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# SPECIAL BRIEF

## STRAIT OF HORMUZ AND RED SEA ESCALATION

*Energy security, maritime disruption, sanctions exposure and transaction execution risk*

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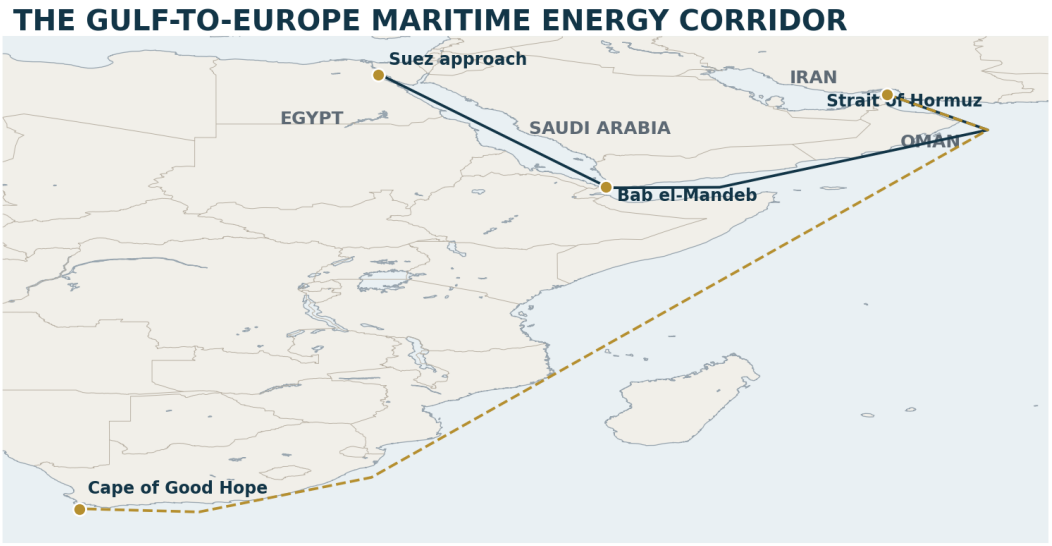


Routes are constrained to mapped water areas. Schematic only, not for navigation.

**FINAL**

Final review completed at the stated information cut-off. Explicit publication approval received on 18 August 2026.

SPECIAL BRIEF TRIGGER

# Why this event requires a separate publication

*A Special Brief is event-driven. It is not a condensed Weekly or an early Monthly Review.*

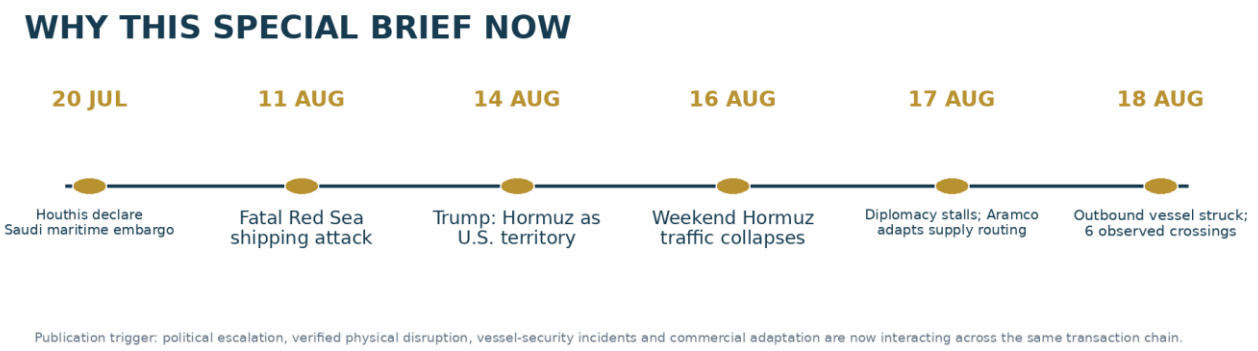


**Figure 1 | Why this Special Brief now**

*Source: Arqom Global analysis based on Reuters reporting dated 20 July to 18 August 2026. Claims by conflict parties are treated as attributed claims unless independently corroborated.*

PUBLICATION THESIS

The material change is the convergence of diplomatic escalation, observable impairment of commercial navigation, verified vessel-security incidents, active producer adaptation around chokepoints, and transmission into refined-product availability, freight, insurance, sanctions screening and bank acceptance.

