

Global Markets Research

The Strait of Hormuz

Shaken, yet stirred

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The Macro Backdrop: One Month into the War

A month ago, Operation Epic Fury turned the global energy map upside down. On the evening of 28th February, the United States and Israel launched coordinated strikes on Iran, killing Supreme Leader Ayatollah Khamenei alongside senior IRGC commanders. Tehran retaliated with missile and drone strikes on US bases in Qatar, Kuwait, the UAE, and Bahrain; a response broader than anything seen during the June 2025 nuclear-site strikes.

The Strait of Hormuz, through which roughly 20% of global oil and 20% of global LNG trade flows, became a war zone overnight and so, a totally different crisis to the one on the Red Sea. This time, the disruption led to the outright closure of a strait, which even though it can seem like a goal that the Houthis would like to have achieved, the uniqueness of this situation comes mainly from the impossibility of trade rerouting. The reason for this, is that this war directly affects the sources of the previously mentioned resources, as the countries of the Persian Gulf are the ones who export them, with 30% of all global crude and 17% regarding global accessibility to natural gas. In a scenario like this, decisions become even more unpredictable, since countries resort to methods outside of military wins, and as far as transportation goes, we have to consider not only the sea, but also the air.

Even though unforeseeable, as Iran is far from altering current air superiority, and lacks ground capabilities to pressure it by land, the region is the notorious global link for air transportation, ever since Russia stopped becoming a viable option. Partial or total airspace closure would immediately affect commercial and air cargo aviation, especially because of the UAE, as they possess the biggest air hub in the world. From a firm perspective, this can be catastrophic if the business model is primarily just-in-time, which is a defining characteristic of much of the Asian production market.

As a result, the whole world has its eyes set on the region, taking decisions according to their vulnerability to the conflict. This doesn't exclude monetary policy, but at least for now, the financial system seems to be stable enough to let entities such as the Fed and the ECB maintain their interest rates, as they overview the situation.

Oil: License to Drill

Brent crude, by 8th March, had breached USD 100 for the first time in four years. It peaked near USD 126/bbl mid-month before the IEA's record 400-million-barrel strategic petroleum reserve release and partial US military re-opening efforts brought it back toward USD 112.57/bbl as of close on Friday 28th March, still up roughly 55% from pre-war levels. The IEA, in its March Oil Market Report, called this the largest supply disruption in the history of the global oil market.

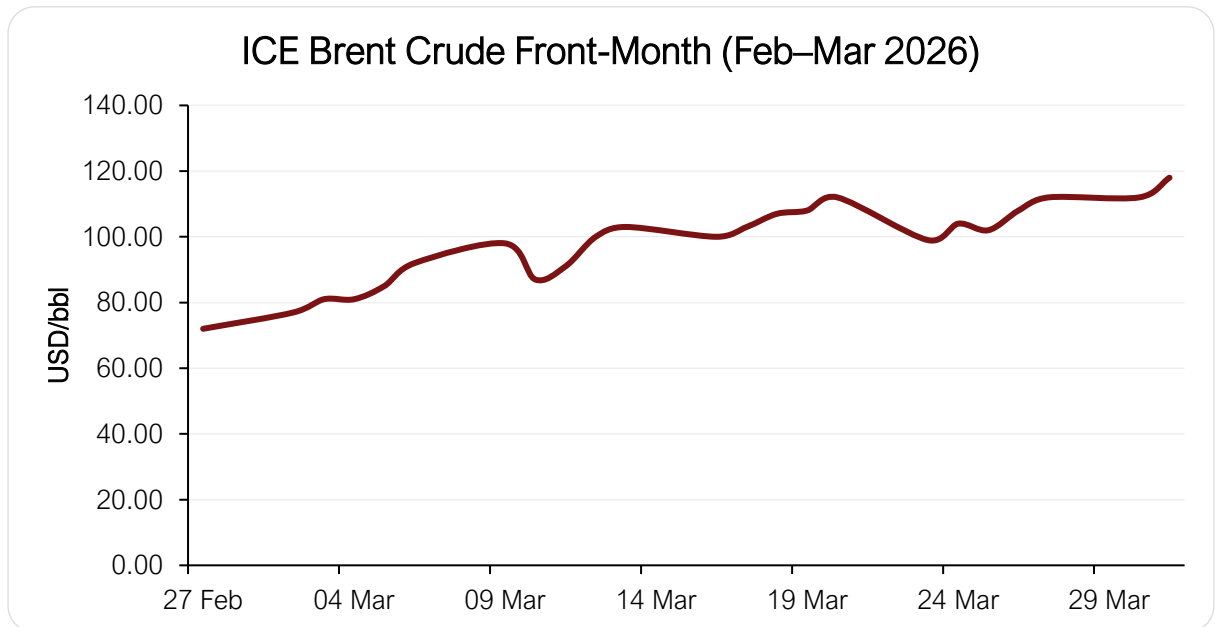


Figure 1: Brent Crude Price Evolution. Source: Bloomberg.

Apart from the general price shock, it is worth noting that Iranian crude has a specific market profile and an unusually concentrated export structure. Iran's best-known export grade, Iranian Light, is generally classified as a medium sour crude. That means that Iranian oil is not a heavy crude that demands the most complex refining units, but it is also not light and sweet enough that it needs to be mixed with extra components. It's a product directed to produce diesel and jet fuel. The alternative consists of lighter crude end products, such as gasoline, but it lacks the effectiveness of diesel for heavy-duty and high-mileage transport, such as trucks and buses.

Consequently, Iran's oil export becomes even more of a unique analysis, if we consider Kharg island, an island where 90% of its crude comes from and its history surrounding oil nationalization, showcasing full vertical control by the state.

