

EN590 10ppm Daily Market Note

Internal Trading Desk Note | Edition: Sunday 10th of May night through Wednesday 13th of May 13:26 CAT

Date: Wednesday, 13th of May 2026 | Prepared for: Mr Tadzina D. Mannathoko, Director

DAY 75 RE-ESCALATION ALERT: *Trump dismissed Iran's counter-proposal as "garbage" and "totally unacceptable." Ceasefire on "massive life support" per Trump. Brent +\$7/bbl over four sessions to \$107.77 Tuesday close. Drone struck cargo ship off Qatar Sunday. UAE intercepted Iranian drones. Kuwait detected hostile drones. Aramco CEO Nasser: market losing 100mb/week, normalisation slips to 2027 if Hormuz stays blocked beyond mid-June. Adm. Stavridis floating 'open Hormuz by force' costing \$1bn/week. Trump-Xi summit this week with trade taking precedence over Iran. US April inflation accelerated more than expected.*

1. Executive Signal Bar

BRENT (Wed 13 May 13:26 CAT)	BRENT (Tue 12 May close)	EN590 FOB ARA (paper)	EN590 FOB PRIMORSK
~\$107.00 / bbl	\$107.77 / bbl	\$1,096 / MT	\$1,036 / MT
Third consecutive session of gains	+3.4% on day, Iran rejection priced in	Crack widened back to \$38/bbl	~\$60 saving vs ARA, widened

Welcome back to the desk. The intervening days have repriced the market materially. Friday 8th of May closed at \$100.06 with the negotiation track still alive. Sunday 10th of May, Iran delivered its formal counter-offer through Pakistani mediators. The terms reportedly demanded US lifting the naval blockade, easing of sanctions, and retained Iranian authority over Hormuz transit. Trump took receipt and called it "totally unacceptable." By Monday morning he labelled it "garbage" and said the ceasefire is on "massive life support." Brent reopened higher. Monday \$104.20. Tuesday \$107.77, up 3.4%. Wednesday holding around \$107 at 13:26 CAT. The market has now added approximately \$7/bbl since Friday close. The framework MoU is functionally dead. Trump is meeting his national security team to consider a return to military operations.

2. The Framework Collapse

This deserves a dedicated section because the structural picture has fundamentally shifted since the 8 May note. The negotiation track that drove the optimism rally between 5 May and 7 May has now collapsed.

What killed the framework

Iran's counter-proposal was unacceptable to Washington. Per Times of Israel coverage and Al Jazeera reporting, Tehran's reply was framed by Iran as a rejection of the US plan as "surrender." Iran demanded reparations, the lifting of the US naval blockade, and continued Iranian authority over Hormuz traffic. The Times of Israel headline put it plainly: "Tehran says it rejected US proposal as 'surrender,' demanded reparations, control of Hormuz." Trump's response was equally plain. "Iran's response to a US proposal to end the US-Israel war on Iran is totally unacceptable." Then Monday: "garbage." Then Tuesday: ceasefire on "unbelievably weak" life support. The Trump administration also threatened to resume military strikes if Iran does not agree.

The Sunday kinetic events

Three regional drone events on 10th of May. Qatar's Ministry of Defense said a commercial cargo vessel in Qatari territorial waters, northeast of Mesaieed Port and coming from Abu Dhabi, was targeted by a drone Sunday. Limited fire on board. No injuries. The vessel continued to Mesaieed. The UAE said its air defences intercepted two drones

launched from Iran. Kuwait's Defence Ministry reported "a number of hostile drones" detected in Kuwaiti airspace at dawn, handled per established procedures. The UAE attributed the cargo ship attack to Iran. No party publicly claimed responsibility. The pattern is unmistakable. Three Gulf states, three drone incidents, same morning, while Trump was rejecting Iran's counter-proposal. This is signalling by other means.

