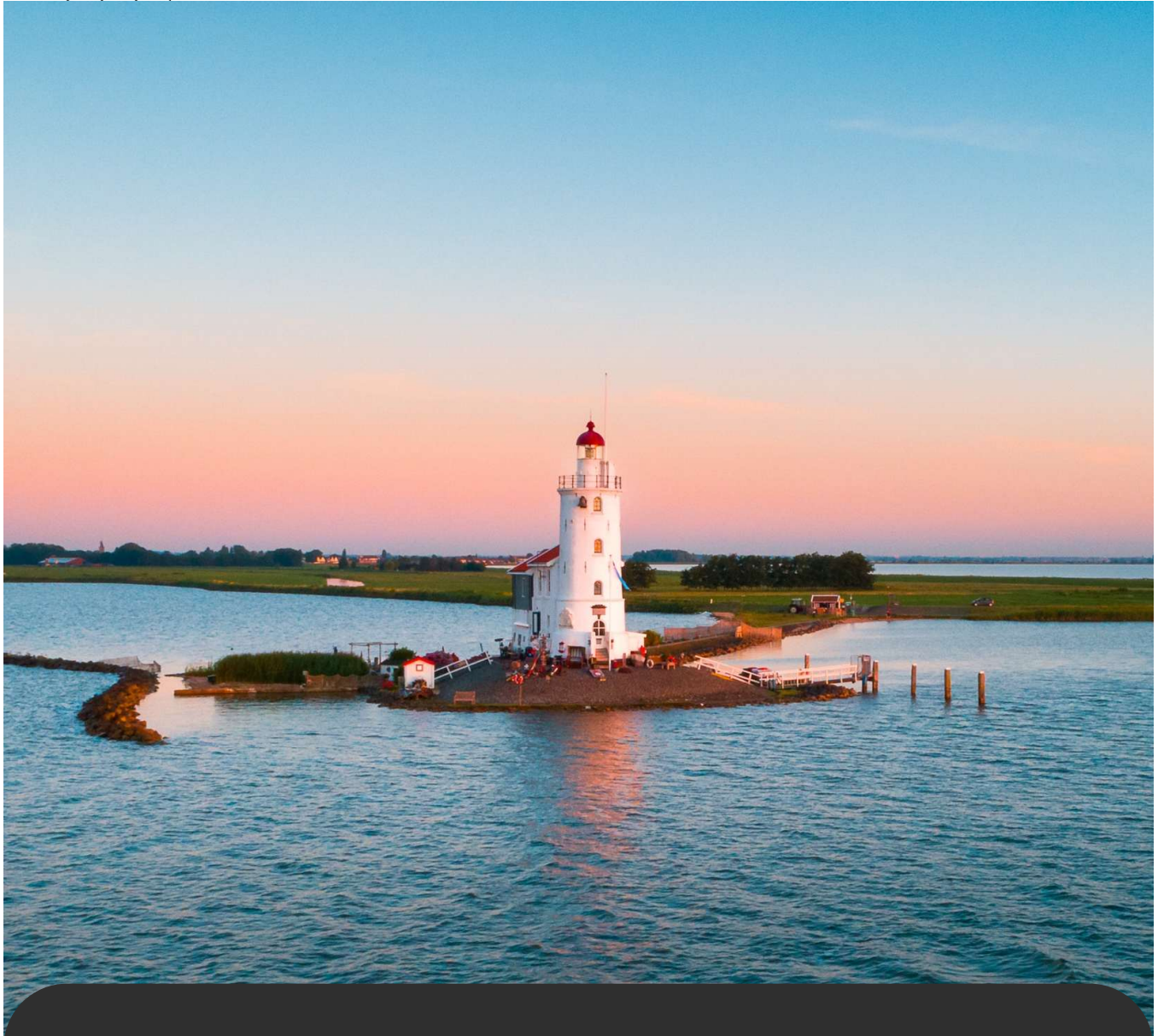
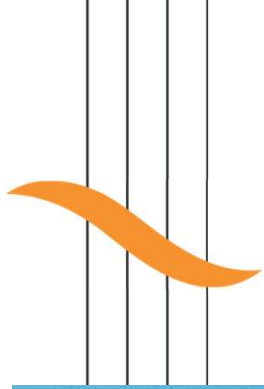




Market Update

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Tension on the Ground, Relief in the Market

Over the past several days, energy markets have been pulled in two opposing directions, leaving crude prices notably below recent highs despite ongoing geopolitical tension. Following Monday's sharp selloff, Brent and WTI have remained under \$100 and \$90, respectively, even as conditions in the Strait of Hormuz remain severely constrained.

What's driving that disconnect is a growing belief that a diplomatic resolution may be closer than previously expected. Prediction markets are now assigning roughly a 60% probability that the conflict could end by mid-May, reflecting an increasing focus on negotiations rather than escalation. Reports suggest the U.S. and regional intermediaries are actively pursuing high-level talks with Iran, including a proposed framework addressing nuclear activity, missile programs, and maritime security. Public commentary from Washington has also struck a more confident tone around a potential resolution.

At the same time, the situation on the ground remains far from settled. Military activity between Iran and Israel has continued, the U.S. is reportedly preparing additional troop deployments, and several Gulf states appear to be moving closer to direct involvement. Most notably, oil flows through the Strait of Hormuz remain extraordinarily low—down roughly 95% from normal levels—resulting in a significant disruption to global supply. While some volumes have been rerouted, the net impact still represents a meaningful hit to Persian Gulf exports.

From a market perspective, this leaves oil in a delicate balance between geopolitical risk and expectations of de-escalation. Interestingly, Iranian exports themselves have held up relatively well and are now slightly above their recent average, suggesting that not all supply channels have been equally affected.

One important nuance for investors is that the downstream impact is not being felt evenly across regions. Europe and Asia remain significantly more exposed to rising refined product prices—particularly diesel—than the U.S. Diesel accounts for a much larger share of consumption in Europe, and product prices across Asia have risen more sharply in recent weeks. While the U.S. has been somewhat insulated on a relative basis, it is not immune. Domestic diesel prices have climbed meaningfully and are now hovering around \$5.40 per gallon, reflecting broader global tightness.

In short, while headline oil prices have softened, underlying conditions in energy markets remain tight and highly sensitive to geopolitical developments. The near-term path will likely hinge less on current disruptions and more on whether diplomatic efforts gain traction—or stall



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