected below 100 million barrels. Against that backdrop, Russian outages, Chinese export

restrictions, or an unexpected refinery shutdown could trigger disproportionate price reactions. Even the energy transition is not insulated: Europe's sustainable aviation fuel supply chain remains heavily exposed to Asia, with SAF shipments from China to Europe taking eight to eleven weeks around the Cape, creating another vulnerability for European airlines facing increasingly stringent mandates.

All this leaves one indicator worth watching above almost everything else: the relationship between physical Dated Brent and Brent futures. Political announcements, pipeline reopenings and security developments will continue to dominate headlines, but they cannot tell us whether physical barrels are once again moving freely through the system. Today, Dated Brent is trading roughly \$25 above December futures, compared with a normal premium of around \$1-\$3 a barrel. Until that gap begins to collapse sustainably, it will be difficult to argue that the underlying supply crisis has truly passed.

The futures screen may tell us what markets expect tomorrow, while the physical barrel tells us what the world is struggling to secure today. Increasingly, however, the forward curve is sending the same message as the physical market: what began as a short-term disruption is evolving into a structural supply challenge, and markets need to brace accordingly.

This version keeps the argument and figures from the attached commentary, including its central shift from viewing the disruption as transitory to pricing structural tightness extending into 2027. ■

(*nb. Polling conducted September 28th - October 2nd with 100+ Energy Market Stakeholders)



Publishing
Intelligence
Consultancy