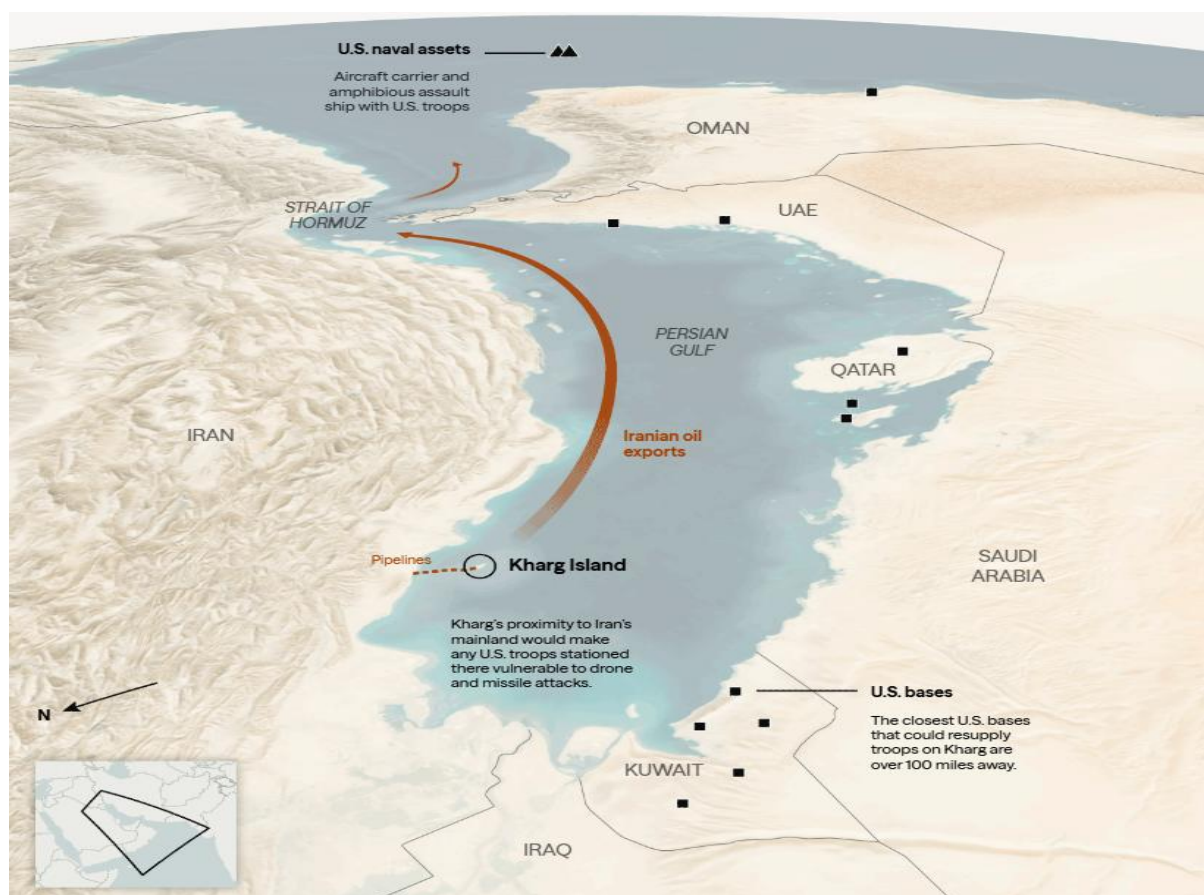


Figure 2: Strait of Hormuz. Source: CFR / Congressional Research Service (U.S. bases) / U.S. Naval Institute (naval assets) / OpenStreetMap (pipelines).

Surging Freights, Rerouted Tankers

The Baltic Dirty Tanker Index is trading roughly 90% above the same period last year. VLCC rates on the benchmark Middle East Gulf-to-China route (TD3C) hit WS126.5, corresponding to a daily round-trip time charter equivalent of USD 112,394, more than double month-on-month. The compounding of two chokepoint disruptions (Hormuz and potentially Suez) would create a logistics shock on top of the energy shock, with freight costs feeding directly into consumer prices through import-dependent supply chains.

Another consequence of rising freight cost is that tightens refineries' margins harming their profitability. This could, in turn, make them less prone to buy crude on the spot market which would push prices even higher as less oil would be available.

