

The Hormuz Shock: Commodity Price Transmission, Drivers and Curve-Implied Outlook

Oil, nitrogen fertiliser, sulphur and helium — as at 30 June 2026

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Abstract

Since the 28 February 2026 outbreak of the US-Israel-Iran conflict, the effective closure of the Strait of Hormuz has produced sharply divergent price paths across four commodities that share the same chokepoint but not the same market structure. Oil and nitrogen fertiliser, which trade on deep, liquid forward curves, have completed a near-full round trip. Both spiked in the first six to eight weeks of the conflict and have since deflated most of the way back toward pre-war levels as an interim US-Iran accord (signed 17 June) restored shipping. Sulphur and helium, which have no exchange-traded curve and are priced instead through monthly producer announcements or bilateral contracts, have not moved back to pre-war levels— sulphur in particular set a fresh all-time-high official selling price on 30 June, the same week Hormuz traffic was recovering toward pre-war volumes. This paper sets out the transmission mechanism, the chronology of price-moving events, the state of each market's forward curve or nearest analogue as at 30 June 2026, and the outlook that the known facts and available curves imply.

1. The transmission mechanism: why these four commodities, and why they diverge

Roughly one-fifth of the world's seaborne crude oil and a similar share of global LNG normally transit the Strait of Hormuz. Iran's closure from early March, followed by a US naval blockade of Iranian ports from mid-April, removed the vast majority of that flow for most of the conflict. The World Trade Organization estimates a 95% reduction in crude-carrying vessel transits and a 99% reduction in LNG transits relative to pre-war levels at the closure's worst point. Four commodity markets sat directly in the path of that shock, but the way each one prices risk differs fundamentally, and that difference is the key to understanding the divergence documented in this paper.

- Oil is priced on deep, liquid, exchange-traded forward curves (ICE Brent, NYMEX WTI) with continuous price discovery, large open interest and active hedging by producers, refiners and financial participants. A curve exists to absorb and express a view on transitory versus durable disruption in real time.
- Nitrogen fertiliser (urea) has a shallower but genuine forward market — FOB Middle East and US Gulf urea swaps trade on exchange, with enough liquidity to generate a curve, even if thinner than oil's.
- Sulphur has *no* tradable curve. Price discovery runs entirely through monthly Official Selling Price (OSP) announcements from state-owned producers (Adnoc, KPC, QatarEnergy), which are administered prices set with reference to realised freight, insurance and shortage conditions from the *prior* month, not a forward-looking market clearing price. This creates structural lag. A price set in late June reflects the freight and availability conditions of June, even if by the time it is published Hormuz traffic is already recovering.
- Helium also has no spot market or curve. Pricing is regional and bilateral, dominated by long-term contracts with formula-based pricing plus a thin, opaque spot layer. Because helium cannot be stored economically at scale and requires cryogenic transport, physical supply cannot reroute or rebuild as quickly as a cargo of crude can simply resume sailing once a strait reopens.

The practical consequence, where a tradable curve exists, the market can price a resolution before it fully happens and can unwind the risk premium quickly once resolution is credible. Where no curve exists, prices are

set by administered mechanisms or thin bilateral deals that reference realised, backward-looking conditions and structural capacity constraints — so they can continue rising even as the underlying disruption is easing, and they will not unwind on the same timetable as oil and fertiliser regardless of how durable the diplomatic accord proves to be.