On 17 August, the 60-day period contemplated under the June U.S.-Iran memorandum reached its endpoint without a durable final agreement. President Donald Trump called for Iranian surrender and separately threatened military action against Oman if Oman obstructed U.S. objectives relating to Hormuz. A senior Iranian official told Reuters that Iran would move toward a fully offensive posture and could take military action to break the U.S. naval blockade if diplomacy failed. These are attributed political and military positions, not settled legal conclusions. [1][2]

Fresh preliminary Kpler data reported by Reuters on 18 August revised the weekend observation and showed three commodity-vessel crossings on Saturday 15 August, two on Sunday 16 August and six on Monday 17 August, against a 10-day daily average of 11. Monday comprised three inbound and three outbound crossings; no VLCC or LNG tanker was observed. AIS-dark movements may not be captured, so these figures represent observed traffic rather than the complete physical universe. [3]

Separately, UKMTO reported on 18 August that an outbound vessel in the Strait of Hormuz was struck by an unknown projectile, causing engine-room damage and a crew casualty. The remaining crew was being assisted by the Omani Coast Guard, no environmental impact had been reported, and the incident was under investigation. Arqom treats the occurrence as verified reporting while attribution remains unresolved. [20]

**Arqom therefore treats the present situation as an execution-risk event rather than merely a geopolitical headline. That distinction is the reason for this Special Brief. By 06:41 GMT on 18 August, Brent crude was USD 91.76 per barrel and WTI USD 85.55 per barrel, both at their highest levels since late July, consistent with a renewed supply-risk premium. [8]**

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EXECUTIVE ASSESSMENT

# The risk has moved from rhetoric into execution

*Physical navigation, middle-distillate scarcity and banking friction now interact across the same transaction chain.*

1 OPERATIONAL, NOT THEORETICAL

Hormuz traffic remains severely impaired in observed data, and an outbound vessel was struck by an unknown projectile on 18 August. A strait does not need to be formally closed for a cargo to become uninsurable, delayed or commercially non-executable.

2 TWO CHOKEPOINTS, ONE CORRIDOR

Hormuz and Bab el-Mandeb affect different legs of the same Gulf-to-Europe supply chain. Concurrent stress increases routing, freight and insurance risk.

3 PRODUCTS ARE THE PINCH POINT

Crude can partly adapt through pipelines and alternative load points. Refined products and LNG have fewer equivalent bypass mechanisms.

4 COMPLIANCE BECOMES COMMERCIAL

Vessel history, cargo origin, sanctions exposure and bank appetite can determine whether a transaction completes even where product is nominally available.

Arqom assessment

**The principal commercial question is no longer whether crude or diesel prices rise. It is whether product, title, vessel, insurance, bank acceptance and documentary performance remain simultaneously available. A disruption in any one link can invalidate apparently attractive economics.**

**Figure 2 | Energy exposure and immediate market stress**

*Sources: EIA for structural Hormuz oil/LNG exposure; Reuters citing IEA and EIA for 17 August diesel and refinery data. Market figures are point-in-time observations.*

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# Two chokepoints sit on the same commercial route

*The strategic issue is not only access to Gulf production, but the reliability of onward movement toward Europe and other consuming markets.*

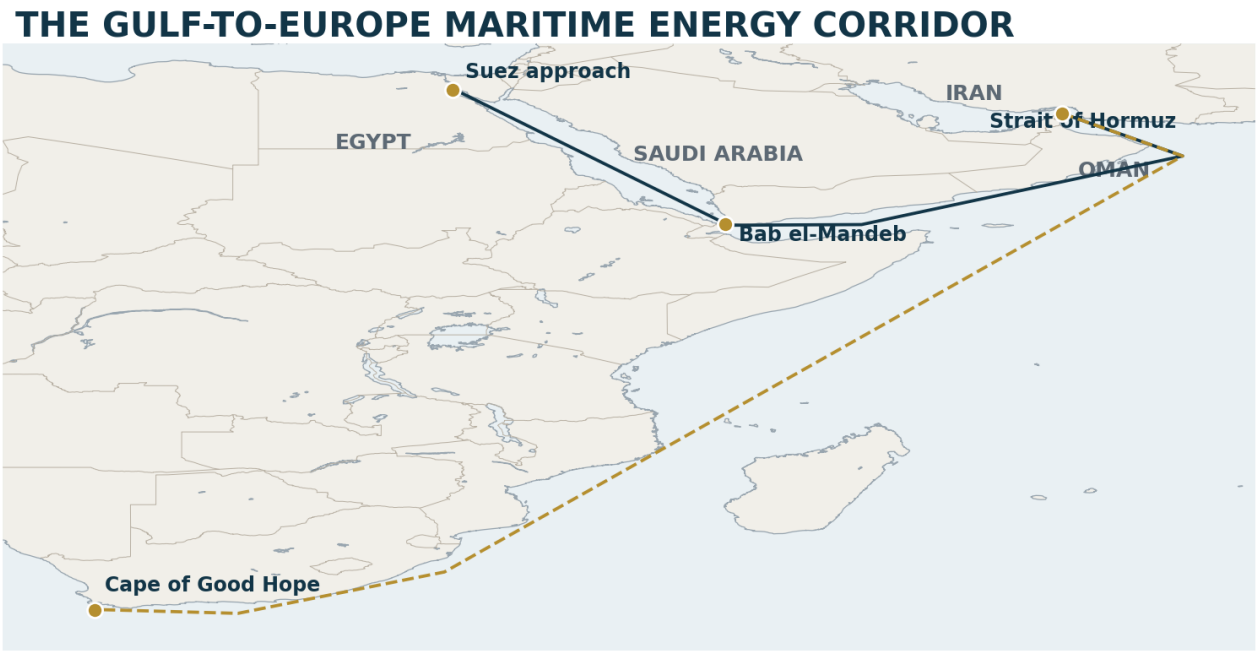


**Figure 3 | The Gulf-to-Europe maritime energy corridor**

*Source: Arqom Global schematic. Geography based on public maritime references; not for navigation.*