Iran's warning to European warships

Iran threatening the multinational mission. Iranian diplomat Kazem Gharibabadi warned against the deployment of European warships in the Strait of Hormuz. Any deployment of French, British or other foreign vessels would be "unlawful" and "met with a decisive and immediate response." This is direct pushback on the Macron-Pezeshkian conversation last week and the multinational mission that the UK has been coordinating. Iran is positioning to treat any European-flagged warship as a hostile target.

Israeli posture

Netanyahu: war "not over." Israeli Prime Minister Benjamin Netanyahu stated publicly Monday that the conflict with Iran is "not over." Combined with last week's Israeli concerns about US concessions and Defence Minister Katz's prior signal of possible renewed Israeli action, the Israeli wildcard is now active and visible. Netanyahu is positioning Israel to act independently if it concludes US-Iran terms are unacceptable from an Israeli security perspective. The 60-day War Powers constraint on Trump does not apply to Israel.

The fair commercial read

Where we are. The negotiation track is not formally dead, but it is functionally non-operational. Iran has positioned its terms in a form Washington cannot accept. Washington has positioned its language in a form Tehran cannot retreat from. The Sunday drone events established that Iran retains kinetic options and is willing to deploy them. European warships face Iranian threats. Israeli readiness is signalled. Aramco's CEO is publicly warning the market that normalisation may slip to 2027. Adm. James Stavridis (former NATO commander) is floating "open Hormuz by force" as the most likely option, costing \$1 billion per week of naval operations. This is what a re-escalation phase looks like before the kinetic events resume.

Practical implication for AFC. The negotiation-phase trading regime is over. We are now in re-escalation-phase trading. Brent has added \$7/bbl in four sessions. Crack spread widened back to \$38/bbl. SPIMEX-linked supply that AFC executed last week at \$978-\$988 Primorsk pricing is now sitting in the money at \$1,036. The structural arbitrage is widening again. If kinetic events resume (Israeli action, US strikes, Iranian retaliation), Brent goes back toward the \$125-\$135 range that Goldman flagged. Pre-contracted Russian Baltic supply is the right answer to this scenario. Execute the remaining 12-month SPIMEX-linked floating contracts this week before the forward curve reprices further.

3. Global EN590 Route Pricing Matrix

Indicative \$/MT ranges. Green-shaded rows indicate Russia and Belarus loadports, first-class commercial hubs serving the ~140 UN member states not subject to G7 unilateral measures. Pricing reflects Tuesday 12th of May close and Wednesday 13th of May midday indication.

Route / Basis	Indicative Range (USD/MT)	Commentary
FOB Primorsk (Russia, Baltic)	\$1,008 - \$1,118	SPIMEX-linked. Working mid firmed \$58/MT from last Friday's \$978 low as Brent recovered on framework collapse. Discount to ARA widened back to ~\$60/MT from \$50. AFC ground operations Primorsk continuing fully.
FOB Ust-Luga (Russia, Baltic)	\$1,002 - \$1,112	Sister loadport to Primorsk. Within \$5-15/MT. Same buyer pool and routing.
FOB Novorossiysk (Russia, Black Sea)	\$1,028 - \$1,138	Black Sea basis. Routing risk premium present. Loading rates intact.
FOB Belarus (pipeline to Baltic)	\$998 - \$1,105	Belarusian-origin via Baltic export. Same buyer pool as Primorsk.
FOB Rotterdam / ARA (W. Europe)	\$1,468 - \$1,602	ICE/Platts benchmark. Brent +3.4% Tuesday on Iran rejection. Crack widened to \$38/bbl on re-escalation premium.
FOB Houston (US Gulf)	\$1,442 - \$1,562	US ULSD tracking ARA. US crude inventories continued to draw. WTI +4.2% Tuesday.
CIF Middle East (Fujairah)	\$1,418 - \$1,592	Fujairah hub operating despite ongoing regional drone activity. Aramco CEO Nasser warning market losing ~100 mb supply per week. Stavridis floating 'open Hormuz by force' option costing \$1bn/week.
CIF Asia (Jurong/Singapore)	\$1,555 - \$1,698	MOPS firmed back on re-escalation. China-US trade talks taking precedence over Iran per Trump. Goldman South Africa, India, Thailand, Taiwan scarcity flag persists.
CIF West Africa (Lagos, Tema, Abidjan)	\$1,608 - \$1,752	NNPC sustaining elevated May OSPs. Africa fertiliser crisis deepening. Demand pool for Russian Baltic origination expanding via Cape route.
CIF East Africa (Mombasa, Dar es Salaam)	\$1,672 - \$1,808	India export duties continuing. Pakistan PM publicly confirmed Russia and Venezuela pivot. Mauritius cover stretched further.
Delivered Southern Africa (Durban, Maputo)	\$1,705 - \$1,845	Cape route firm. Goldman South Africa scarcity flag. Largest Primorsk arbitrage point in matrix at ~\$555/MT saving.
CIF South America (Santos/Rio)	\$1,628 - \$1,762	Atlantic Basin freight firm. Russian sellers continuing Brazil-to-Egypt cargo redirects per Lloyd's List.