2. Chronology: from closure to interim accord (28 February - 30 June)

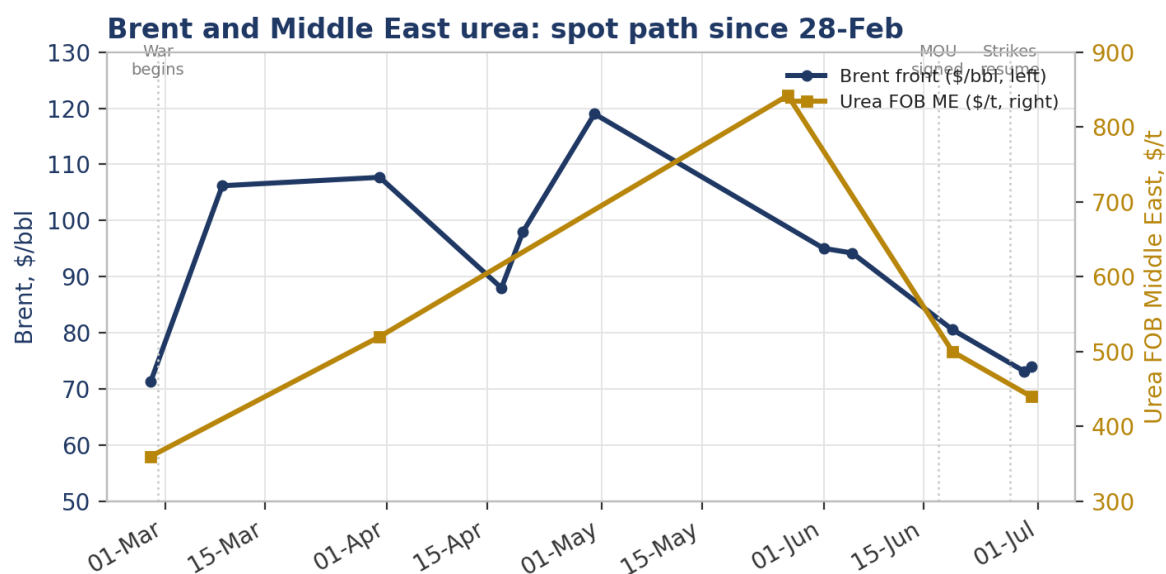
Date	Event
28-Feb	US and Israel launch coordinated airstrikes on Iran ("Operation Epic Fury"); Supreme Leader Ali Khamenei killed. Iran retaliates against Israel, US Gulf bases and allied states. Brent had closed at \$71.3 the prior session.
4-Mar	IRGC declares the Strait of Hormuz "closed" to vessels bound to/from the US, Israel and allies; mines laid; tanker traffic collapses to near zero (WTO later estimates a 95% drop in crude-carrying transits and 99% in LNG transits versus pre-war).
Mar	Brent rises 51% over the month, one of the largest monthly gains on record, as the closure is priced as a durable supply shock rather than a shock that reverses quickly.
19-Mar	US begins an aerial campaign (A-10s, Apache gunships) explicitly aimed at reopening the strait; allied states (UK, France, Germany, Italy, Japan, Netherlands, EU) declare support.
7-8 Apr	Pakistan-mediated two-week ceasefire agreed after Iran rejects a 45-day framework and counters with its own 10-point plan.
13 Apr	US imposes a naval blockade on Iranian ports after the Islamabad talks stall (lasts to 29 May).
17-Apr	Iran's FM declares Hormuz "fully open"; Brent falls >10% intraday. Reopening proves premature.
18-20 Apr	Iran reimposes control within hours; US seizes an Iranian container ship; oil reverses higher.
Late Apr	Brent trades a conflict-period high in the ~\$117-120 area as stranded-tanker and blockade dynamics compound.
17-Jun	Trump and Iranian President Pezeshkian sign a 14-point Memorandum of Understanding at Versailles (G7 margins), opening a 60-day window covering Hormuz navigation, the nuclear/missile file and sanctions relief.
18-Jun	Pakistan confirms the MOU commits Iran to reopen Hormuz promptly and the US to end the Iranian port blockade immediately. Brent had already fallen to \$80.6 by 19-Jun as the accord took effect.
20-26 Jun	Traffic surges toward pre-war levels (76 crossings on 24-Jun) as the toll-free reopening takes hold; Brent continues falling toward the mid-\$70s.
27-Jun	Iran fires on commercial vessels in the strait; US strikes Iranian coastal radar and military sites in response. Daily crossings fall sharply — to 59, then 50, then 39, then a low of 24 by 29-Jun — before recovering to 40 by 30-Jun (10 via the US-Navy-coordinated southern Omani route, 30 via Iran's northern route).
29-30 Jun	Brent trades \$73-75 (intraday range roughly \$71.7-75.3). QatarEnergy announces the July Qatar Sulphur Price at \$890/t fob, up \$85/t from June; Adnoc announces its July OSP at \$1,000/t fob Ruwais, up \$140/t and a fresh all-time high. International Transport Workers' Federation reaffirms Hormuz as a "warlike operations area."