Hormuz connects the Persian Gulf to the Gulf of Oman and Arabian Sea. Bab el-Mandeb connects the Arabian Sea to the Red Sea and onward to Suez. Stress at Hormuz limits access to Gulf production and export terminals. Stress at Bab el-Mandeb can impair the onward route to Europe even after a cargo has cleared the Gulf.

Avoidance of the Red Sea can materially alter voyage economics. Routing around the Cape of Good Hope extends sailing time, increases bunker consumption and keeps both vessel and working capital committed for longer. The cost effect is therefore broader than freight: it can change vessel availability, delivery windows, documentary timing and the economics of the underlying commodity contract.

**EVIDENCE DISCIPLINE**

The map shows commercial geography, not sovereign control. Political claims by the United States or Iran concerning control of Hormuz are analysed separately from the international navigation framework.

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# Legal route, contested control, physical constraint

*The commercial market must distinguish between sovereignty, navigational rights, military capability and observed vessel behaviour.*

**Figure 4 | Strait of Hormuz: established route and current constraint**

*Source: Arqom Global schematic based on IMO public materials. IMO states that the TSS was proposed by Iran and Oman and adopted in 1968. Current operational safety arrangements have included temporary routing because the established TSS may not be safe for use. [13]*

President Trump stated on 14 August that he intended to declare the Strait of Hormuz a territory of the United States. On 17 August he separately threatened to bomb Oman if Oman obstructed U.S. objectives. Iran has made competing assertions of control and has linked reopening of commercial navigation to its negotiating conditions. [1][2]

These statements should not be translated into a commercial assumption that either party holds uncontested legal sovereignty over the international waterway. UNCLOS Part III sets out a transit-passage framework for straits used for international navigation. Separately, the UN Secretary-General has called for the full restoration of international navigational rights and freedoms in and around Hormuz. Oman has repeatedly reaffirmed freedom of navigation and has continued talks with Iran. [14][15][19]

**LEGAL QUALIFICATION**

This Special Brief does not provide a definitive legal opinion on sovereignty, belligerent rights, blockade legality or the legality of specific military measures. Transaction documents must be assessed under their own governing law and facts.

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# Observed shipping remains severely impaired despite limited recovery

*The distinction between a formal closure and a commercially impaired waterway matters less when vessels, insurers and banks will not support normal execution.*

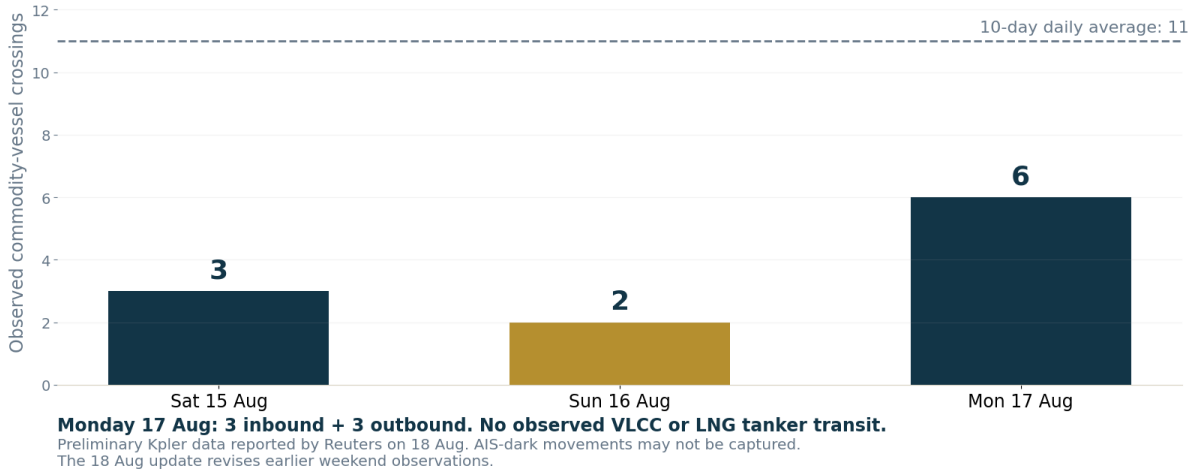


**Figure 5 | Hormuz traffic stress: observed commodity-vessel transits**

Source: Preliminary Kpler data reported by Reuters on 18 August 2026. AIS limitations apply. [3]

