

Hormuz: Why Markets Are Shrugging Off The Oil Shock

Apr 27, 2026, 8:46 AM ET | **S&P 500 Futures (SPX), SP500, SPY, NDX, DJI, RTY, DIA, QQQ, CL1:COM, CO1:COM, BNO, USO, DBO, OILK, USL** | AFMC, AFSM, ARKK...



Lance Roberts

34.2K Followers

Summary

The “20% of global oil closed” framing was always misleading. In reality, the reduction in impact came primarily from four forces, and the primary source documents each.

FactSet’s April 17 Earnings Insight shows 88% of reporting S&P 500 companies have beaten first quarter EPS estimates, well above the 10-year average of 76%.

The market isn’t wrong to be calm about the Strait of Hormuz, and it isn’t wrong to be bid on earnings.



peshkov/iStock via Getty Images

As of this writing, the Strait of Hormuz remains effectively closed since February 28. Roughly 20% of the world's seaborne oil stopped moving through the chokepoint. The International Energy Agency described the event as "the largest supply disruption in the history of the global oil market." Gulf producers shut in nearly 9 million barrels a day of production. U.S. gasoline at the pump jumped from \$2.98 to over \$4.00.

Every historical template for this kind of shock, 1973, 1979, 1990, pointed to a stagflationary body blow that breaks markets. After 30 years of watching cycles play out, I've learned that when the tape refuses to confirm a catastrophe narrative, it's usually seeing something the headlines miss. That's exactly what is happening with the Strait of Hormuz. Brent peaked near \$120 and now sits around \$96, well below the \$132 the Dallas Fed modeled for a closure lasting three quarters. The S&P 500 is grinding higher. China, which takes roughly a third of its crude through the waterway, hasn't buckled.

So the question isn't why the catastrophists were wrong. It's what they missed and where the real risks now sit.

Why The Headline Was Worse Than The Reality

The "20% of global oil closed" framing was always misleading. In reality, the reduction in impact came primarily from four forces, and the primary source documents each.

First, Middle Eastern producers rerouted crude around the strait. Rystad Energy's Tom Liles estimates that 5 to 6 million barrels a day can flow through Saudi and UAE pipelines terminating at the Red Sea and the Gulf of Oman. That's roughly a third of the region's normal seaborne exports, redirected within weeks. By late March, Iran had also granted transit rights to tankers flagged by China, Russia, India, Iraq, and Pakistan. In other words, Iran's move to close the Strait of Hormuz served as a rationing mechanism rather than a closure.

Secondly, the strategic reserves finally worked as designed. The IEA coordinated a 400-million-barrel release, the largest in its history. The U.S. SPR alone is putting 1.4 million barrels a day on the water. Bernstein's research team captured the ceiling on that policy response in a single line:

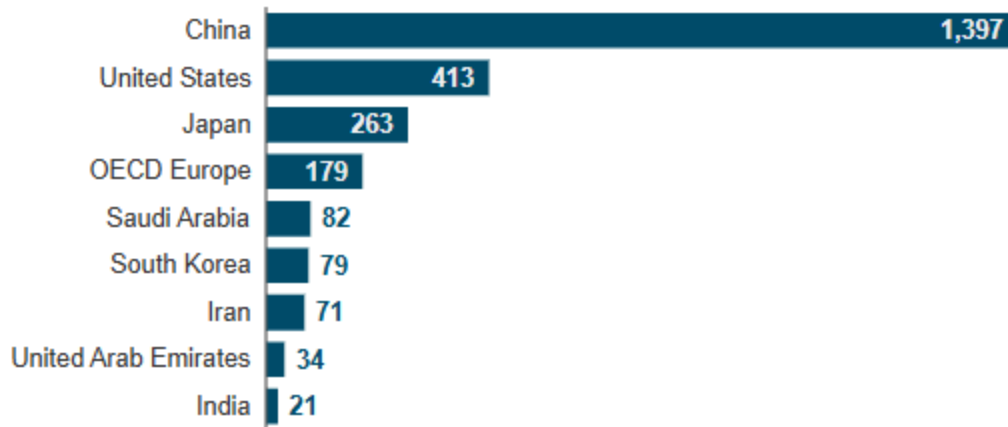
"It buys time, but it does not solve the crisis."

– BERNSTEIN ANALYSTS, MARCH 2026⁵

That's correct, and that's also enough. Buying time was the entire job while pipeline workarounds scaled and demand destruction started to bite.

Third, China came into the crisis loaded. EIA data show Chinese commercial oil inventories near 1 billion barrels heading into February 2026, plus another 360 million barrels of state reserve. That's several months of imports on hand. Combined with Iran's selective transit allowance, Beijing was never going to let this break its economy.