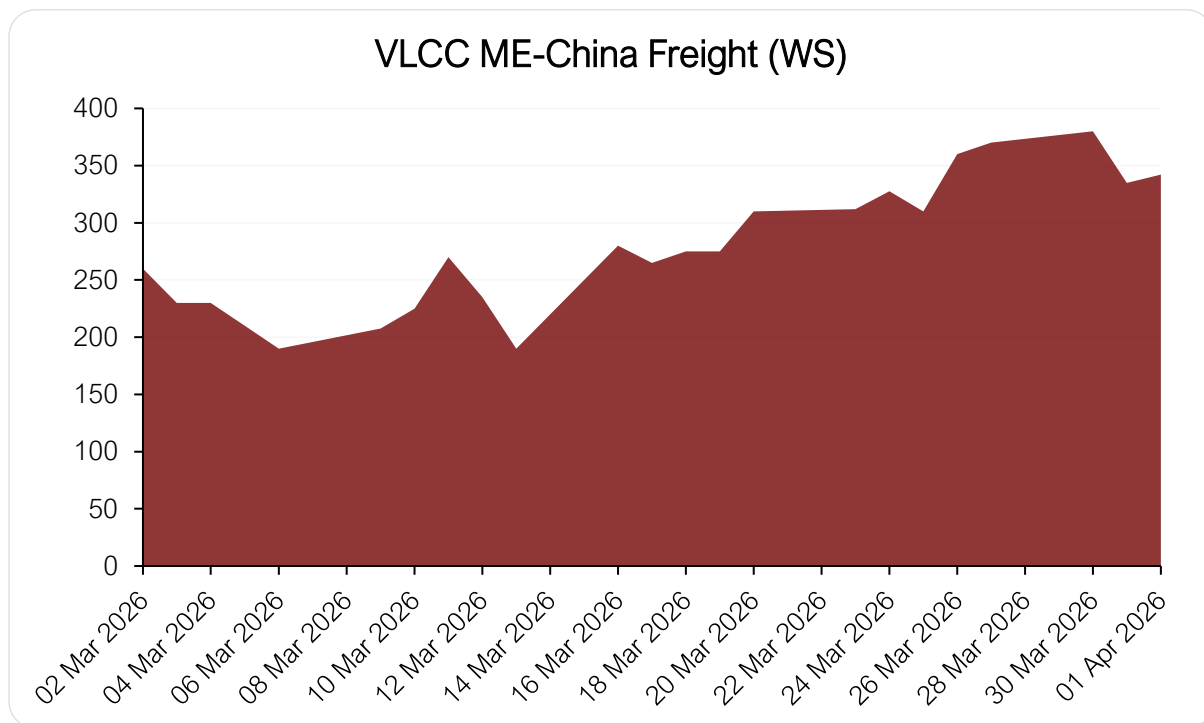


Figure 3: VLCC Rates. Source: Bloomberg

From Russia with Love

Ever since the Russian trade of gas and oil switched to Asia, China and India have become its main buyers. Now, Moscow's intent seems to see this as the base for future opportunity in the East, positioning their advantage on being the cheaper alternative to western economies to then become an alternative for energy conversion and convenience trades.

Beyond the two anchor buyers, the Philippines imported Russian crude in March for the first time in five years. Brunei received Siberian cargoes routed through shadow tanker networks. Government-level negotiations are actively underway with Thailand, Vietnam, Sri Lanka and even a close US ally, South Korea.

In practicality, the contracts underpinning these flows vary considerably, and the distinction matters. The longest-dated commitments are almost exclusively with China, as Siberia 1 and the agreement for Siberia 2, show the commitment for gas transportation by pipelines in Mongolia. Russia also agreed to raise deliveries on the existing Sakhalin route and bump the power for Siberia 1 flows. These transactions are infrastructure bets that take a decade to build, and China has made them while Russia is under sanctions, signaling a willingness to absorb Western legal risk for the sake of supply security.

Another case is how through February 2026, Indian refiners were buying Russian crude at roughly thirteen dollars below Brent, with HPCL locked in two cargoes at that discount. Later, a little after the Gulf supply became unavailable, Russian exporters repriced upward and Indian state refiners, paid between five and fifteen dollars per barrel above Brent for April deliveries, leading to sixty million barrels being purchased for April. This premium shows the cost of supply certainty to prevent idle refineries, and for Russia it was the first time since the war in Ukraine that their crude had commanded a premium over Brent in the Indian market, resulting in double export revenues for a single month.

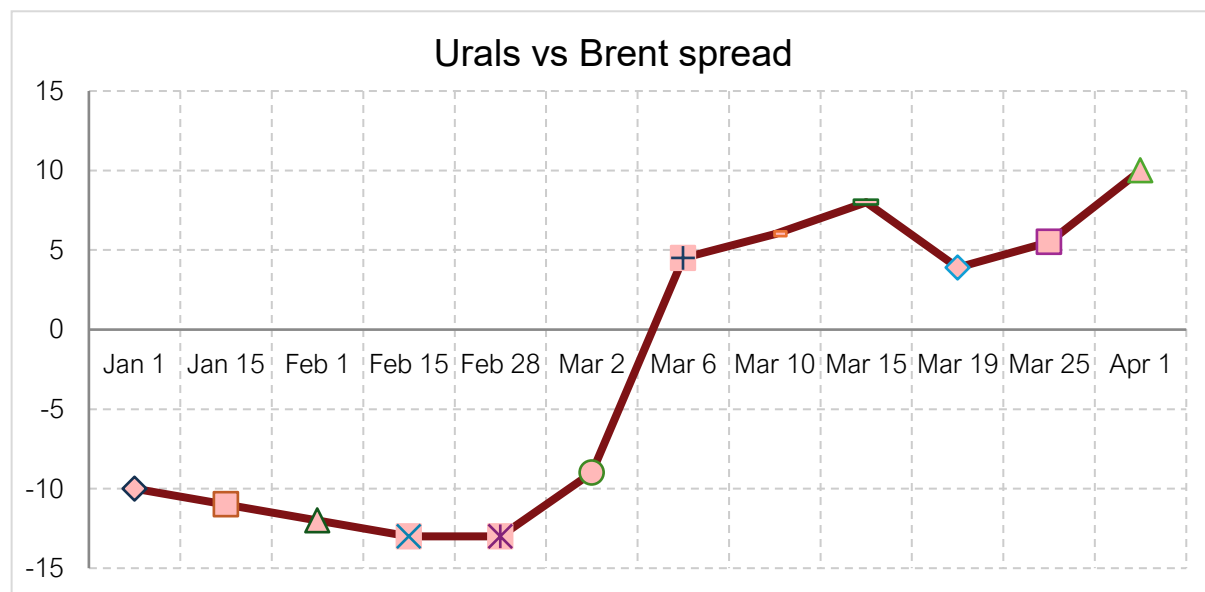


Figure 4: Ural vs Brent spread: Sources: Bloomberg.