The latest 18 August Kpler update confirms that Hormuz remains severely impaired. Observed crossings rose from two on Sunday to six on Monday, but remained well below the 10-day daily average of 11, and no VLCC or LNG tanker was observed. The 18 August update also revised the earlier preliminary weekend counts. This limited increase should therefore be read as uneven adaptation, not normalisation of commercial navigation. [3]

The same morning, UKMTO reported that a vessel transiting outbound was struck by an unknown projectile, with engine-room damage and a crew casualty. No environmental impact was reported and authorities were investigating. The incident reinforces the distinction between a modest increase in observed crossings and any broader normalisation of navigational security. Attribution should not be inferred from the incident report. [20]

The market is also adapting commercially around the chokepoint. Reuters reported on 17 August that Saudi Aramco was offering Arab Medium and Arab Heavy crude to some Asian refiners via ship-to-ship transfers off Fujairah, including September-loading discussions, allowing buyers to receive barrels without sending their own tankers through Hormuz. Aramco has also diverted Arab Light through Yanbu and offered cargo from Sidi Kerir. These arrangements demonstrate that bypass capacity is becoming a live commercial mechanism rather than a theoretical contingency. [7]

**Alternative infrastructure and delivery structures can mitigate crude-oil exposure, but they do not recreate normal Hormuz capacity and are less effective for refined products, LNG and vessel availability. Adaptation should therefore be treated as resilience under constraint, not as evidence of normalisation.**

RED SEA AND SHIPPING

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# The second pressure point compounds Gulf risk

*A cargo that clears Hormuz can still face a separate security, insurance and routing decision at Bab el-Mandeb.*

The Red Sea risk intensified in August. A Houthi attack on the Egyptian-owned Tihamah in Bab el-Mandeb on 11 August resulted in confirmed crew fatalities, while two Yemeni rescuers were also reported killed. The Houthi claim that the vessel carried Saudi military equipment was not independently verified in the reporting reviewed. [5]

On 17 August, the Houthis said they attacked a Saudi military vessel and four escort vessels off Yemen. There was no immediate Saudi confirmation. Arqom therefore treats this as an attributed Houthi claim, not a verified Saudi loss. [4]

Saudi Red Sea crude exports have increasingly operated with reduced public AIS visibility. Reuters reported that recent Yanbu loadings had gone dark as shipowners sought to reduce exposure to Houthi targeting. This creates an additional problem for traders, banks and analysts because flow estimates become less reliable precisely when physical-market visibility is most valuable. [6]

Fresh Kpler data published on 18 August also shows that Bab el-Mandeb remains impaired but operational. Nineteen commodity vessels crossed on Monday 17 August, versus a 10-day moving average of 26 and 33 on Sunday. Five were entering the Red Sea and 14 were exiting. The outbound group included the VLCC Norns carrying 2 million barrels of oil, while the tanker Portofino entered with diesel destined for markets west of Suez. [3]

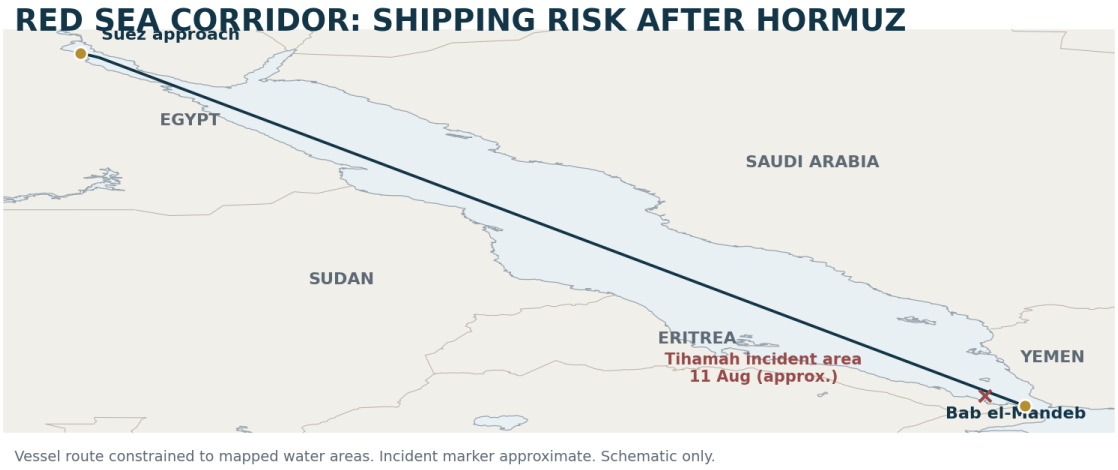


**Figure 6 | Red Sea corridor and Bab el-Mandeb exposure**

Source: Arqom Global schematic based on Reuters reporting and public maritime geography. Incident marker is approximate and not for navigation. [5][6][3]