3. Price snapshot across the conflict

Indicative levels; oil and urea are exchange-referenced, sulphur is OSP-referenced, helium is regional index data. Not exchange settlements.

Commodity	27-Feb (pre-war)	Conflict peak	19-Jun	30-Jun	Peak-to-30-Jun move
Brent front (\$/bbl)	71.3	~117-120 (Apr-May)	80.6	~73-75	-37% to -39%
Urea FOB ME (\$/t)	~360	~842 (late-May)	~500	~430-450	-47% to -49%
Sulphur OSP FOB ME (\$/t)	~520 (Feb OSP)	805-860 (Jun, pre-30-Jun)	805-860	890-1,000 (Jul OSP, announced 30-Jun)	Still rising
Helium (NE Asia, \$/MC)	~120	~153 (Mar/Jun)	~153	~145-155 (indic.)	Broadly flat, elevated

Two things stand out. First, oil has now fallen **through** its pre-war level rather than merely back toward it, a point the market had not reached as recently as the 19 June snapshot. Second, sulphur's 30 June print is not a continuation of a plateau — it is a new all-time high, set in the same week that Hormuz shipping volumes were recovering toward pre-war levels after the 27 June exchange of strikes.



Indicative levels at dated reference points, linearly interpolated between them; not daily settlement series.

Chart 1. Brent and Middle East urea spot price paths since the conflict began, with the war's start, the MOU signature and the 27-June strikes marked.

4. Oil: the conflict-premium round trip

4.1 What happened

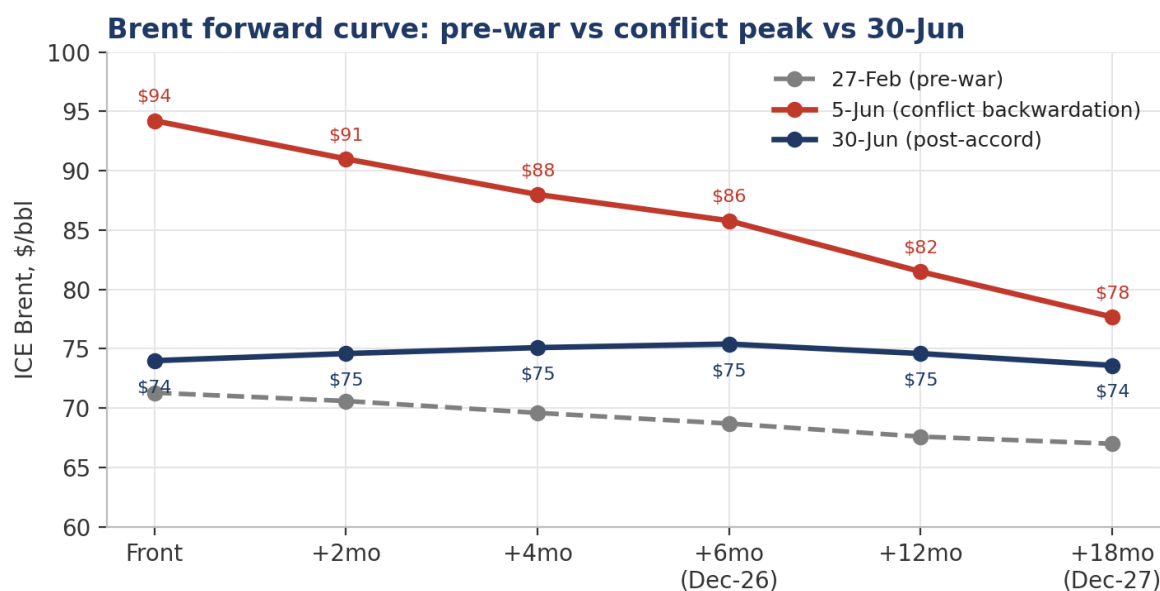
Brent went from \$71.3/bbl on 27 February to an intraday conflict peak in the \$117-120 area during April-May — a move of roughly 65-68% at the peak — before falling back to \$80.6 by 19 June and \$73-75 by 30 June, a decline of roughly 37-39% from peak and now marginally **below** the pre-war starting point. March alone produced a 51% monthly gain, one of the largest on record, as the market moved from pricing a short disruption to pricing a durable closure.

