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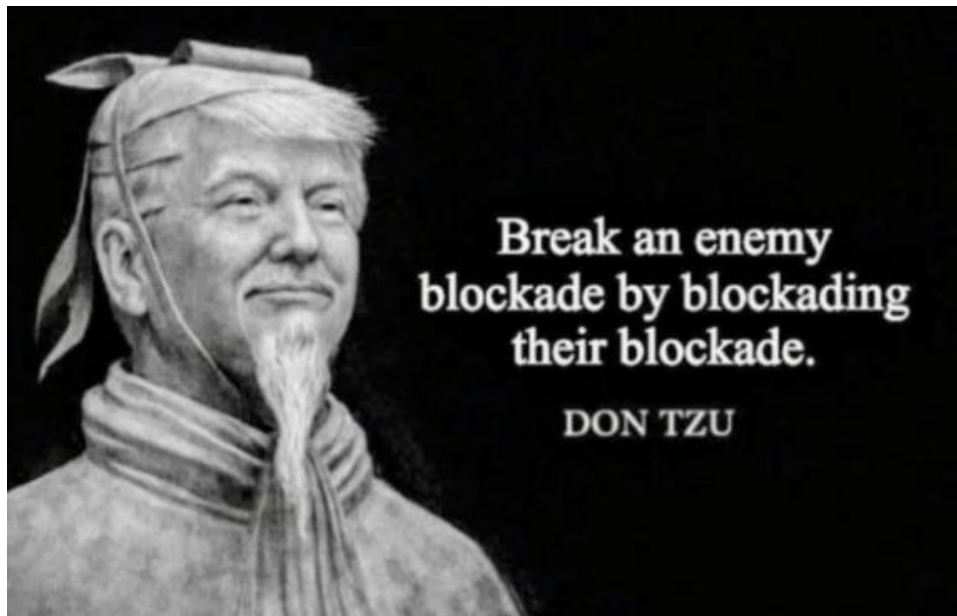
Iran: Sitzkrieg, Not Blitzkrieg

Friday, May 1, 2026

Michael Warren

Iran has only days to decide to keep its oil economy from “exploding.”

The kinetic phase of the US and Israel’s war against Iran is [“terminated.”](#) Instead, President Donald J. Trump has gone from demanding the Strait of Hormuz be opened, to claiming it is open, and now to closing it himself.



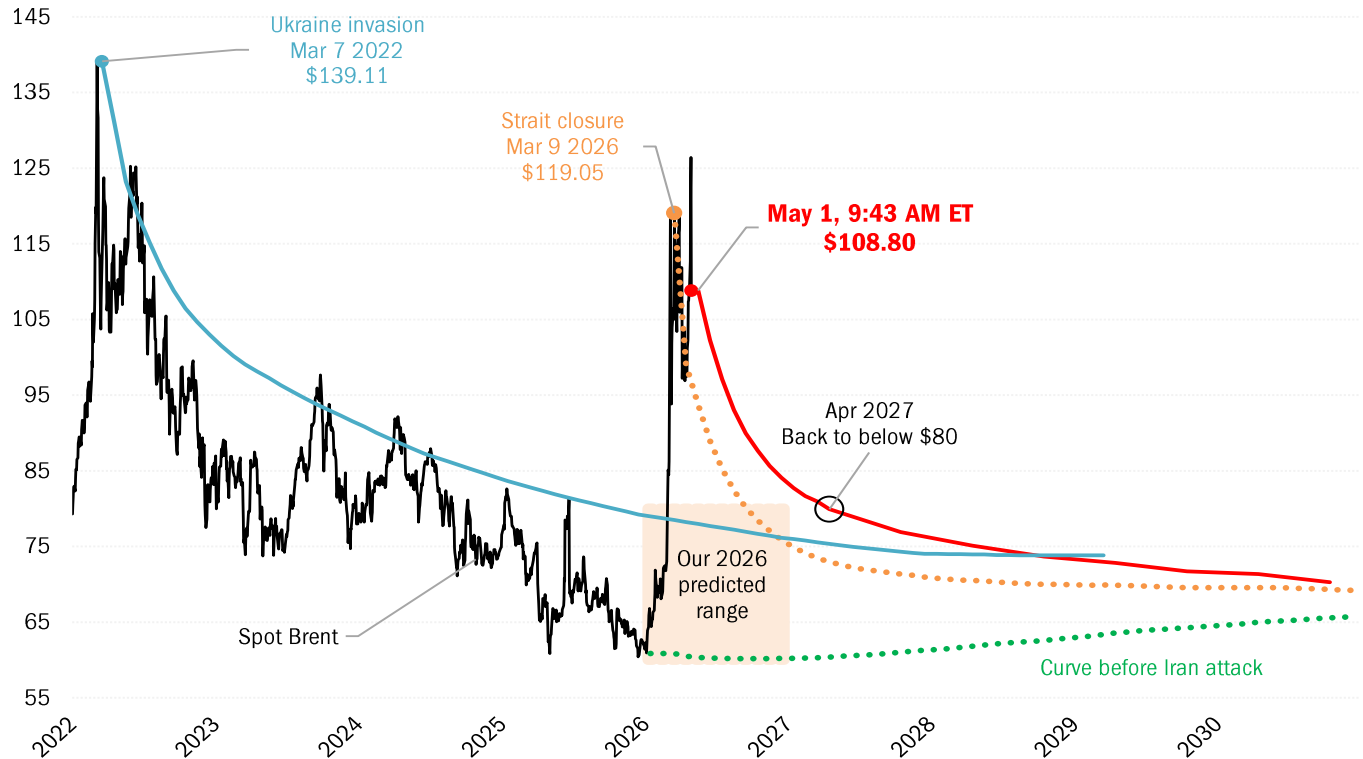
The crude oil market still prices a resolution – but it has repriced for something closer to a long siege rather than a quick pre-emptive stroke (see [“What you’re not hearing about what markets are predicting for the Iran crisis”](#) March 23, 2026). On March 9, at what had been the intraday high for spot Brent at \$119.05, the curve expected prices to fall back below \$80 by August. Yesterday spot Brent briefly traded above \$122. And as of this writing with the price having fallen back somewhat to \$113.90, the curve is now saying we won’t fall below \$80 (we consider that to be the high end of normal) until next April (please see the chart on the following page).