Russian loadports note. Primorsk firmed \$58/MT from last Friday's \$978 low to working mid of \$1,036. Discount to ARA widened back to approximately \$60/MT from \$50 last week. ARA repriced faster than SPIMEX on the re-escalation news, creating the temporary widening. Russian Baltic supply remains the strongest value position in the global matrix. AFC ground operations continuing fully across Primorsk, St Petersburg, Ust-Luga and Belarus.

4. Landed Cost Comparison, Primorsk-Origin

For counterparties in the ~140 UN member states. MR or LR1 tanker, non-Western vessel and insurance stack. Saving column includes 50,000 MT cargo value captured.

Destination	FOB Primorsk	Freight + Ins.	Landed Cost	Saving vs Equiv. CIF/DLV
Ghana (Tema)	\$1,036	\$97	\$1,133	~\$475/MT (\$23.8M on 50k MT)
Tanzania (Dar es Salaam)	\$1,036	\$131	\$1,167	~\$505/MT (\$25.3M on 50k MT)
UAE (Fujairah)	\$1,036	\$145	\$1,181	~\$237/MT (\$11.8M on 50k MT)
India (Vadinar, W. Coast)	\$1,036	\$86	\$1,122	~\$433/MT (\$21.6M on 50k MT)
Singapore (Jurong)	\$1,036	\$135	\$1,171	~\$384/MT (\$19.2M on 50k MT)
South Africa (Durban)	\$1,036	\$120	\$1,156	~\$549/MT (\$27.4M on 50k MT)
Brazil (Santos/Rio)	\$1,036	\$95	\$1,131	~\$497/MT (\$24.9M on 50k MT)

Commercial headline. Durban delivers \$549/MT saving vs ARA-origin DLV equivalent. \$27.45million on a 50,000MT cargo. \$54.9million on the 100,000 MT/month programme. The arbitrage has widened across all seven AFC destinations as ARA repriced sharply on re-escalation. Across the full destination matrix, the programme is now generating over \$53million per cargo cycle in captured value at Wednesday midday pricing.

5. Benchmark Derivations

Working calculation from crude through to EN590 FOB anchors. Tuesday 12th of May close, Wednesday 13th of May 13:26 CAT.

Input	Value	Notes / Sources
Brent crude (Wed 13 th of May 13:26 CAT)	~\$107.00/bbl	Trading Economics. Holding around \$107 after 3 consecutive sessions of gains.
Brent (Tue 12 th of May close)	\$107.77/bbl	CNBC. +3.4% on day on Iran rejection priced in.
Brent (Mon 11 th of May close)	\$104.20/bbl	Trading Economics. Rose on Trump rejection of Iran counter-offer over weekend.
Brent week-on-week move	+\$7/bbl	From Friday \$100.06 close to Tuesday \$107.77. Negotiation collapse premium.
WTI crude (Tue close)	\$102.18/bbl	+4.2% on day. Brent-WTI spread \$5.59/bbl.