4.2 Drivers

- Supply removal:
 - the near-total halt of Hormuz-transiting crude (WTO:
 - ~95% reduction in transits at the worst point) removed a material share of seaborne supply reaching Asia and Europe, compounded by the April-May US naval blockade of Iranian ports, which independently withheld Iranian barrels even where the strait itself saw intermittent traffic.
- False dawns extended the risk premium. The 17 April "fully open" declaration and its reversal within days, and the late-April/early-May exchange around the seized Iranian container ship, repeatedly disappointed a market trying to price resolution, which kept the risk premium elevated for longer than a clean, one-way de-escalation would have.
- Diplomatic resolution. The 17 June MOU and the 18 June confirmation that Iran would promptly reopen the strait and the US would lift the port blockade immediately, are the single largest driver of the subsequent deflation — Brent fell roughly 30% between the interim accord and 30 June.
- Offsetting bearish supply. UAE, Saudi and Iranian export normalisation, record Russian shipments, and emergency reserve releases have pushed the market from "premium unwinding" toward an outright surplus narrative by late June, which is why Brent has now fallen through, not just toward, the pre-war level.

4.3 Curve and outlook

The curve has moved in lockstep with the news cycle. In deep conflict-period backwardation, the market priced substantial mean-reversion: a 5 June snapshot had the front month at \$94.22 against December 2026 at \$85.79 and December 2027 at \$77.68 — i.e., the market was already discounting the front by roughly \$8-9 over six months and \$16-17 over eighteen months, signalling that even at \$94 the market judged the shock largely transitory. As the front has subsequently fallen to \$73-75 by 30 June, the same logic implies the backwardation should have compressed materially, since the front has now moved most of the way toward what the deferred months were already pricing. A precise reprint of the deferred months as at 30 June requires an ICE settlement pull rather than approximation, but the direction is unambiguous: the curve has spent the conflict correctly forecasting its own resolution, several weeks ahead of the spot price catching up.



Illustrative — interpolated between dated reference prints (27-Feb, 5-Jun, 30-Jun); not exchange settlements.

Chart 2. Brent forward curve shape, pre-war vs conflict-period backwardation (5-Jun) vs 30-Jun. Interpolated between dated reference prints; the 30-Jun curve is illustrative of the flattening described in the text, not an exchange settlement.

What the curve does not yet fully resolve is the tail risk sitting just past the visible forward months: the 60-day MOU window opened 17 June runs out in mid-August, precisely when Iran has said it intends to begin charging tolls on Hormuz shipping (a mechanism the US has called incompatible with a durable deal), and when a separate,

US-domestic Jones Act shipping waiver is due to lapse on 16 August. A market that has priced fast, credible resolution has correspondingly little cushion if either date disappoints.