Not good – economic shocks are always easier to bear when they are brief. But if the Brent price does get back below \$80 by April, we’ll still call that brief. It will be more progress more rapidly than was made in recovery from the \$139.11 spot price (\$161 in today’s dollars) seen just four years

Update to strategic view

OIL: The war against Iran is now a siege, with a blockade of Iran’s oil exports and food and other imports. It is at risk of collapsing into chaos within days or weeks. As Iran runs out of oil storage almost immediately, it will have to shut in its wells. They will not “explode” as Trump claims, but these obsolete wells will likely be damaged beyond repair. Iran’s negotiators are dominated by hard-liners, but that is better than the incoherent team originally fielded. Social chaos may upwell a more compliant team. Developed nations who depend on petroleum from the Strait have two months of reserves to fall back on. Europe and California are especially disadvantaged because of their reliance on imported refined products, having crippled their own refining in pursuit of “zero carbon.” When the siege ends, Iran’s oil exports will stay off the market for years while they rebuild, but this can easily be made up out of swing capacity in other Gulf nations, especially now that UAE has left OPEC. US producers appear to have little interest in increasing production in the face of temporary bumps in demand and price.

Brent crude futures: spot and long-dated contracts



Source: Bloomberg, TrendMacro calculations

ago when Russia invaded Ukraine – and that turned out to be a survivable oil shock (again, please see the chart above). But even briefer still is even better still. It may be briefer than markets now see.

The siege idea is designed to both starve Iran of oil revenues now, and threaten to damage its oil wells over the long term, without firing a shot. Every day Iran fails to capitulate, its capacity to store the oil it produces – but cannot export – becomes exhausted. When it does, wells have to be shut in. Iran's wells are so old and so technologically obsolete, while they will likely not “explode” as Trump claimed, but once shut in may not be able to ever be restarted. Iran has days, or at most weeks to avoid this.

- Before the war, Iran produced about [3 million barrels per day](#) of crude oil (not including condensates or hydrocarbon liquids) and exported about half that amount or [1.5 million barrels per day](#).
- So when storage is full, Iran will have to shut in half its production.
- [Media reports](#) that seem aimed mostly at mocking Trump for his “explode” comments cite what they claim is Iran’s demonstrated ability to scale down production when faced with US sanctions twice over the last decade, and then ramp back up when the sanctions were twice lifted. The reality, though, is that the ramping up took more than a year both times, and was accomplished not by restarting wells that had been shut in, but rather by salvaging

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equipment from shut in wells that had been ruined, and using them to bootstrap entirely new wells.