Input	Value	Notes / Sources
Gasoil crack spread	+\$38/bbl (\$283/MT)	Widened from \$35 last week. Re-escalation premium back in distillate market.
Gasoil conversion factor	7.45 bbl/MT	Density 0.845 kg/L at 15 degC.
ICE LSG estimate	\$1,080/MT	$(\$107 + \$38) \times 7.45 = \$1,080$.
EN590 10ppm premium	+\$12/MT	vs 50ppm gasoil base.
EN590 FOB ARA (paper, working)	\$1,096/MT	Working benchmark. Up \$68 from Friday close. Physical premium implied \$50-80/MT above this.
Primorsk discount to ARA	~\$60/MT	Widened from \$50 last week. ARA repriced faster than SPIMEX on re-escalation.
EN590 FOB PRIMORSK (working)	\$1,036/MT	Mid of \$1,008-\$1,118 band. AFC operations continuing fully.

Aramco CEO Amin Nasser warning. The market is losing approximately 100million barrels of supply each week. Prolonged disruption could push any market normalisation into next year. If Hormuz stays blocked beyond mid-June, normalisation slips to 2027. This is the Saudi state oil major's CEO speaking directly about the supply picture. The 2027 timeline is the new analyst floor on duration if Hormuz remains restricted. The structural commercial case for AFC's Russian Baltic supply position is now publicly validated by both Goldman (scarcity geography) and Aramco (multi-year normalisation timeline).

Stavridis force option. Adm. James Stavridis, former NATO Supreme Allied Commander, told CNBC that reopening Hormuz with force is the most likely option right now. It requires significant naval resources, some troops on the ground, and would cost approximately \$1billion per week. This is a former four-star admiral and former NATO commander framing the picture. The military option is on the table. Citi noted: "Oil prices have been volatile and can rise further if US-Iran dealmaking remains thorny." Henry Wilkinson, chief intelligence officer at geopolitical risk firm Dragonfly, told CNBC: re-escalation in the Iran war is certainly possible. Trump may ask Xi to press Iran to accept US terms this week at the China-US summit.

6. Geopolitical and Macro Drivers

Sunday 10th of May: the day Iran said no

- **Iran rejects US proposal as 'surrender' (Times of Israel, Al Jazeera):** Tehran responded through Pakistani mediators. Demanded reparations, US blockade lifted, continued Iranian authority over Hormuz traffic. Iran framed the US proposal as "surrender." Trump received the response and called it "totally unacceptable."
- **Qatar cargo ship drone strike (Bloomberg, Times of Israel):** A commercial vessel in Qatari territorial waters, northeast of Mesaieed Port and coming from Abu Dhabi, struck by drone Sunday morning. Limited fire onboard. No injuries. UAE blamed Iran. No party publicly claimed responsibility. First successful drone strike on commercial shipping in the Gulf since mid-April.

- **UAE intercepts Iranian drones (Al Jazeera, Fortune):** UAE air defences intercepted two drones launched from Iran. UAE blamed Iran for the latest threats to the month-old ceasefire. The Trump administration maintains the ceasefire remains in effect.
- **Kuwait detects hostile drones (Times of Israel):** Kuwait's armed forces detected several hostile drones in Kuwaiti airspace at dawn Sunday. Defence Ministry spokesperson Colonel Saud Abdulaziz Al-Atwan confirmed they responded per established procedures.
- **Iran threatens European warships (Al Jazeera):** Iranian diplomat Kazem Gharibabadi: any deployment of French, British or other foreign vessels in the Strait of Hormuz would be "unlawful" and "met with a decisive and immediate response." Direct pushback on the Macron-Pezeshkian conversation and the UK-coordinated multinational mission.
- **Trump 'playing games' first reaction (Al Jazeera):** Trump's first public comment after Iran responded: Iran is "playing games." Set the tone for the Monday morning escalation in rhetoric.