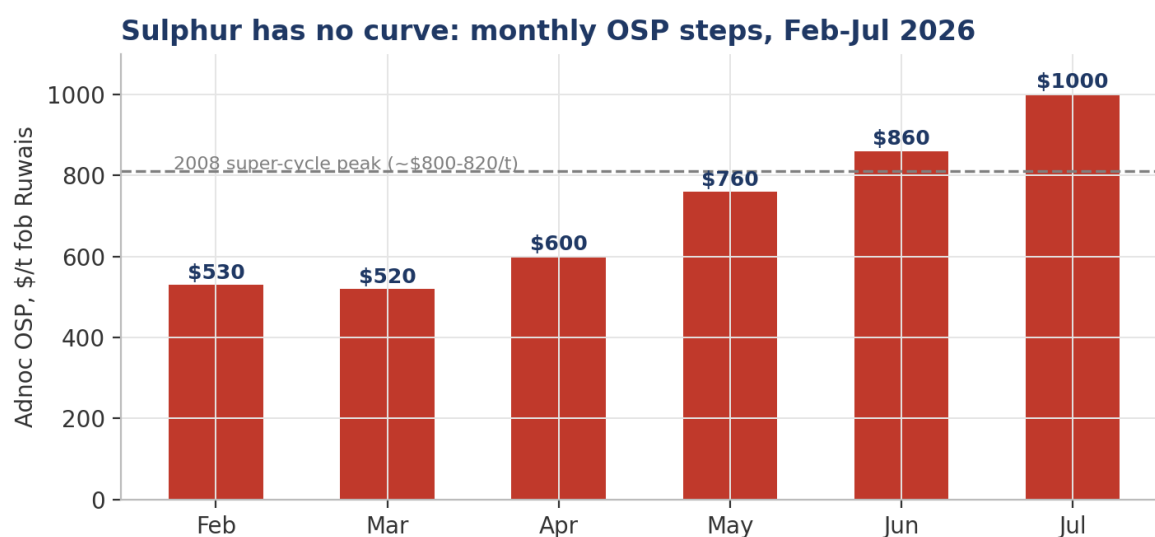
5. Nitrogen fertiliser (urea): correcting on the same timetable as oil, from a smaller base

Middle East FOB urea moved from roughly \$360/t pre-war to a late-May peak near \$842/t — more than double — before correcting to roughly \$500/t by 19 June and into the \$430-450/t range by end-June. The magnitude of the peak move (+134% at the top) exceeded oil's percentage move, reflecting urea's greater reliance on Gulf-origin, Hormuz-transiting supply relative to the diversified global oil market, and the fact that Gulf urea could not simply reroute the way non-Hormuz crude could. The correction has broadly tracked oil's timeline — both markets have functioning curves, both re-rated on the same 17 June accord — though urea remains further above its pre-war base (roughly 20-25% above 27-February levels as at 30 June) than oil, which is now marginally below it. A late-May development not present in the oil market is a new, partially offsetting factor: China's issuance of urea export quotas, a policy lever that can tighten global nitrogen availability independent of Hormuz and is not correlated with the shipping-lane resolution that is driving the rest of the correction.

6. Sulphur: the market without a curve kept rising after the strait reopened

Sulphur is the clearest evidence in this dataset that curve structure, not just physical exposure, determines how a commodity prices a geopolitical shock. Middle East OSPs (Adnoc, KPC, QatarEnergy) rose from roughly \$520/t in February to \$805-860/t across the three producers by June, a cumulative escalation of around 55-65% inside four months and already above the 2008 super-cycle peak of \$800-820/t. Unlike oil and urea, sulphur did not begin correcting once the 17 June accord took hold. On 30 June — the same week Hormuz daily crossings were recovering from a 27-June-strike-induced low of 24 back toward 40 — QatarEnergy raised its July price a further \$85/t to \$890/t, and Adnoc raised its July OSP a further \$140/t to \$1,000/t fob Ruwais, a new all-time high roughly \$180-200/t above the 2008 peak, implying a delivered cost to India in the region of \$1,105-1,108/t cfr before insurance.

Two structural features explain the divergence. First, the OSP mechanism is backward-looking by construction. A July OSP references the freight, insurance and availability conditions realised in June, not a forward expectation of July or August conditions, so it mechanically lags any improvement in shipping. Second, and more importantly, roughly 17 of the Middle East's approximate 20mn t/a of sulphur exports load beyond Hormuz or originate in Iran directly, against an estimated structural deficit (CRU) of around 1.9mn t/a — a production and logistics capacity constraint that a reopened strait does not, by itself, resolve. The absence of a tradable curve means there is no mechanism for the market to price in the reopening ahead of the fact, the way Brent's deferred months did; instead, price discovery happens one administered announcement at a time, and as at 30 June that process has not yet turned. This has a direct read-through for downstream phosphate and agricultural-input costs, which are exposed to sulphur with no available hedge.