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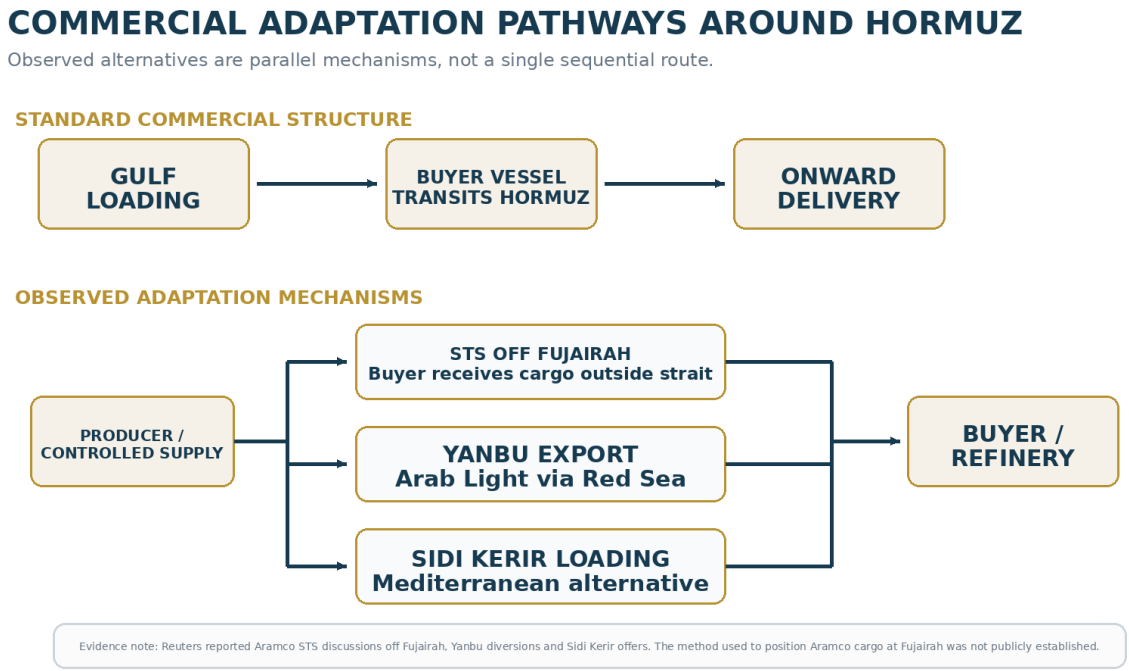


Figure 6A | Commercial adaptation pathways around Hormuz

Source: Arqom Global analytical illustration based on Reuters reporting on observed commercial routing adaptation, including STS off Fujairah, Yanbu diversions and Sidi Kerir offers. The mechanisms shown are parallel alternatives, not a single sequential route. [7]

**TRANSACTION EFFECT**

A vessel may be physically capable of loading but commercially unacceptable because of war-risk pricing, route restrictions, P&I considerations, historical port calls, sanctions exposure or bank policy. Product availability is therefore not equivalent to deliverability.

For a CIF or CFR petroleum transaction, disruption can affect voyage nomination, war-risk allocation, ETA, laytime, demurrage, documentary presentation and replacement-cargo economics. For FOB transactions, the buyer may carry a greater portion of the vessel and routing problem, but seller performance can still be affected by terminal and loading constraints.

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# Middle distillates are the commercial pinch point

*The current shock is increasingly expressed in refinery capacity and replacement barrels, not only in flat crude prices.*

**Figure 7 | Structural exposure and product-market stress**

*Sources: EIA, Reuters, IEA and EIA inventory data as reported on 17 August 2026. [9][10][11][12]*

The U.S. diesel crack reached a record intraday USD 102.20 per barrel on 17 August. Reuters reported global refinery throughput at 80.9 million barrels per day in July, approximately 5 million barrels per day below the prior-year level. U.S. distillate inventories stood at 107.1 million barrels as of 7 August, the lowest seasonal level since 1996. [9]

For EN590 and Jet A1 buyers, the immediate risk is not simply a higher benchmark. Reduced refining flexibility, restricted Gulf exports, Russian refinery disruption and longer maritime routes can increase prompt-cargo premiums and weaken the reliability of marginal suppliers. Reuters analysis also reported global diesel exports in July around 1.3 million barrels per day below the prior year, with European middle-distillate inventories materially below historical norms. [10]

A countervailing supply response is emerging from China. Reuters reported on 18 August that China's July refined-product exports rose 6.7% month-on-month, while remaining 12.9% below the prior year; diesel exports rose 88% month-on-month to 810,000 tonnes. This may relieve prompt tightness at the margin, but it does not remove the wider constraints created by disrupted Gulf flows, refinery outages and maritime risk. [21]

**ARQOM EN590 READ-THROUGH**

In a constrained market, an unusually discounted offer should normally trigger more diligence, not less. Seller authority, title chain, refinery relationship, product origin, vessel feasibility and payment mechanics should be verified before commercial urgency hardens into commitment.