The Gulf is not Enough: Qatar's Wounds and the TTF Disconnect

The damage to Qatar's Ras Laffan LNG infrastructure, which accounts for 17% of the country's export capacity offline for three to five years, per QatarEnergy's CEO, has permanently altered the LNG supply curve. Iran's selective blockade of Hormuz, now formalized into a yuan-denominated toll booth regime, has fractured the principle of free navigation that underpinned half a century of global energy trade. And the macro consequences are only beginning to transmit through to inflation, central bank policy, and growth forecasts across every major economy. A second wave of missile strikes on 18th March caused extensive damage: two of Qatar's 14 LNG trains and one gas-to-liquids (GTL) facility were knocked out. On 24th March, QatarEnergy declared force majeure on all affected contracts.

Qatar accounts for roughly 20% of global LNG trade; including 8% of EU LNG imports and 30% of China's in 2025, per EBRD data. Operations at Saudi Arabia's largest domestic oil refinery (Ras Tanura) were also suspended. Two of Israel's largest offshore gas fields have been shut down and production halted, per the EBRD's March assessment. The damage at Ras Laffan, combined with the Hormuz blockade preventing any remaining cargoes from reaching buyers, triggered an immediate repricing across European and Asian gas benchmarks.

TTF vs Henry Hub: Paper Runs Ahead of Physics

The Dutch TTF (Europe's main index for gas) front-month contract jumped from EUR 30/MWh in late February to approximately EUR 54/MWh by early March, a 80% month-to-date gain. By mid-March, gas prices in Europe had more than doubled from pre-war levels. As of 1st April, TTF front-month was trading at EUR 47.5/MWh, and the gap between the price of gas in the US and Europe had widened to a multiple of roughly 6 times, per the EBRD. Goldman Sachs raised its Q2 2026 outlook to EUR 72/MWh, warning that European storage would need to attract LNG cargoes away from competing Asian buyers to refill adequately before next winter.

But the more interesting story sits beneath the headline price moves: the growing disconnection between financial and physical activity on TTF. Futures open interest on TTF hit approximately 2.6 million contracts in late 2025, up 23% year-on-year. Financial institutions, commodity funds, and algorithmic desks now account for over 70% of total volume on ICE Endex, according to exchange data. Derivatives represent more than 60% of all trading activity at European gas hubs. The paper-to-physical churn ratio on TTF has ballooned as speculative positioning surged into the crisis. Physical players, traditionally 65% of TTF positions, have been outpaced by financial flows chasing the geopolitical premium.

The Henry Hub-TTF spread jumped to roughly USD 15/MMBtu equivalent in early March, creating one of the widest LNG arbitrage windows in history. Javier Blas at Bloomberg flagged the Qatar LNG shutdown as triggering flashbacks to the 2021–2022 European gas crisis but warned that the current disruption has a harder physical ceiling: damaged infrastructure that cannot be willed back online by price alone.

The contrast with Henry Hub is not just instructive; it is becoming structurally definitive. US gas remains insulated from the Hormuz bottleneck by geography and infrastructure: the US is a net LNG exporter with growing liquefaction capacity, and the IEA's Q1 2026 Gas Market Report projects global LNG supply growth accelerating to 7% in 2026 (over 40 bcm), with North America accounting for over 85% of the incremental volumes. Gergely Molnar, IEA's senior gas analyst, noted that 2026 marks the first year of what he called the "LNG wave," which represents a structural supply surge that will test demand absorption, particularly in Asia.

Yet the domestic picture for Henry Hub tells a story of its own disconnect. On 23rd March, the front-month contract dipped to USD 2.9/MMBtu, its lowest level since September 2025, driven by a combination of mild late-winter weather, above-average storage, and the paradox of a country swimming in gas while the rest of the world struggles so much to access it. US inventories stood at 1,829 Bcf as of 20th March, up 5.2% year-on-year. The EIA revised its full-year 2026 Henry Hub average down to USD 3.76/MMBtu from USD 4.31 the prior month; this represented a 13% cut driven almost entirely by the weather-induced storage surplus.

The divergence between the two benchmarks tells a story about where the structural vulnerability sits: not in supply per se, but in the chokepoints between supply and demand. US LNG export ran at approximately 18.8 Bcf/d in late March, near maximum utilization. The arbitrage window between Henry Hub at USD 3 and TTF at USD 18, which represents one of the widest in LNG history, is being exploited to the physical limits of existing infrastructure. But no amount of US liquefaction capacity can replace 300 million cubic meters per day of Qatari and Emirati supply.