Estimated strategic crude oil inventories in selected countries (as of Dec 2025) million barrels

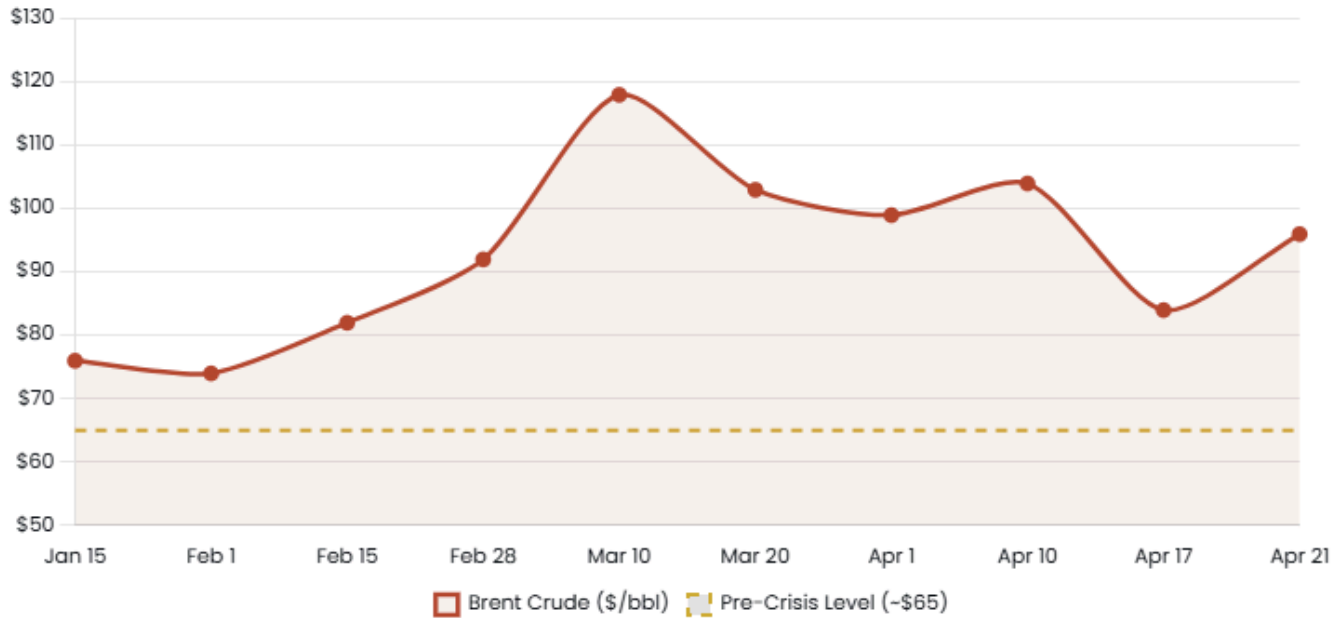


Data source: U.S. Energy Information Administration, *Short-Term Energy Outlook* (STEO), March 2026

Note: Other estimates derived from the International Energy Agency, China National Bureau of Statistics, Vortexa Analytics, Kayrros, Kpler, Argus Media, and Global Trade Tracker.

Finally, and most importantly, the United States has dramatically changed structurally since the 1970s. Domestic crude production exceeds 13 million barrels a day, which insulates the US against foreign shocks, as we saw during the Arab Embargo. Furthermore, LNG exports averaged nearly 18 billion cubic feet per day in March, according to the EIA's April Short-Term Energy Outlook. Less than 10% of the U.S. crude supply transits the Strait of Hormuz. *In a global supply shock, America is the marginal supplier, not the marginal victim.*

Notably, the Dallas Fed's worst-case scenario for a closure confines the damage to a single quarter, estimating a 2.9-percentage point annualized hit to global real GDP. We're tracking closer to the base case, which assumed rerouting, reserves, and demand response would absorb most of the damage. So far, they have.

BRENT CRUDE – THE SHOCK THAT FADED

Source: EIA, Trading Economics, Kpler · RIA Advisors

The Real Risk Sits On The Other Side

Here's where I think consensus is mispricing the setup. *If the catastrophist case on oil was wrong going in, the bullish case on oil from \$96 is probably wrong going out.*

When the Strait of Hormuz fully reopens, three things hit at once.