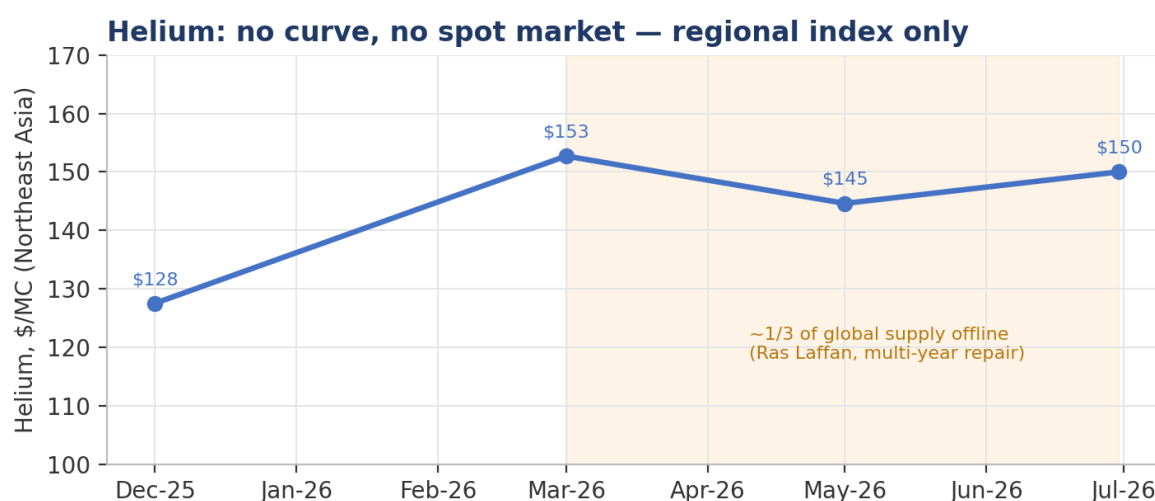


Adnoc official selling price, fob Ruwais, as announced each month (source: Argus Media). July announced 30-Jun.

Chart 3. Adnoc sulphur OSP (fob Ruwais), monthly announcements Feb-Jul 2026. There is no forward curve here — each bar is a backward-looking administered price, not a market-cleared expectation, which is why the series kept climbing after Hormuz began reopening.

7. Helium: unresolved, and likely to stay that way longest

Helium is the fourth data point in the same pattern, taken to its logical extreme: no curve, no spot market, and a physical repair timeline measured in years rather than months. Roughly a third of global supply went offline when Iranian strikes damaged Qatar's Ras Laffan production trains in March, and the facility's own operator has indicated repair could take up to five years. Airgas's force majeure (effective 17 March) persists, with allocations cut to as low as 50% for some customers. Northeast Asia pricing — the most exposed regional index given South Korea's roughly 65% dependence on Qatari helium — rose from around \$120/MC pre-war to the low-\$150s/MC by March and June, an increase of roughly 25-28%, a materially smaller percentage move than sulphur despite comparable disruption severity, likely reflecting the greater role of long-term formula-based contracts (which are slower to reprice) relative to sulphur's fully OSP-driven mechanism. Because production repair timelines are measured in years and there is no financial market through which the reopening of Hormuz can be priced in advance, helium is the commodity in this set least likely to track the oil/urea recovery timetable at all — its resolution depends on physical reconstruction at Ras Laffan, not on the diplomatic accord that has already substantially resolved the oil and fertiliser shocks.



Regional index assessment (IMARC); 30-Jun figure indicative, not independently verified against a primary source.

Chart 4. Helium, Northeast Asia regional index. Flatter and more volatile than sulphur's staircase, consistent with a market dominated by long-term formula contracts rather than monthly administered prices — but still elevated throughout the disruption window.