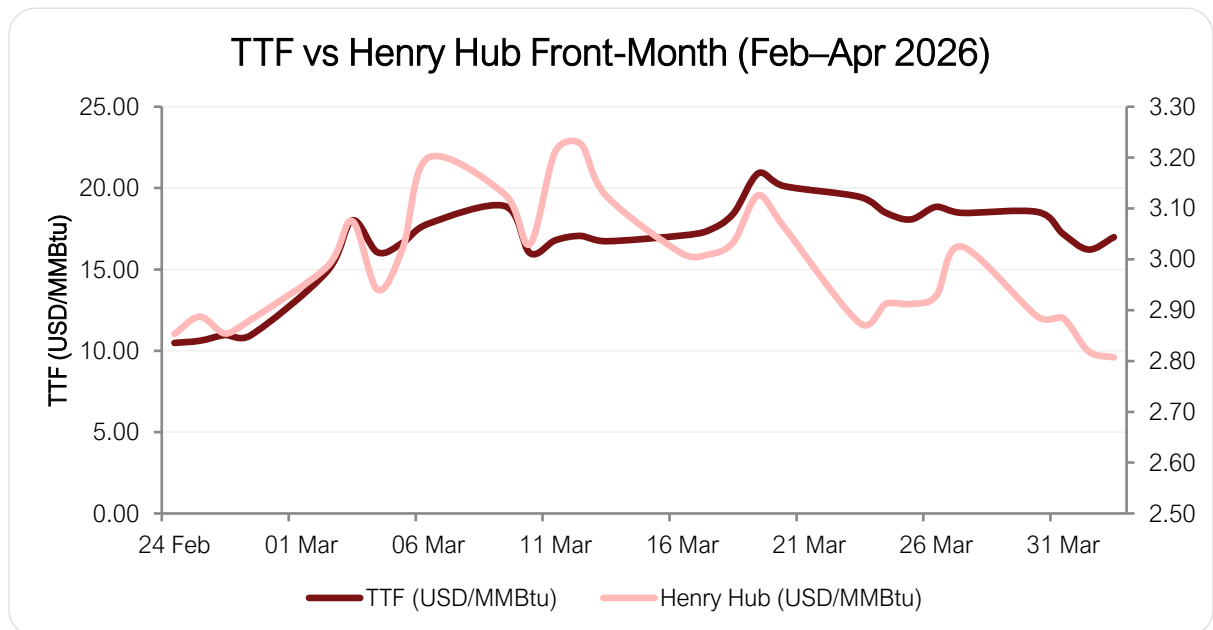


Figure 5: Henry Hub vs. TTF Gas Prices. Source: Bloomberg

Europe entered 2026 with gas storage significantly below the levels recorded at this time of year in previous years, per EBRD data. The starting deficit amplified the price reaction. Without a resolution at Hormuz and with Qatari LNG offline, the refill season faces its tightest conditions since the aftermath of Russia's gas weaponization in 2022.

The April 7th Deadline and What It Means for Gas

The war entered its second month with conflicting signals. On 1st April, Trump addressed the nation and described Operation Epic Fury as a major success, though he claimed Iran's president had requested a ceasefire, a claim Tehran immediately denied. The critical market-moving variable was the 7th of April deadline, which was extended by Trump beforehand. Secretary of State Rubio called Iran's attempt to formalize a yuan-denominated tolling regime at Hormuz illegal, unacceptable, and dangerous to the world.

If strikes on Iran's power grid proceed, the probability of any near-term Hormuz reopening collapses; TTF would reprice higher, potentially toward Goldman's EUR 72/MWh Q2 target or beyond. If a diplomatic opening emerges, the speculative premium embedded in TTF could deflate rapidly, though the physical damage to Ras Laffan would keep a structural floor under European gas prices regardless. EU underground gas storage stood at 28.2% as of 27th March, down 16.4% year-on-year and 30.4% below the five-year average. By the time this article is being written, the US military forces have not attacked Iran's power grid.

Divergence is Forever: European Electricity Prices

Electricity markets across Europe have shown a clear divergence since January 2026, despite operating under a common marginal pricing system. The daily data highlights a consistent pattern. Italy and Germany have recorded the highest wholesale prices, while France and the Iberian market, Spain and Portugal, have remained structurally lower, although not without volatility.

This divergence is not coincidental. It reflects the underlying generation mix and, more importantly, the extent to which each system depends on natural gas as the marginal price setter. In Europe, electricity prices are determined by the last unit required to meet demand. In many cases, that unit is gas-fired generation, meaning that power prices tend to follow gas prices closely in systems where gas plays a central role.

Germany illustrates this dynamic clearly. Despite its large renewable capacity, the intermittency of wind and solar means that during periods of low output, the system falls back on gas. With nuclear power phased out, this reliance has become more pronounced, particularly during winter and low-wind periods. As a result, German wholesale electricity prices remain tightly linked to gas market movements.

Italy is even more exposed. Its power system is structurally dependent on imported natural gas, with limited domestic alternatives. This makes gas the marginal fuel in a large share of hours, which explains why Italian prices consistently sit at the top of the European range.