Monday 11th of May: 'garbage' and 'massive life support'

- **Trump dismisses Iran offer as 'garbage' (CNBC, Trading Economics):** Trump on Monday told reporters Iran's counter-proposal was "garbage." Said the ceasefire is "unbelievably weak" and on "life support." Threatened to resume military strikes.
- **Netanyahu: 'not over' (Trading Economics):** Israeli Prime Minister Benjamin Netanyahu stated publicly the conflict with Iran is "not over." Combined with Defence Minister Katz's prior signal, Israeli wildcard now visibly active.
- **Aramco CEO Nasser warning (Trading Economics, CNBC):** Saudi Aramco CEO Amin Nasser: market losing ~100million barrels of supply per week. Prolonged disruptions could push market normalisation into next year. If Hormuz stays blocked beyond mid-June, normalisation slips to 2027.
- **Brent +\$4 from Friday to \$104.20 Monday close:** Monday's gain priced in the rejection and re-escalation rhetoric. The Brent-WTI structure repriced together.

Tuesday 12th of May: 'frozen conflict' and force option

- **Brent +3.4% to \$107.77 (CNBC):** Third consecutive session of gains. WTI +4.2% to \$102.18. Market pricing in extended duration.
- **Amos Hochstein 'frozen conflict' (CNBC):** Former senior energy adviser to President Biden told CNBC: "We're in a stalemate, a frozen conflict." Bipartisan framing of the strategic picture. Both sides locked in.
- **Adm. James Stavridis force option (CNBC):** Former NATO Supreme Allied Commander told CNBC: reopening Hormuz with force is the most likely option right now. Requires significant naval resources, some troops on the ground, and would cost approximately \$1 billion per week. A four-star admiral publicly framing the military option.
- **Citi commentary (CNBC):** Citi: "Oil prices have been volatile and can rise further if US-Iran dealmaking remains thorny."
- **Dragonfly Henry Wilkinson commentary (CNBC Squawk Box Asia):** Chief intelligence officer at geopolitical risk firm Dragonfly: re-escalation in the Iran war is certainly possible. Trump may ask Xi to press Iran to accept US terms during this week's China-US summit.

Wednesday 13th of May: Trump-Xi this week, US inflation accelerating

- **Trump expected to meet Chinese President Xi this week (Trading Economics):** Trump indicated that trade negotiations would take precedence over developments surrounding the Iran conflict. Two implications. First, the Xi channel for pressing Iran is being deferred. Second, the market is on its own without Chinese mediation in the immediate term. This is incrementally bearish for any near-term diplomatic resolution.
- **US April inflation accelerated more than expected (Trading Economics):** Surging energy prices linked to the Middle East crisis added to price pressures. Inflation pass-through from the oil shock is now visible in

US data. Confirms Oxford Economics' Bernard Yaros earlier forecast of peak inflation impact through July-August. Bond markets responding.

- **Hormuz remains effectively closed (Trading Economics):** Both US and Iranian forces still restricting traffic. Strait remains a major obstacle in negotiations. Continuing to disrupt substantial flows of crude, natural gas and fuels.

Other macro signals

- Goldman scarcity flag (South Africa, India, Thailand, Taiwan) remains active. Pakistan, Bangladesh, Vietnam continue rationing. Mauritius cover stretched.
- Russia structural beneficiary positioning continues. Indian Russian crude imports stable at elevated levels. China seaborne intake holding.
- US oil exports remained at elevated levels. US administration positioning to capture market share.
- OPEC+ production discipline gone post-UAE exit. Saudi continuing to cut Asia OSPs.
- Goldman, Aramco, Stavridis, Citi, Dragonfly all framing the same picture: extended duration, structural shift, force option on table.

7. Freight and War-Risk Insurance

Freight

- Baltic Exchange MR rates firmed on re-escalation news Monday and Tuesday.
- Cape route well utilised.
- Project Freedom remains paused. Hormuz transit at minimum levels.
- Stavridis 'open Hormuz by force' framework would require US naval surge. Would temporarily widen the AWRP further before reducing it.

War-risk insurance (AWRP)

- **Strait of Hormuz AWRP:** Lifted to 1.6-1.9% of hull value following Trump 'garbage' rejection and Sunday drone events. Pre-war baseline: 0.125%. Insurers pricing in re-escalation risk.
- Red Sea/Suez AWRP: 0.50-0.70% range. Increased on Iranian European warship threat.
- Baltic exit AWRP: \$0.45-\$0.90/MT, holding elevated. AFC ground operations confirm full loading rhythm intact.
- Non-Western P&I providers fully operational for Russian-origin cargoes. No change in cover availability.