8. What the known facts and the curves together imply

8.1 The oil and urea curves have been a leading, largely accurate indicator

Across this conflict, the Brent and urea forward curves consistently priced faster mean-reversion than the spot price was showing at the time, and the spot price has subsequently converged toward what the curve implied. That is a meaningful validation of using the curve as a forward-looking input rather than treating spot moves in isolation, and it argues for continuing to reference the deferred months — not just the front — when assessing whether the current oil/urea deflation still has room to run or is approaching the level the market already expects.

8.2 Sulphur and helium require a different analytical frame

Because neither market has a forward curve, there is no market-implied "outlook" to read off a term structure. The best available forward-looking indicators are instead the structural facts: for sulphur, the ~1.9mn t/a CRU-estimated deficit and the fact that 17 of ~20mn t/a of relevant exports load beyond Hormuz or from Iran directly — both of which are largely insensitive to the diplomatic accord holding; for helium, the multi-year Ras Laffan repair timeline, which is a hard physical constraint independent of shipping-lane politics. On the facts available as at 30 June, there is no basis to expect either market to mean-revert on the oil/urea timetable, and the July OSP round is direct evidence that sulphur, at least, is still moving the wrong way.

8.3 The near-term catalysts that will determine whether the oil/urea recovery holds

- Mid-August toll deadline: the 60-day toll-free window agreed in the 17 June MOU lapses around mid-August. Iran has stated an intention to begin charging tolls at that point; the US has called an Iranian tolling regime incompatible with a durable deal. This is the cleanest dated risk to the current low-price, low-premium equilibrium in oil.
- Succession and internal Iranian politics: the Supreme Leader's funeral processions run 4-9 July; his son and reported successor Mojtaba Khamenei has not appeared in public since being reportedly injured in the 28 February strike that killed his father, leaving the succession, and by extension the durability of Tehran's commitment to the MOU, an open question.
- Demonstrated fragility of the reopening itself: the 27 June exchange of strikes, which took daily Hormuz crossings from 76 (24 June) down to 24 (29 June) before a partial recovery to 40 (30 June), shows that the "reopened" state is not yet a stable equilibrium — it can be interrupted by a single incident and has been, twice, since the ceasefire process began (the 17-20 April episode and the 27 June episode).
- Jones Act waiver (US-domestic): a national-security shipping waiver eased since 17 March is due to expire 16 August; US House Republicans are pushing for it to lapse on schedule, which would be a second, unrelated cost-push layered on top of whatever the Hormuz toll outcome turns out to be.
- The July/August sulphur OSP rounds: because sulphur has already broken its own record twice in successive months even as Hormuz traffic recovered, the July round set 30 June should not be read as a peak by default. The August OSP round is the next real-time test of whether the structural-deficit thesis, rather than a pure transit-risk premium, is in fact what has been driving the market.

9. Limitations and data sources

This paper draws on CENTCOM and IMO statements, Argus Media producer OSP reporting, Reuters/CNBC/Bloomberg market coverage, EIA Short-Term Energy Outlook releases, ICE/CME futures commentary, IMARC Group regional helium indices, the World Trade Organization's transit-reduction estimates, and maintained public conflict timelines (Wikipedia, Britannica, UK House of Commons Library briefings). Oil and urea levels are exchange-referenced but the specific prints cited are drawn from third-party aggregators (Trading Economics, Capital.com, Investing.com) rather than official exchange settlements, and should be treated as indicative. Sulphur levels are producer OSP announcements, which are official but administered rather than

market-clearing prices. Helium levels are regional index assessments from a single commercial data provider (IMARC) and could not be independently cross-checked against a primary source for the most recent (late June) period; this is flagged in Section 7 as an area for follow-up rather than treated as resolved. A full contract-level reconstruction of the Brent forward curve (weekly closes and volume for the relevant ICE contract months) is best sourced directly from an exchange data feed and is not reproduced from approximation in this paper.

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