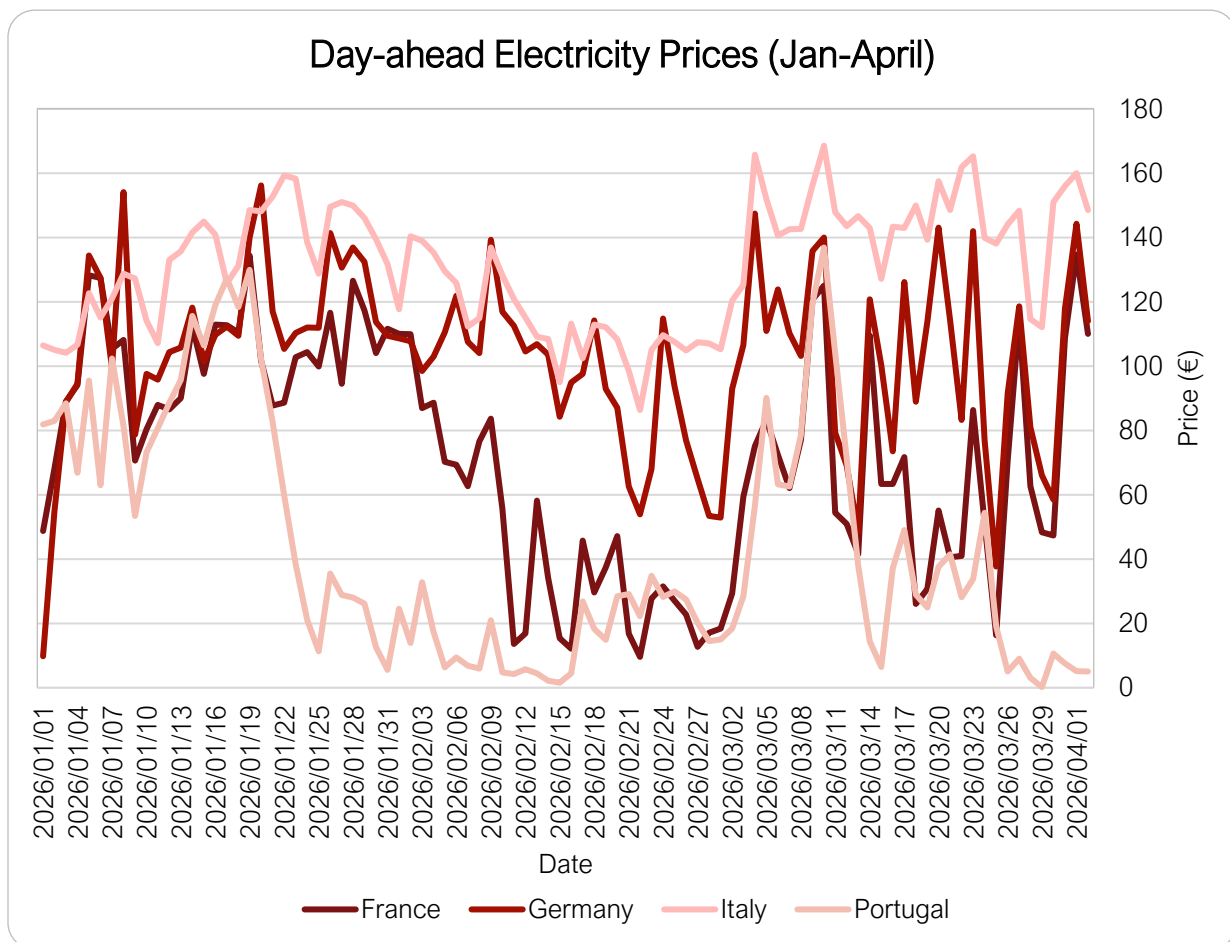


Figure 6: European Wholesale Electricity Prices (January–March 2026). Source: EEX

France presents a fundamentally different model. Its electricity system is anchored by nuclear generation, which provides a stable and relatively low marginal cost baseload. This significantly reduces the pass-through from gas prices to electricity prices. Even when gas markets tighten, French prices tend to remain more contained unless nuclear availability is disrupted.

Spain and Portugal occupy an intermediate position. Their system benefits from a high penetration of renewables, particularly wind, solar, and hydro. During periods of strong renewable output, electricity prices can de-couple from gas entirely, as lower-cost generation sets the marginal price. However, this insulation is conditional. When renewable generation drops, the system reverts to gas, and prices quickly realign with broader European trends. The data since the start of the year reflects exactly these structural differences. France shows the lowest and most stable profile; Iberia exhibits more variability but generally remains below Germany and Italy.

It is important to stress that these figures refer to wholesale electricity prices. The prices paid by end consumers tell a different story. In Spain and Portugal, a significant portion of the final electricity bill comes from regulated components such as network charges, policy costs, and taxes. These elements materially increase the retail price, reducing the apparent advantage of lower wholesale prices. As a result, the gap between Iberian and other European retail prices is much narrower than wholesale data alone would suggest.

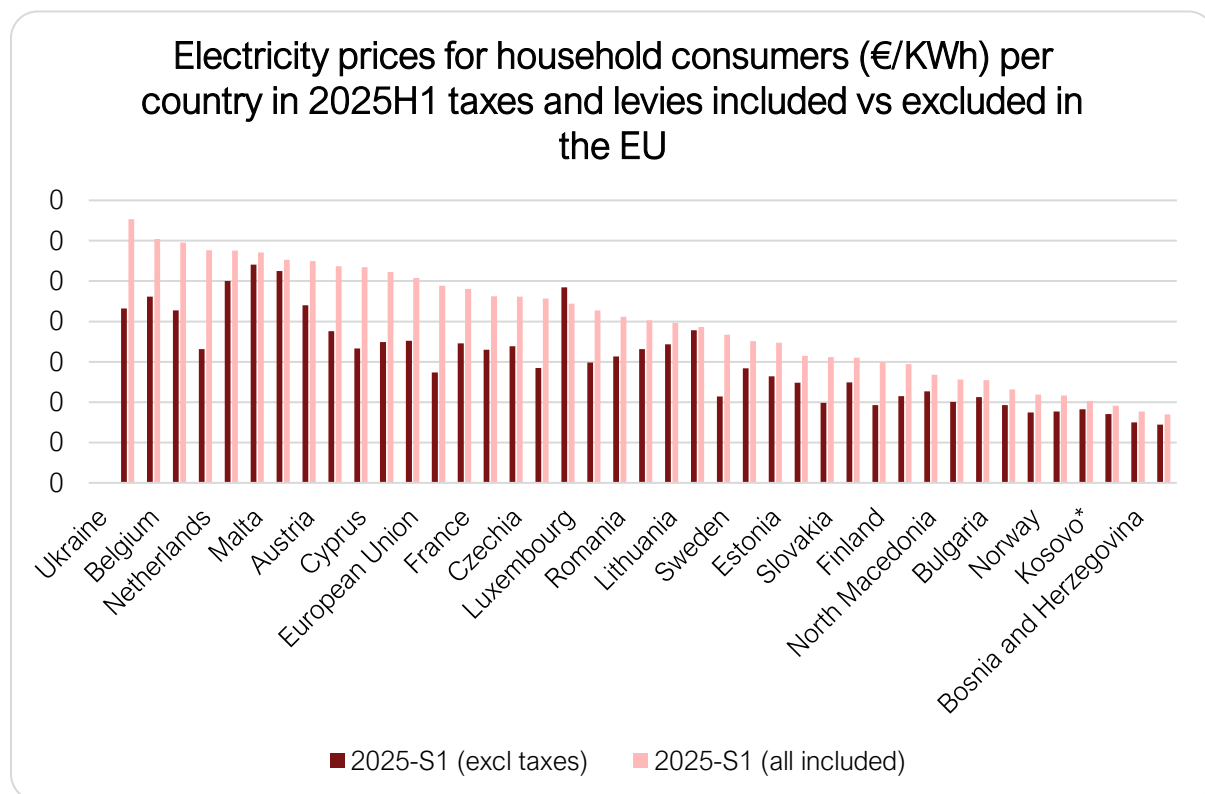


Figure 7: Household Electricity Prices by Country. Source: Eurostat.