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# Geopolitical stress becomes a settlement problem

*Legal permissibility does not guarantee bank acceptance, insurance support or documentary performance.*

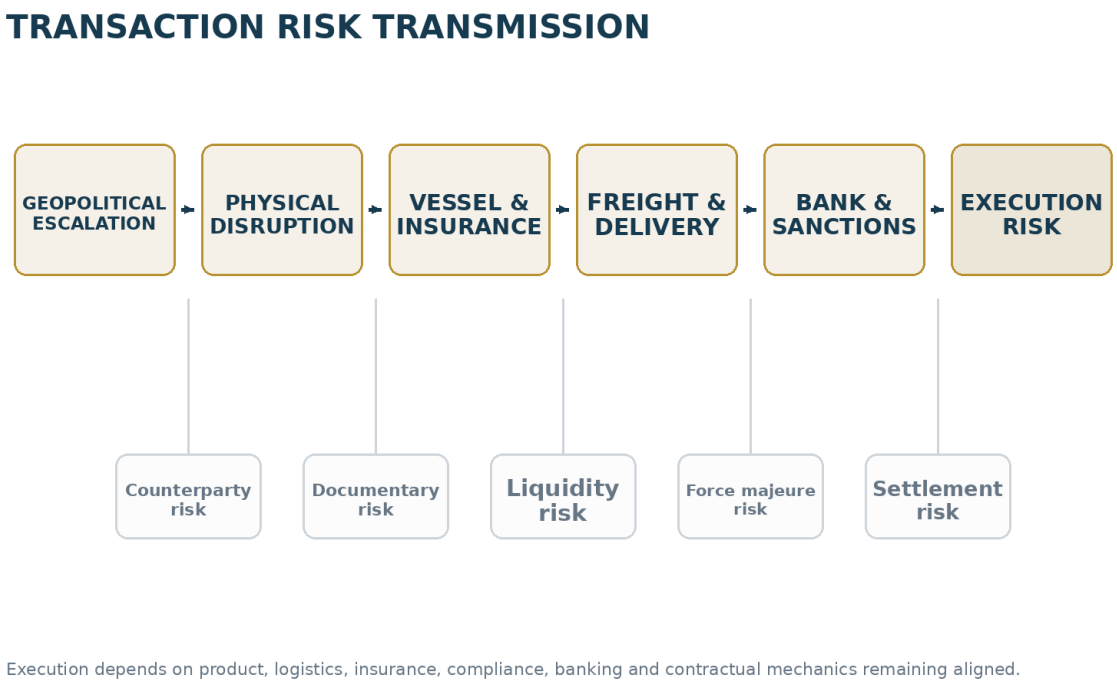


**Figure 8 | Transaction risk transmission**

*Source: Arqom Global analytical framework.*

Banks may intensify review of product origin, beneficial ownership, vessels, ports, intermediaries, payment purpose and correspondent-bank exposure. Their risk appetite can be narrower than the strict perimeter of legal prohibition. A transaction can therefore be legally permissible but operationally rejected or delayed by one or more banks.

OFAC continues to maintain an extensive Iran sanctions framework. As of the 09:57 CEST information cut-off, no Iran-related OFAC sanctions-list action dated 18 August was identified; the latest Iran-related sanctions-list action shown in OFAC's recent-actions record remained the 7 August designation and FAQ update. Iran General License X was revoked and superseded by General License X1 effective 7 July 2026. X1 authorised only the wind-down of transactions previously covered by General License X through 17 July 2026 and is now expired. The previously stated 21 August General License X expiry is therefore not a live monitoring point. [16][17]

Contractually, the current environment raises questions around force majeure, sanctions clauses, alternative-port rights, vessel substitution, laycan, laytime, demurrage and extraordinary routing costs. Whether an event constitutes force majeure depends on the contract wording, governing law, causation, mitigation and the facts affecting actual performance. Higher cost alone does not automatically establish force majeure.

**BANKING PRINCIPLE**

Heightened market stress increases the need for conventional, verifiable banking mechanics. It does not justify unsupported RWA claims, unexplained SBLC monetisation, unrelated beneficiary accounts or requests to bypass normal bank-to-bank communication.

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# How the same event changes one petroleum transaction

*Illustrative case only. The purpose is to show the execution chain, not to model a specific live Arqom transaction.*

**ILLUSTRATIVE CASE: EUROPEAN BUYER OF EN590 ON CIF TERMS**

A European buyer receives an apparently competitive EN590 offer linked to Gulf supply. The seller may be genuine and product may exist. The transaction can nevertheless fail if the nominated vessel cannot obtain acceptable war-risk cover, if the route changes after contracting, if cargo origin or title evidence creates sanctions concerns, if the issuing or confirming bank declines the trade, or if changed loading and voyage timing creates documentary discrepancies. The commercial discount can be fully consumed by freight, insurance, delay and replacement risk.

