Energy Risk Management Investment firm A/S

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What’s new in the oil markets ....

ANNOUNCEMENT OF A TWO-WEEK CEASEFIRE BETWEEN THE UNITED STATES AND IRAN HAS TRIGGERED A BROAD RELIEF RALLY ACROSS FINANCIAL MARKETS

Oil markets have moved sharply lower, with Brent oil trading around $93.75 per barrel this morning, as the announcement of a two-week ceasefire between the United States and Iran has triggered a broad relief rally across financial markets. The agreement, which is conditional on the reopening of the Strait of Hormuz, has significantly reduced the immediate geopolitical risk premium.

Author(s)

Jette Frydenlund Jorgensen
Head of sales and marketing

The ceasefire follows last-minute negotiations mediated by Pakistan and includes a framework for further talks based on a multi-point proposal from Iran. The United States has agreed to suspend military operations for two weeks, while Iran has signalled willingness to allow safe transit through the Strait of Hormuz during this period. This has raised expectations of a partial normalisation of flows, although the agreement remains fragile and highly conditional.

Despite the sharp price correction, the physical supply situation remains constrained. Disruptions linked to the effective closure of the Strait of Hormuz in recent weeks continue to work through global supply chains, and a full restoration of flows is expected to be gradual even if the ceasefire holds. A significant volume of crude and refined products remains stranded in the region, with reports indicating that more than 100 million barrels are currently held on tankers awaiting clearance.

Market dynamics in physical crude underscore the ongoing tightness. Saudi Arabia has raised the official selling prices for Asian buyers to record levels, reflecting strong competition for available barrels. At the same time, Asian refining margins remain under pressure, and buyers continue to face challenges securing prompt cargoes despite the recent decline in benchmark prices.

Supply risks outside the Middle East remain an additional source of uncertainty. Disruptions to Russian export capacity persist following Ukrainian attacks on energy infrastructure, contributing to a tighter global balance even as headline prices fall.

On the inventory side, preliminary data from the American Petroleum Institute showed a build in U.S. crude stocks of 3.72 million barrels last week, while gasoline inventories declined by 3.97 million barrels and distillates fell by 0.6 million barrels. Confirmation from the U.S. Energy Information Administration will be closely monitored later today.

In currency markets, the U.S. dollar has weakened as risk appetite has improved following the ceasefire announcement. The euro has strengthened, supported by a reversal of safe-haven flows and easing energy price pressures, although the outlook remains sensitive to developments in the Middle East and the durability of the ceasefire.

Besides geopolitical developments, today's focus will include U.S. inventory data, Eurozone retail sales, and PMI indicators across major European economies, alongside continued monitoring of ceasefire negotiations and shipping activity through the Strait of Hormuz.