By contrast, France not only benefits from lower wholesale prices due to nuclear generation, but also from regulatory mechanisms that help stabilise consumer prices. Germany and Italy, while facing higher wholesale costs, have a different composition of taxes and levies, but without the same degree of compression between wholesale and retail seen in Iberia.

The key takeaway is that structural differences in generation mix determine how strongly each country is exposed to gas prices. Nuclear provides stability; renewables provide conditional relief, and reliance on gas amplifies both price levels and volatility. At the same time, retail prices depend heavily on national policy choices, meaning that lower wholesale prices do not always translate into cheaper electricity for consumers.

Goldenbye: Physical price vs derivatives deleveraging proxy

The metal hit an all-time high of USD 5,595/oz on 29th January 2026, having rallied roughly 65% across 2025 on the back of central bank accumulation, a rate-cutting cycle, and a weakening dollar. The outbreak of a full-scale war in the Middle East should, by any conventional reading, have extended that run. Instead, gold fell 14% in March 2026, from USD 5,312 to USD 4,578/oz, raising questions about whether the selloff is temporary or part of a structural bet on the US economy, since oil exports surged, and the dollar strengthened in response. The explanation is that the price is set primarily by futures contracts, ETFs, and leveraged institutional positions, whose holders do not own gold but rather exposure to gold.

Gold initially spiked, from USD 5,296 to USD 5,423, on the Hormuz news, but the trend reversed quickly by more than 6%. Alerted traders faced margin calls and acted by taking advantage of its liquidity to cover losses elsewhere. CFTC data showed speculative long positions in gold futures at near-record levels when the all-time high was set, and with the selloffs, it turned what began as a correction into a crash, letting gold yet recover.

COMEX gold futures initial margin requirements were set to 9% in February, following the metal record run. A consequence of previous margin increases on 31st January to a steep drop, one that was only seen similarly in 1983. Higher margin requirements meant traders had to add more cash to keep the same position, and if they can't, they either close it or reduce it, not playing around with leverage. Processes like this led to a narrower number of holders, while the sellers continually bid for progressively lower levels of margins. Nonetheless, physical gold premiums held steady, so at least the underlying physical demand has not collapsed, guaranteeing that the crash was driven more by market structure and funding stress than by a genuine collapse in gold haven.

Regarding central banks, they bought over 1,045 ts of gold in 2024 alone, and reported unprecedented demand in Q2 2025, to diversify away from dollar-denominated assets. Projections for 2026 anticipated a step down in pace, 755 tons to be more precise, because at USD 4,000–5,000/oz, central banks purchase fewer tons since gold share in foreign-exchange reserves are valuable enough. It is a price effect, not a preference change. What the Hormuz crisis introduced is that holders of large, unrealized gold gains are selling not because they have changed their long-term strategy, but because they need to cover losses or defend currencies elsewhere. Central banks are selling gold to defend their currency and to fund energy purchases.

Finally, early data from the World Gold Council suggests Gulf state gold selling peaked around 15–18 March before beginning to decelerate, but the pattern illustrates the central risk in any regime where gold serves simultaneously as a reserve asset, a source of valuation gains when prices rise, and the most liquid asset when other assets are frozen or weakened.

Live and Let Die: Company Highlights

Golar LNG

Golar LNG has been one of the clearest beneficiaries of the crisis. The stock hit a 52-week high of USD 55.86 in late March, up approximately 43% year-to-date, as the effective closure of Hormuz disrupted around 20% of global LNG flows and pushed Asian spot LNG prices above USD 20/MMBtu. Golar's business model, centered on floating LNG (FLNG) infrastructure that can be deployed to stranded gas reserves outside traditional chokepoints, became a structural hedge against exactly this type of disruption. The company confirmed in March that all conditions had been met for its 20-year, USD 8 billion FLNG charter in Argentina, locking in significant future cash flow visibility. At USD 54.82 on 2nd April, the stock trades near the top of its 6-month range of USD 35–55.