Enhanced diligence should therefore be sequenced before irrevocable commercial commitment: establish legal identity and UBO, verify seller authority and title source, determine origin and refinery nexus, test vessel and insurance feasibility, perform sanctions screening, confirm bank acceptance of the proposed payment instrument, and align contractual remedies with realistic delivery mechanics.

| Stakeholder | Primary concern now | Decision focus |
|---|---|---|
| Buyer | Deliverability and replacement cost | Do not separate price from vessel, insurance and bank feasibility. |
| Seller | Nomination and contractual performance | Verify ability to load, route and document under changed conditions. |
| Bank / Financier | Sanctions, origin, vessel and documentary risk | Pre-clear transaction mechanics before relying on LC/SBLC availability. |
| Investor / Lender | Liquidity and counterparty resilience | Stress test longer cash conversion and performance failure. |

**The practical objective is not to eliminate geopolitical risk. It is to identify which risks can be verified, allocated, insured, priced or contractually controlled before capital and reputation are committed.**

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# What would change the assessment

*These scenarios are analytical constructs, not forecasts or probability estimates.*

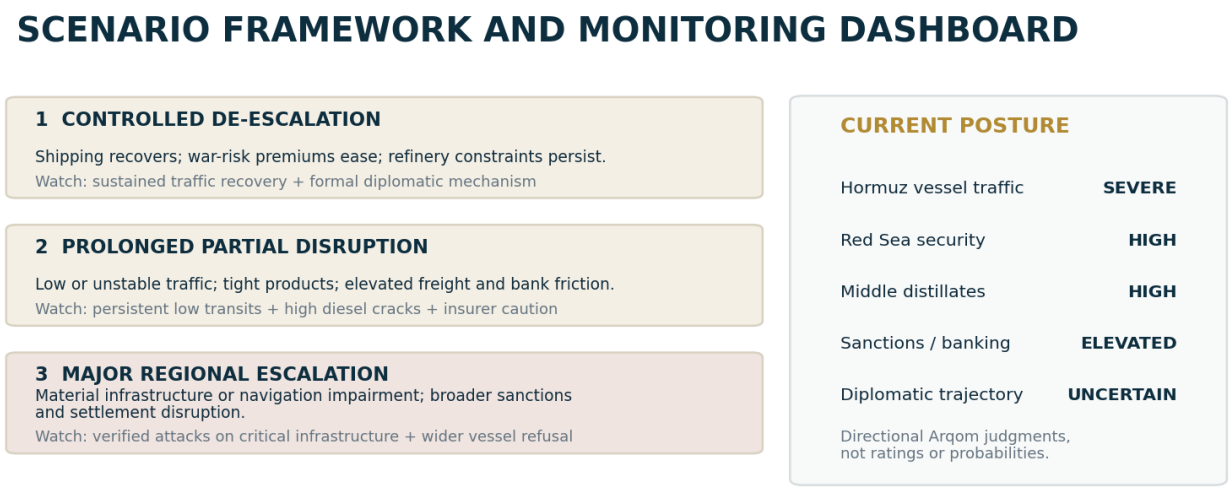


**Figure 9 | Scenario framework and current monitoring dashboard**

*Source: Arqom Global analytical assessment at the information cut-off. Risk labels are directional operating judgments, not credit ratings or probability estimates.*