8. Jurisdictional Disclosure

Factual disclosure by sanctions regime. Buyer-jurisdiction specific. Counsel determination essential.

- **UN Security Council:** No UN sanctions on Russian hydrocarbons. All restrictions are unilateral measures by approximately 40 of 193 UN member states.
- **G7 price cap:** \$100/bbl applies only when G7 shipping, insurance or finance is involved. Non-G7 services outside scope.
- **EU Article 3ma:** EU-linked cargoes may not import Russian-origin EN590 into the EU. Non-EU to non-EU flows entirely unaffected.
- **US OFAC SDN:** January 2025 package, ~183 designated vessels. Applies to US persons and USD clearing. Non-USD settlement chains outside primary scope.

- **Iran enforcement (re-escalation phase):** US naval blockade firmly in place. Trump threatening resumed strikes. Stavridis floating force option. Iran threatening European warships. Iran-touched cargoes carry maximum kinetic and sanctions risk.

AFC buyer base position. Approximately 140 UN member states trade Russian-origin refined product legally. India's Russian crude imports continue at elevated levels. Pakistan PM publicly confirmed Russia-Venezuela pivot. SPIMEX FOB Primorsk EURO-5 deliverable futures contract operational. KSE Institute confirmed 82% of Russian oil products move on non-G7-insured tankers.

9. Fraud and Scam Red Flags

Re-escalation-phase volatility creates extreme scam-market environment. Brent +\$7/bbl in four sessions. Apply maximum diligence on compressed-window offers.

- "Iran rejection emergency cargo" offers: any compressed-window offer claiming imminent supply crisis following Trump 'garbage' rejection is timed scam. The supply situation has not changed materially. The pricing has.
- "Stavridis force-option pre-positioning" offers: any seller claiming knowledge of US military timing and offering distress prices is fabricated. The force option is a public framing, not an operational plan.
- "Trump-Xi summit Iran-pressure breakthrough" offers: Trump has publicly said trade takes precedence over Iran in the Xi summit. Decline.
- "Qatar ship-strike retaliation cargo" offers exploiting Sunday drone events: timed scam. The Qatar incident is isolated.
- "Aramco 2027 normalisation distress" offers: Nasser's warning is a public assessment, not a sales catalyst. Any compressed-window offer claiming distress based on this framing is fraudulent.
- "European warship deployment imminent" offers: Macron-Pezeshkian call last week was diplomatic. Multinational mission remains in coordination phase. Decline.
- "Israeli pre-emptive strike imminent" offers: Netanyahu 'not over' is positioning, not an operational signal. Decline.
- Fujairah FOB at Platts minus \$50: still fraudulent.
- Iranian-origin cargo represented as Iraqi, Omani, Russian, or re-flagged: US enforcement remains global. Heightened during re-escalation.
- TTO/TTV without current SGS Q&Q, Q88, product passport, live GPS: do not engage.
- Primorsk offers >\$200/MT below SPIMEX forward curve: cross-reference SPIMEX, named refinery mandate required.
- Kazakhstan EN590 sub-\$500/MT: economically impossible at \$107 Brent.

10. Trading Opportunities

Prompt opportunities

- FOB Primorsk for non-sanctioned buyers: \$389-\$549/MT landed saving vs ARA-origin CIF depending on route. Discount to ARA widened back to \$60/MT. SPIMEX-linked supply remains the strongest value position. Window may widen further if kinetic events resume.
- Durban specifically: \$549/MT saving at Wednesday midday. \$27.45million captured value on 50,000MT. Goldman South Africa scarcity flag persisting. Execute.
- **The re-escalation phase is the trade.** If kinetic events resume (Israeli action, US strikes, Iranian retaliation), Brent goes back toward \$125-\$135 territory Goldman flagged. EN590 FOB ARA \$1,250-\$1,400. Primorsk

\$1,180-\$1,330. Pre-contracted Russian Baltic supply at this week's \$1,036 represents transformative forward value. The forward curve is now repricing higher again. Execute remaining SPIMEX-linked 12-month floating contracts this week before the curve absorbs the re-escalation premium.