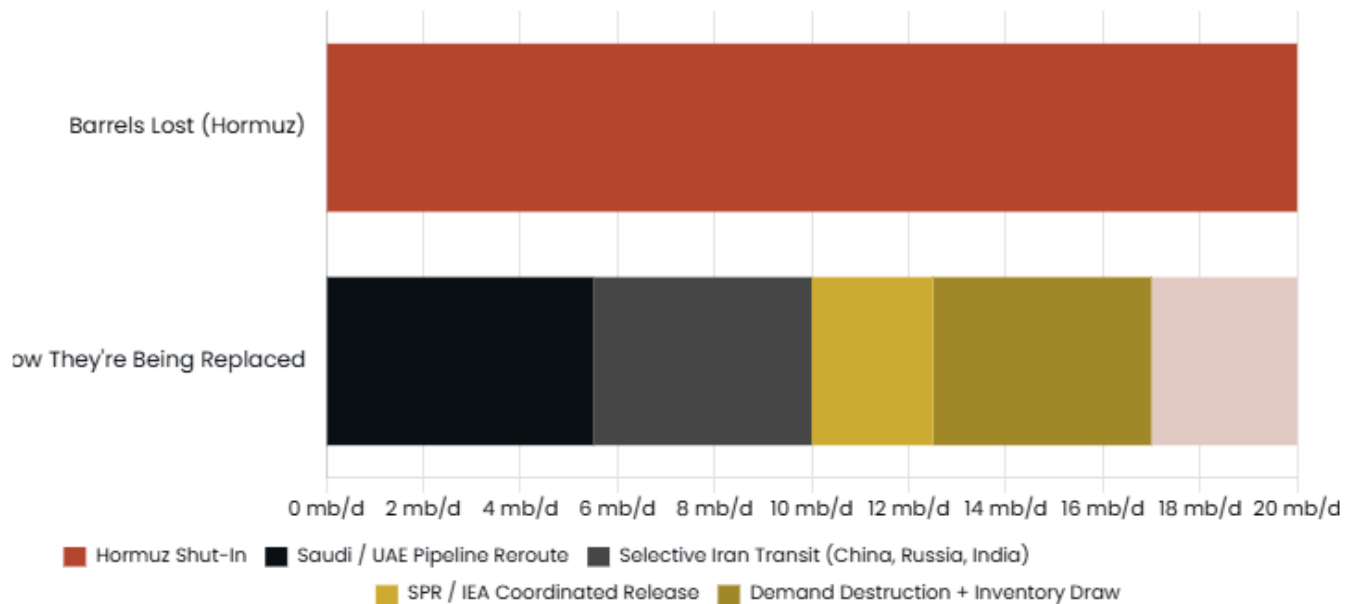
1. *Gulf producers restart roughly 9 million barrels a day of shut-in capacity, matching the EIA's April forecast.*
2. *Tankers parked in regional storage release their cargoes, and*
3. *U.S. shale, recapitalized at \$95 crude, keeps pumping at peak rates.*

This is a textbook oversupply setup.

The only genuine offset is SPR rebuilding. More than 30 IEA countries drew down reserves and will spend the back half of 2026 refilling them. Kpler's commodity analysts recently noted that *"the back end of the curve is widely viewed as undervalued,"* with Brent for late 2026 delivery priced around \$74, versus their fair value estimate of around \$85.

I agree with the direction but not the magnitude. Restocking demand is real, but it spreads over quarters while supply returns over weeks. That asymmetry is the dislocation risk. My base case is that Brent retraces toward the low \$70s within 90 days of a durable ceasefire. However, there is a decent risk of an overshoot toward \$60 if demand destruction from \$4+ gasoline lingers. That's not a prediction of a crude collapse but rather a prediction that the pain won't be symmetrical. *The upside from here is modest. The downside scenario is sharp.*

THE OFFSET MATH – WHY 20% LOST DIDN'T MEAN 20% GONE



Source: EIA Short-Term Energy Outlook (April 2026), IEA, Kpler, Rystad · RIA Advisors · Figures approximate mb/d equivalents

The Market Has Already Pivoted To Earnings

I really think the market already knows all of this, the supply shock has been metabolized, and earnings are now driving the tape. And in this case, the bulls have the data.

FactSet's April 17 Earnings Insight shows 88% of reporting S&P 500 companies have beaten first quarter EPS estimates, well above the 10-year average of 76%. Aggregate earnings are coming in 10.8% above estimates, versus the historical 7.1%. Analysts now project 18% full-year 2026 earnings growth. Barclays' Venu Krishna lifted his 2026 EPS estimate to \$321 from \$305. FactSet's 2026 net margin forecast sits at 13.9%, the highest on record. Goldman Sachs framed the dynamic in a January note, arguing that earnings growth, not multiple expansion, would do *"the heavy lifting"* for index returns.

Furthermore, as shown, analysts are not only hiking earnings projections for 2026, but 2027 as well with those upward revisions heavily outpacing historical norms.

Exhibit 13: 2026 and 2027 estimate revisions are above the historical average trends

S&P 500 historical FY2 EPS revisions vs. 2026-27 consensus EPS (2026-27 as of 4/16/26)



Source: BofA US Equity & Quant Strategy, FactSet; Note: historical average based on 2001-2024

BofA GLOBAL RESEARCH

That's a legitimately constructive backdrop. Stocks do follow earnings over time, and the Q1 beat rate is signaling real operating resilience. The market isn't bid higher on hope. It's bid higher on delivered numbers.