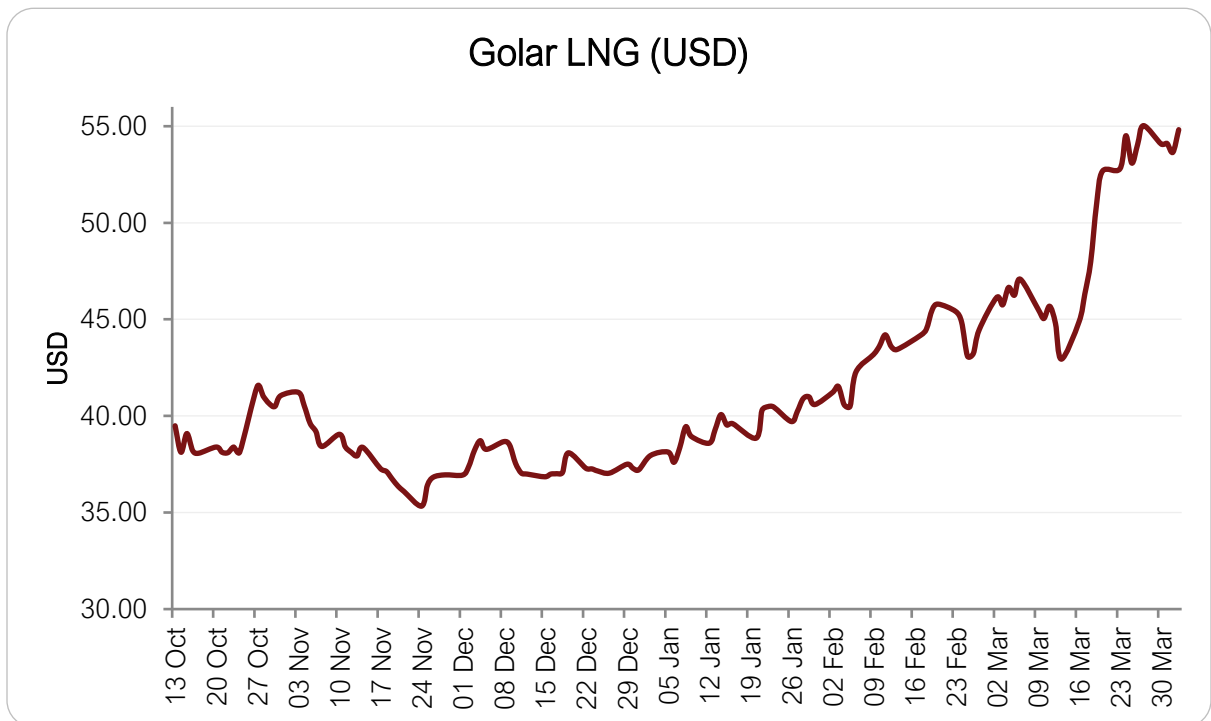


Figure 8: Golar LNG Stock Performance. Source: Bloomberg.

Darling Ingredients: Waste's Worth in a Disrupted Energy World

Darling Ingredients (NYSE: DAR) is not a common energy company and can be better described by its green innovative view. It collects industry waste in the North American market, like slaughterhouse residuals, used cooking oil, and such, to create agricultural by-products, much needed in times like these. Their range of outputs is circular and diverse, and more importantly it goes along with the current market trends and customer needs.

Firstly, the company is one of the largest producers of proteins, with approximately 30% market share globally. Then, as the largest farming renderer on the planet, the company gives back to farmers through animal feed, pet food and fertilizers. Lastly, and a pure coincidence to the current world scarcity, with a 50/50 joint venture Diamond Green Diesel the company manages to transform sustainable feedstocks, such as animal fats, used cooking oil and food waste, into renewable diesel, and are one of the largest sustainable aviation fuel producers.

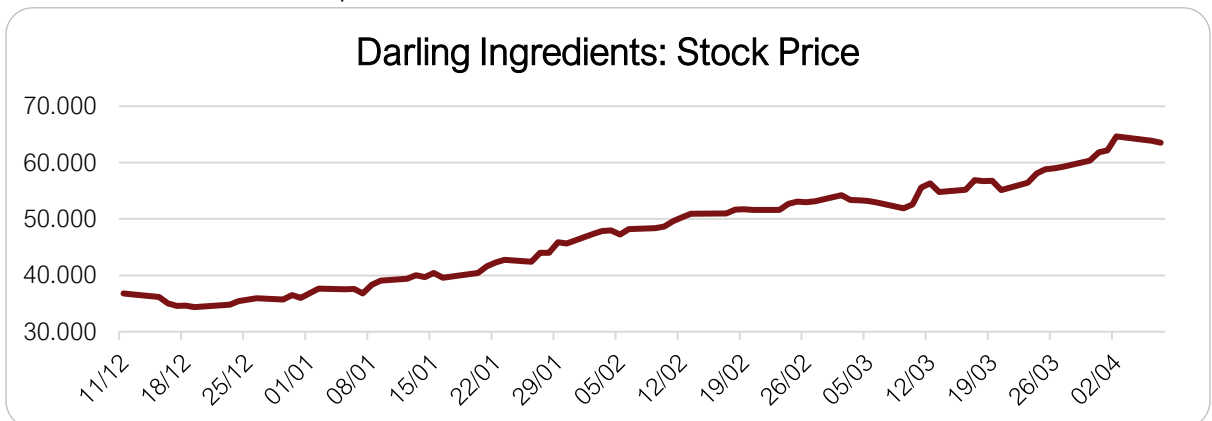


Figure 9: Darling Ingredients Stock Performance. Source: Bloomberg.

Regarding its finances, in 2025, Darling's core ingredients business improved, with revenue rising, leading to the adjusted EBITDA increasing to USD 922 million, and bank leverage falling to 2.90x from 3.93x. Whereas, the weak end was Diamond Green Diesel. That even though it increased the selling of renewable fuel to 1.003 billion gallons, the EBITDA per gallon fell to USD 0.21 from USD 0.40, as excess RIN supply to few compliance credits being needed, lead to a cut in margins as small refinery exemptions pushed excess supply into the RIN market, which is the EPA's system of tradable renewable fuel credits. Now in 2026, conditions look even better. As DGD margins started to recover to USD 0.41 per gallon, Q1 2026 led management guided core ingredients EBITDA from USD 240 million to USD 250 million. But most importantly, the stock skyrocketed to near USD 56.80 on 4 April, close to its 52-week high, which suggests that investors expect a rebound, depending on US Environmental Protection Agency renewable fuel policy.

Publication Details

LIS Global Markets Research Articles

This report has been prepared by the Lisbon Investment Society (LIS) Global Edge: Global Markets Research – Articles team, an independent, student-led, non-profit organization based at ISEG – Lisbon School of Economics & Management.

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This report reflects the independent analysis of the Global Markets Research team and the oversight of the Global Edge Department.

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Publishing date

27 April 2026

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