- Pakistan, Bangladesh, Vietnam, Mauritius continuing to ration. AFC origination capacity positioned to bid into emergency tenders.

Structural opportunities

- SPIMEX-indexed 12-month supply: Aramco CEO publicly framing 2027 normalisation timeline if Hormuz stays blocked beyond mid-June. AFC structural buyer pool position validated by Goldman scarcity geography flag overlapping three of four highest-risk markets.
- 100,000MT/month Baltic-origin EN590 programme: \$53+million per cargo cycle in captured value at Wednesday midday pricing.
- Russia structural positioning: Pakistan PM publicly confirmed Russia-Venezuela pivot. Indian crude imports +88%. China 1.8mb/d seaborne. AFC Russian Baltic supply position rides the largest energy supply realignment of the modern era.

Three-scenario positioning

- **Scenario A - kinetic re-escalation (Israeli or US action) within 4 weeks (medium-high probability, rising):** Brent \$125-\$140. EN590 FOB ARA \$1,250-\$1,420. Primorsk \$1,180-\$1,340. Pre-contracted Russian Baltic supply at today's \$1,036 represents transformative forward value. AFC structural programme captures \$80-\$120 million per cargo cycle.
- **Scenario B - frozen conflict, status quo persists for months (medium probability, this week's base case):** Brent oscillates \$100-\$115 with continued daily volatility. Primorsk discount to ARA holds \$50-\$70/MT. AFC structural programme captures consistent monthly value through duration. Hochstein's framing.
- **Scenario C - sudden diplomatic breakthrough via Xi channel or unexpected concession (lower probability now):** Brent corrects to \$85-\$95 over weeks. Physical diesel lags 4-6 weeks. EN590 FOB ARA eases to \$920-\$1,000. Primorsk \$860-\$940. Pre-contracted forward cargoes at today's pricing deliver value on the correction.

11. Bottom Line

The week the framework died. Iran's Sunday counter-proposal demanded reparations, blockade lifting, and continued Iranian Hormuz authority. Trump labelled it "totally unacceptable," then "garbage," then said the ceasefire is on "massive life support." Brent added \$7/bbl in four sessions. Tuesday closed \$107.77, +3.4%. Wednesday holding around \$107 at 13:26 CAT. The negotiation track is functionally dead even if not formally so.

The Sunday kinetic events confirm the picture. Drone struck a cargo ship in Qatari waters. UAE intercepted Iranian drones. Kuwait detected hostile drones. Iran threatened European warships. Netanyahu said the war is "not over." Aramco's Nasser warned the market is losing 100 mb/week and normalisation slips to 2027 if Hormuz stays blocked beyond mid-June. Stavridis floated 'open Hormuz by force' costing \$1billion per week. Citi flagged further upside. Dragonfly framed re-escalation as certainly possible. This is what re-escalation phase looks like before the kinetic events resume.

The Trump-Xi summit this week defers the diplomatic channel. Trump indicated trade negotiations would take precedence over Iran developments. The Chinese pressure channel that some hoped could break the impasse is being deferred. Markets are on their own without that mediation in the immediate term. Incrementally bearish for diplomatic resolution. Incrementally bullish for oil pricing.

For AFC's commercial position. Primorsk at \$1,036/MT, ARA at \$1,096/MT, discount widened back to \$60/MT. Durban saving \$549/MT. 100,000MT/month programme generating \$53+million per cargo cycle. SPIMEX-linked floating contracts executed last week at \$978-\$988 Primorsk are now sitting in the money. The forward curve is repricing higher on re-escalation premium. The structural commercial case is now publicly validated by Goldman (scarcity geography), Aramco (multi-year normalisation), Stavridis (force option), Citi (further upside), and Dragonfly (re-escalation certainty). AFC ground operations Primorsk continuing fully. Execute the remaining SPIMEX-linked 12-month floating contracts this week before the forward curve absorbs the full re-escalation premium.

