



By: *Emre Alkin*

Oil prices: navigating the geopolitical minefield



I spent the last two days of the Eid al-Adha holiday reading the latest analyses on oil prices. Frankly, I found very few articles that offered an analysis reminiscent of "World Cup Ceasefire."

I believe the article published by Tomorrow's Affairs last Saturday was one of the few that touched upon this possibility. I am sharing the [link](#) and then summarising what was mentioned in the recent reports.

Now, back to the topic: At the beginning of the year, the narrative in the oil market was quite calm. Global growth was expected to slow, demand would be somewhat reduced, non-OPEC production would increase, and prices would fall.

Many institutions were forecasting accordingly. JP Morgan stated that lower levels in Brent crude were possible. Goldman Sachs had also suggested that oil could drop to a more reasonable range. Our Central Bank even went further, presenting a scenario of prices below \$60 and setting its inflation target accordingly.

However, tensions with Iran, risk in the Strait of Hormuz, disruptions in energy transportation, and the possibility of war came into play. In short, the old calm scenario in the oil market has been shelved for now.

Unfortunately, today, it is not enough to look solely at the supply and demand table to understand oil prices, because oil is no longer priced merely on the basis of "how much was produced, how much was consumed?"

It is increasingly moving based on questions like "Will the Strait of Hormuz remain open? What will Iran do? Will Israel take new action? How will the US respond? Will China start stockpiling?" Therefore, the oil market has increasingly transformed from an economic market into a geopolitical nerve war.

Driven by newspaper headlines

The US Energy Information Administration

(EIA) states in its latest forecasts that oil prices will remain high in the middle of the year but may ease somewhat towards the end of the year.

The EIA's main scenario is based on the gradual alleviation of supply disruptions in the Middle East, with Brent crude approaching around \$90 in the last quarter.

So, the EIA does not believe that oil will return immediately to the old low-price world, but it also does not consider \$120-130 levels as the main scenario.

Goldman Sachs, on the other hand, is taking a more cautious stance. The bank has raised its oil forecasts due to production losses in the Middle East and rapid depletion of stocks.

Goldman's message is quite clear: if stocks decrease rapidly, prices will not easily fall. Because sometimes, the price of oil is determined more by how much safe stock remains in reserves than by current production. We are going through exactly such a period today.

The International Energy Agency (IEA) also emphasises a similar point. According to the IEA, high prices may slow demand somewhat, but if there is a significant squeeze on the supply side, this alone will not be enough to bring prices down.

Some American media outlets report that short-term easing in prices has occurred due to the potential for a US-Iran agreement

Therefore, it would be overly optimistic to think that prices will drop simply because the world is consuming slightly less oil. If there is serious congestion around Hormuz, even a slowdown in demand may not be enough to lower prices.

Looking at market news, we can clearly see how much volatility has increased. The Guardian has written that due to the Hormuz risk and supply disruptions, **oil** could rise

above \$100 again.

Some American media outlets report that short-term easing in prices has occurred due to the potential for a US-Iran agreement.

When these two pieces of news are read together, the picture becomes clear: oil is not moving based on a single fundamental scenario anymore but is driven by newspaper headlines and "breaking news." One announcement pulls prices down, while another pushes them back up.

Of course, there is also the China factor. Since the war began, China has been an important player curtailing oil imports and preventing prices from rising sharply.

However, this situation will not last forever. If China starts replenishing its stocks in the second half of the year, strong demand will return to the market. In such a case, it will be challenging for oil prices to decrease.

Thus, China currently appears to be a stabiliser but could turn into a price-pushing actor tomorrow.

Three main scenarios emerge

In summary, three main scenarios emerge.

The first scenario is the optimistic one: **diplomacy progresses** between the US and Iran, the Strait of Hormuz remains open, Israel refrains from new military action, and China manages demand in a controlled manner.

In this case, Brent crude could fall to the \$75-85 band by the end of the year. However, for this to happen, many things need to go right simultaneously. In my opinion, this is a low probability.

The second scenario is more realistic: diplomacy does not completely break down, but real peace does not come either. The Strait of Hormuz remains open, but the risk premium continues. China occasionally stockpiles, OPEC+ maintains production

discipline, and global demand progresses slowly but is not entirely weak.

If risks grow, levels of \$110-120 could also be tested in a short time

In this scenario, Brent crude is likely to hover in the \$85-95 band until the end of the year. This seems to be the most reasonable outlook under current conditions.

The Central Bank of Turkey has also indicated \$89 in its revised scenario. I can say this is relatively reasonable.

The third scenario is the worst: conflict resumes with Iran, Israel takes a hard step, transportation through the Strait of Hormuz is disrupted, or attacks on energy infrastructure increase.

In such a case, it would not surprise anyone if oil rises above \$100 again. If risks grow, levels of \$110-120 could also be tested in a short time. This scenario is described as a risk that the market is seriously keeping in reserve.

The new normal

The conclusion is clear: we should not expect oil to permanently drop below \$70 this year.

If diplomacy goes well, we might talk about around \$80. If the crisis remains under control, the main playing field will be in the \$85-95 band.

If war resumes, prices above \$100 will become the new normal. Therefore, the downside potential is limited, while the upside risk appears greater.



The oil market will tell a story of risk premium, not a story of cheapening, until the end of the year - Emre Alkin

My synthesis is this: the oil market will tell a story of risk premium, not a story of cheapening, until the end of the year. There will be occasional easing in prices, and sharp drops may occur due to diplomatic developments.

However, interpreting these as a permanent relaxation would be a mistake. With the Hormuz risk, the Iran issue, Israel's security reflex, and China's stock behaviour on the table, it will not be easy for oil to return to its old calm days.

In short, the most reasonable expectation for oil until the end of the year is as follows: Brent will largely stay in the \$85-100 band. Prices below \$80 will be temporary. Prices above \$100 will quickly return in the face of bad news.

In summary, oil has now transformed from being merely an energy commodity into an indicator that prices wars, diplomacy, and security.

Therefore, when monitoring the market, it is essential to consider not only the number of barrels but also news and breaking developments.