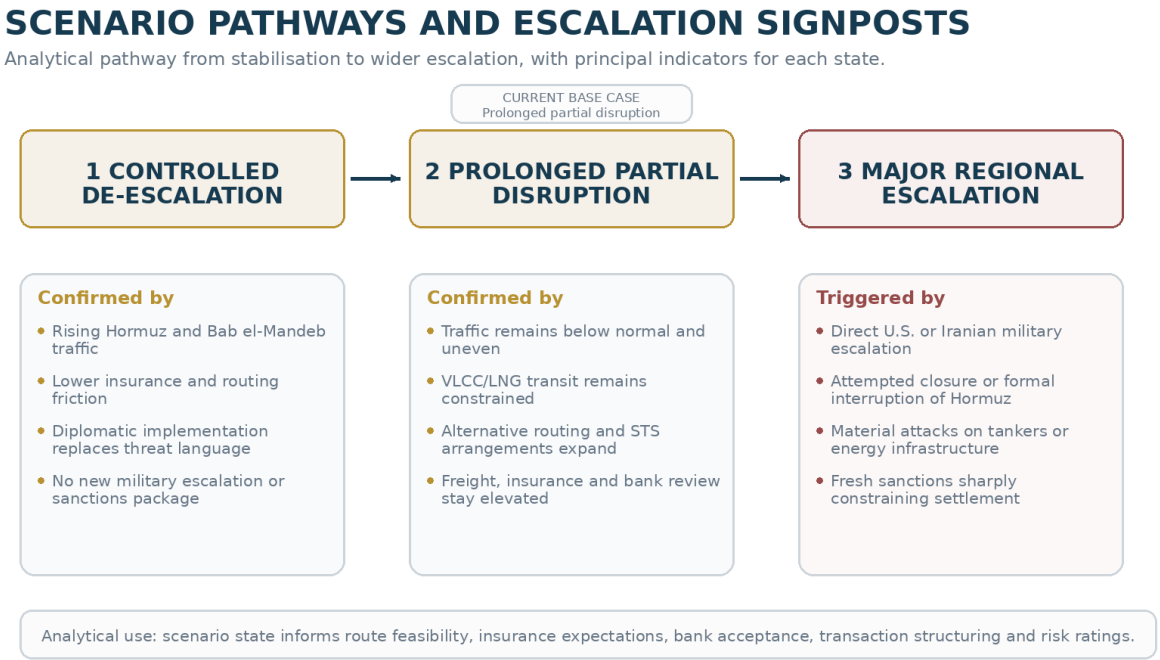


Figure 9A | Scenario pathways and escalation signposts

Source: Arqom Global analytical framework. Scenario states are analytical constructs, not forecasts or probability estimates.


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The principal uncertainties are the durability of any U.S.-Iran or Iran-Oman arrangement; the legal and operational meaning of competing control proposals; attribution and follow-on consequences of the 18 August projectile strike; actual vessel flows where AIS is disabled; future insurer appetite; any new OFAC Iran-related sanctions or licensing measures; the threshold for further Iranian or Houthi military action; and whether alternative crude routes can scale without generating a new logistics bottleneck.

### Arqom bottom line

The Strait of Hormuz situation has moved from headline geopolitical risk into measurable physical-market and transaction-execution risk. The latest shipping data confirms severe impairment despite limited and uneven recovery, while the 18 August strike on an outbound vessel confirms that navigational security risk remains active. Aramco's use of Fujairah, Yanbu and Sidi Kerir demonstrates commercial adaptation around chokepoint exposure. Adaptation improves resilience but is not equivalent to normalisation. The relevant question for a professional commodity participant is not simply whether product is available, but whether the proposed transaction can be independently verified, legally performed, insured, financed, shipped, settled and completed under the proposed terms. [3][7][20]

GOVERNANCE AND SOURCES

# Final, methodology and source register

*Evidence-before-assertion applies. Arqom Challenge Review has been completed. Unresolved attribution and rapidly evolving post-cut-off developments remain explicitly qualified.*

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### Methodology

This Special Brief applies a multidisciplinary analytical framework covering facts and intelligence, physical commodity markets, maritime security and insurance, international trade and shipping law, sanctions and financial crime, Tier 1 banking and trade finance, AML/KYC, transaction execution, scenario analysis and institutional editorial review. Specialist labels describe analytical disciplines and do not imply named Arqom employees, departments or externally retained advisers.

Final challenge review: factual consistency, source status, maritime mapping, legal and sanctions qualifications, banking mechanics, scenario framing, transaction implications, document control and visual presentation were re-tested. No unresolved issue identified in that review prevents publication; developments after the information cut-off require separate monitoring and, if material, a controlled update before release.

### Source register

[1] Reuters, 17 Aug 2026, Trump says Iran should surrender, threatens to bomb Oman
[2] Reuters, 17 Aug 2026, Iran threatens to go on offensive in Strait of Hormuz if diplomacy fails
[3] Reuters, 18 Aug 2026, Hormuz crossings rise slightly from weekend, remain in single digits, data shows
[4] Reuters, 17 Aug 2026, Houthis say they attacked Saudi vessels off Yemen's Mocha
[5] Reuters, 11 Aug 2026, Four crew and two rescuers killed in Red Sea attack
[6] Reuters, 12 Aug 2026, Saudi Red Sea oil exports go dark as Houthi attack threat grows
[7] Reuters, 17 Aug 2026, Saudi Aramco offers crude outside Hormuz to some Asian refiners
[8] Reuters, 18 Aug 2026, Oil climbs as fading US-Iran peace hopes raise supply risks
[9] Reuters, 17 Aug 2026, US diesel crack surpasses $100 a barrel for the first time
[10] Reuters Breakingviews, 17 Aug 2026, Oil shock's bigger problem is at the refinery
[11] U.S. EIA, Strait of Hormuz oil-flow analysis
[12] U.S. EIA, LNG trade through Strait of Hormuz
[13] International Maritime Organization, Strait of Hormuz shipping route and operational materials
[14] Sultanate of Oman Ministry of Foreign Affairs, Oman and Iran discuss freedom of navigation

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[15] United Nations, UNCLOS Part III - Straits Used for International Navigation
[16] U.S. Treasury OFAC, Iran Sanctions and Recent Actions
[17] U.S. Treasury OFAC, Iran General License X1, Revocation and Wind Down of June 21, 2026 Authorization, 7 Jul 2026
[18] Reuters, 20 Jul 2026, Yemen Houthis declare naval blockade against Saudi Arabia
[19] United Nations Secretary-General, Note to Correspondents: Iran and the Gulf, 15 Jul 2026
[20] Reuters, 18 Aug 2026, Vessel struck by unknown projectile in Strait of Hormuz, crew casualty reported, UKMTO says
[21] Reuters, 18 Aug 2026, China's fuel exports edge back towards levels before Iran war as Beijing eases curbs

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