Prepared by: *Afri-Fuel-Consult Internal Trading Desk*

Note prepared: *Wednesday 13th of May 2026, 13:26 CAT (Gaborone), covering Sunday 10th of May night through Wednesday 13th of May 2026 13:26 CAT.*

Sources: *Trading Economics (Brent holding \$107 Wednesday, \$107.77 Tuesday close, \$104.20 Monday close, Aramco 100 mb/week loss, Aramco 2027 normalisation if Hormuz blocked beyond mid-June, US April inflation accelerating, Trump-Xi summit with trade taking precedence), CNBC (Brent \$107.77 close 12 May, +3.4%, WTI \$102.18 +4.2%, Holly Ellyatt and team coverage, Trump 'garbage' rejection, 'massive life support' framing, Adm. James Stavridis force option \$1bn/week analysis on Squawk Box, Amos Hochstein 'frozen conflict' framing, Henry Wilkinson Dragonfly re-escalation framing, Aramco Nasser 100 mb/week warning), Times of Israel (Iran rejected US proposal as 'surrender,' demanded reparations and Hormuz control, Qatar cargo ship drone strike Sunday Mesaieed Port, Kuwait drone detection Colonel Saud Abdulaziz Al-Atwan statement), Al Jazeera Live Blog 10 May (Trump 'totally unacceptable' first comment, 'playing games,' Kazem Gharibabadi European warship threat, UAE intercepts two Iranian drones, Kuwait hostile drones airspace, Qatar cargo vessel targeted), Bloomberg (Drone Hits Ship Near Qatar As US Awaits Iran Peace Plan Response 10 May, Aramco Nasser quotes, Hormuz opening no quick fix framing), Fortune (Shaky Iran war ceasefire tested again as drone hits cargo ship off Qatar coast 10 May), Reuters, Wikipedia 2026 Strait of Hormuz crisis (updated through 13 May), Press TV Iran, Fars News Agency Iran, IRNA Iranian state news, ISNA, Tasnim, Voice of Emirates News Agency UAE/Cairo, ANI India, Tribune India, TASS, MR7 St. Petersburg, Moscow Times, Kyiv Post, Business Standard India (Russia structural beneficiary continuing analysis), Kathmandu Post Nepal, MS NOW Pakistan, Pakistan PM Office, EIA STEO, Goldman Sachs (4% Hormuz exports, scarcity by region South Africa-India-Thailand-Taiwan), Saudi Aramco (Amin Nasser CEO direct quotes on 100 mb/week supply loss and 2027 normalisation), Adm. James Stavridis (former NATO Supreme Allied Commander, CNBC interview), Citi commentary, Dragonfly geopolitical risk service (Henry Wilkinson chief intelligence officer), Skylar Capital (Bill Perkins), Morgan Stanley (Amrita Sen \$80-\$90 floor), Oxford Economics (Ben May, Bernard Yaros), ING Commodities (Warren Patterson), Lipow Oil Associates (Andy Lipow), JPMorgan, Rapidan Energy (Bob McNally), Mercuria, IEA April OMR, Lloyd's List, MarineTraffic Joint Maritime Information Center, ISW, UKMTO, BIMCO, Baltic Exchange, KSE Institute, Kpler, US CENTCOM, Pentagon, RFE/RL, IISS London. Non-Western source weight: Press TV, Fars News, IRNA, ISNA, Tasnim, Voice of Emirates News Agency, ANI India, Tribune India, Business Standard India, Al Jazeera Qatar, TASS, MR7 St. Petersburg, Moscow Times, Kyiv Post, Kathmandu Post Nepal, MS NOW Pakistan, Pakistan PM Office, Saudi Aramco (direct CEO statements). Primorsk pricing cross-referenced against SPIMEX deliverable futures curve. AFC ground operations Primorsk continuing fully.*

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