- Moreover, Trump's blockade does not just target Iranian oil shipments out, but all container ships in, as well. [More than a third Iran's caloric intake comes via seaborne imports](#). Resupplying Iran's population of 93 million from Russia, across the Caspian Sea to Iran's north, would be an impossibly greater enterprise than the Berlin airlift of 1948 when West Berlin's population was about 2 million.
- *Iran is in danger of falling into utter chaos and instability within days or weeks – or at least that's the US bet. Who knows – Iran has held together despite hardships many times since its 1979 revolution.*
- *But the bet is that the Iranian regime will avoid it by capitulating to US/Israeli conditions. Now's the time to do it.* We can't know for sure, but it seems that a negotiated solution is all that's left for the regime, with little evidence that they have any firepower left with which to threaten their regional neighbors whom they treated as hostages when hostilities first broke out. Fears last month of an inexhaustible supply of missiles and drones don't seem to have borne out.
- *Iran's negotiating team is now dominated by hard-liners. In some sense that's actually an improvement from the state of play several weeks ago when the infighting between hard-liners and moderates made coherent negotiations impossible. Now at least there's someone to talk to. And Iran's clock is ticking.*
- *Part of the US bet must surely be that an Iran in chaos would yield up a more compliant leadership. But again, who knows?*

Other nations face their own threats from the siege, but are on a somewhat more forgiving timeline.

- At the start of the conflict, we believe global strategic reserves and previously sanctioned Russian and Iranian oil would supply 666 million barrels in an emergency, overall.
- We said that crude oil flows held back by the blockade of the Strait of Hormuz by the Iranian regime is closer to 10 million rather than 20 million barrels per day (see "[Dire Strait](#)" April 7, 2026).
- The math is easy here: *strategic oil reserves and un-sanctioning Russian oil water could supply 66 days of coverage if flows from the Strait are cut off completely.* Not every country will weather this storm the same. Large economies with strategic reserves (say, China) will outlast smaller countries with little or no reserves (say, the Philippines – again, please see "[Dire Strait](#)").
- *The two most vulnerable points are Europe and the state of California, both of whom are potentially catastrophically reliant on refined product from the Strait.* They did it to themselves by willfully destroying refining capacity over years of obsession with a zero-carbon future. If the Iran siege lasts more than another couple months, refined product prices will surge even higher globally

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thanks to frantic bidding by these two victims of their own misplaced virtue-signaling (again, see [“Dire Strait”](#)).

When the siege ends – whenever it ends – the challenge will be to rebuild oil production from around the Persian Gulf. Other than for Iran, it won't be a very difficult challenge.

- Iran's shut-ins are only starting now, but again, it will take time for their production to come back – so something like 1.5 million barrels per day will have to come from elsewhere to replace it.
- Other Gulf nations have already significantly shut in production. But their wells are efficient and modern, and can be easily restarted – indeed, will be able to pump more than enough out of swing capacity to replace what will be missing Iranian volumes. Because, again, Iran's attacks on other Gulf nations' energy infrastructure have remain mostly ineffective, that swing capacity is very much intact (again, see [“Another Quick Note on Developments in Iran”](#)).
- We are certain that OPEC's production quotas will be adjusted to facilitate this. But with the departure of the United Arab Emirates from the cartel, it probably doesn't matter. Swing capacity in UAE, even before the siege, was enough entirely on its own to make up for a permanent loss of Iranian production. And they left OPEC primarily because they want to be able to produce more.
- American production *could* be increased, but there is little evidence that producers are interested in doing so to meet what will only be a temporary bump in demand and in prices – despite exhortations from the White House to “drill baby, drill.”

Bottom line

The war against Iran is now a siege, with a blockade of Iran's oil exports and food and other imports. It is at risk of collapsing into chaos within days or weeks. As Iran runs out of oil storage almost immediately, it will have to shut in its wells. They will not “explode” as Trump claims, but these obsolete wells will likely be damaged beyond repair. Iran's negotiators are dominated by hard-liners, but that is better than the incoherent team originally fielded. Social chaos may upwell a more compliant team. Developed nations who depend on petroleum from the Strait have two months of reserves to fall back on. Europe and California are especially disadvantaged because of their reliance on imported refined products, having crippled their own refining in pursuit of “zero carbon.” When the siege ends, Iran's oil exports will stay off the market for years while they rebuild, but this can easily be made up out of swing capacity in other Gulf nations, especially now that UAE has left OPEC. US producers appear to have little interest in increasing production in the face of merely temporary bumps in demand and price. ▶