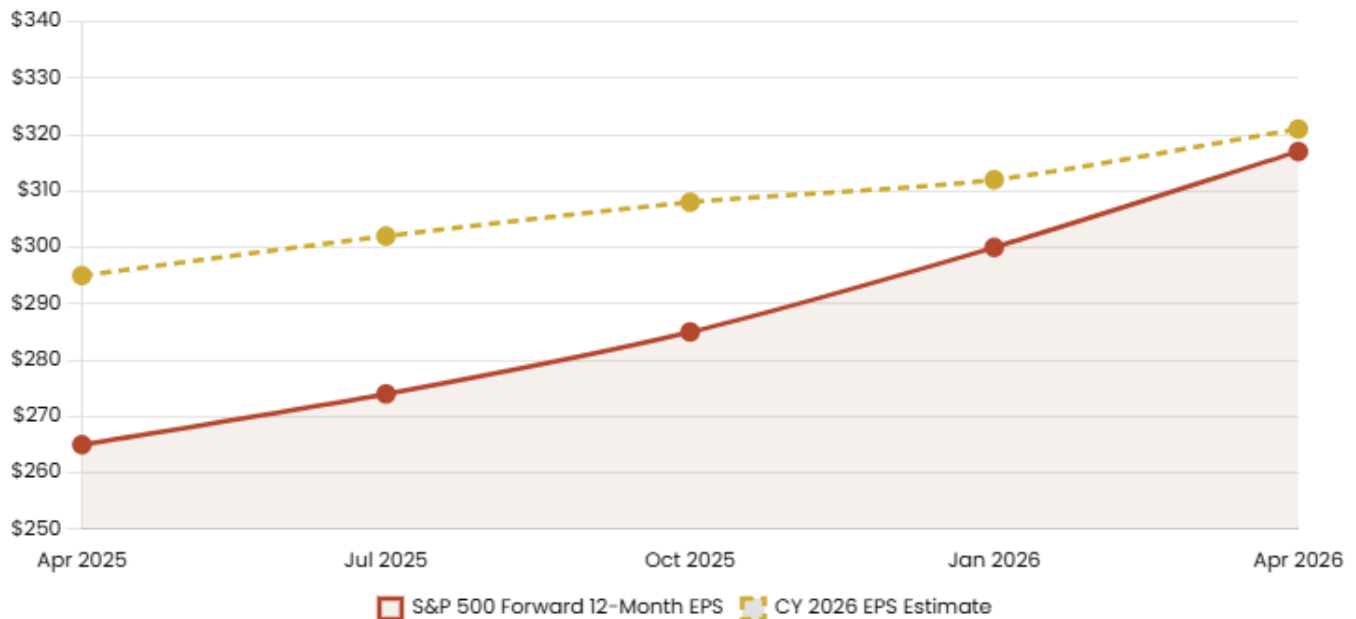
Two caveats, though.

First, forward earnings estimates almost always rise until they don't. Rising forward EPS is the default state of every expansion, not a unique bullish signal. What matters is when revisions roll over, and they roll over with a lag. Goldman's Ben Snider recently noted that a narrow slice of revisions, concentrated in names like Exxon Mobil ([XOM](#)) and Micron Technology ([MU](#)), has done most of the work behind the S&P 500's record highs. The median index constituent has seen little upward revision. That's a rally leaning on a few winners, not a broad upgrade.

Furthermore, the forward 12-month P/E sits at 20.9, above the 5-year average of 19.9 and the 10-year average of 18.9. At those multiples, a clean beat earns a muted reaction. A guidance cut gets punished hard. The real test isn't Q1 numbers. It's Q2 guidance. If retail, travel, and discretionary names start trimming outlooks once the \$4+ gasoline hits flows through consumer wallets, forward estimates finally break their uptrend.

Until that happens, the path of least resistance is still higher.

FORWARD EPS – THE ENGINE STILL RUNNING



Source: FactSet Earnings Insight, Barclays Equity Strategy · RIA Advisors · April 2025 to April 2026

How To Position From Here

I realize that many readers will not agree with me. That's okay, and as always, it takes two opinions to make a market, and both think they are right. However, after 30 years of navigating portfolios through shocks like this one, here are some suggestions to consider, given the Strait of Hormuz setup and stretched equity valuations.

Don't chase the oil rally. Crude is trading geopolitics, not fundamentals. The reward profile on long crude from \$96 is skewed against you. Therefore, if you own energy producers up 40%, take the win and don't get greedy. Furthermore, don't add to them at this juncture.