

# MacroVoices Episode 539

*Feature Interview with Rory Johnston*

Recorded July 02, 2026 · Hosts: Erik Townsend & Patrick Ceresna · Feature guest: *Rory Johnston*

---

Sponsored by Big Picture Trading. Full episode and downloads at [bigpicturetrading.com](http://bigpicturetrading.com).

**Announcer:** This is Macro Voices, the free weekly financial podcast targeting professional finance, high net worth individuals, family offices, and other sophisticated investors. Macro Voices is all about the brightest minds in the world of finance and macroeconomics telling it like it is, bullish or bearish, no holds barred.

Now here are your hosts, Eric Townsend and Patrick Ceresna.

**Erik:** Macro Voices episode five thirty-nine was produced on July second, twenty twenty-six. I'm Eric Townsend. Commodity Context founder Rory Johnston returns as this week's feature interview guest. Rory and I will discuss the Hormuz crisis, China's role in tempering global oil demand, and the outlook for what comes next as negotiations evolve in the Middle East.

We're excited to introduce a show format change this week. I'll be stepping away from the post-game market wrap segment to make room for Massil Beguenane to join the team. The old post-game segment will be replaced by our new and improved Macro Voices trading desk, where Patrick and Maceo will deliver a fast-paced market wrap featuring Patrick's trade of the week, fresh positioning insights from the commitment of traders reports, and a concise breakdown of the key markets you need to watch.

It's a new addition to Macro Voices, and I think you're really going to enjoy it.

**Patrick:** And I'm Patrick Ceresna. We saw another week of meaningful repricing across the macro markets. The S&P five hundred advanced roughly a hundred and sixty-four basis points week over week, continuing to push higher as risk assets remained firm.

But the more notable move week over week was once again in crude oil, with WTI falling another six hundred and ninety basis points to sixty-seven twenty-six as the market continued to unwind geopolitical premium and press the downside in

---

energy. So we've got some important moves developing here, and in our new Macro Voices trading desk segment, Maceo and I will break down these charts in greater detail, along with the latest commitment of traders positioning to see where the crowding and the real market risks may be building.

This week's feature interview guest is Commodity Context founder Rory Johnston. Eric and Rory discuss the crude oil outlook, what's really driving the latest collapse in oil prices, whether the move really reflects fair value or forced flows, and what the physical and geopolitical backdrop means for energy markets from here and more.

Eric's interview with Rory Johnston is coming up as Macro Voices continues right here at [macrovoices.com](http://macrovoices.com).

**Erik:** And now with this week's special guest, here's your host, Eric Townsend. Joining me now is Commodity Context founder Rory Johnston. Rory, Strait of Hormuz, let's dive right in. You and I both thought that it would be nearly impossible for it to stay closed this long without a much higher price reaction. So why don't we start with what's happened, how we got here, and, uh, what's driving the price action?

**Rory:** Yeah. So I think, you know, looking at the strait right now, and, and obviously, thanks for having me back on the show, Eric. Love, always love our check-ins. So if we look at what's happening in Hormuz right now, we, we have a jailbreak going on. The pace of flows out of Hormuz have been impressive. On multiple days over the past week or two, we've seen flows out of Hormuz alone exceed 20 million barrels, um, which is the pre-war level.

Combined with the fact that we've seen all the other reroutes, you know, Yanbu and Fujairah and everything else all maxed out. We've probably seen days where we've had kind of 130% or so of pre-war supply coming out of the Middle East. But I think what's important to note here is that you're seeing a lot of additional things kind of juice those numbers.

Most notably, the drawdown of the long-stranded barrels that have been floating in the Gulf for the past three, four months now. So we've been seeing those draw down by at least a pace of over four million barrels a day, and by our numbers, you can only likely sustain that for another week or two. So eventually, as though, as



that drawdown of effectively floating storage falls out of the market, and I'm using the broader oil and water category than the stricter floating storage category.

But after that falls out, you'll then need to sustain that exit with kind of fresh loadings. And fresh loadings have materially lagged the pace of exits. So on a 10-day kind of trailing average basis, and all of these numbers I'm gonna quote to you now are on that basis. I'm hopefully publishing a piece in two days, kind of going through all this math.

What we've seen in terms of coming out of Hormuz is we've seen give or take kind of 12 million barrels a day getting out of Hormuz. But we've only seen loadings of around five-ish, five to six million barrels a day. So the rest of that's being made up for by big drawdowns in the kind of remainder of that floating crew that was in Hormuz.

And what's interesting about that is that I had expected, and I think last time I was on the show we talked about this, that the binding constraint of loadings, and loadings are obviously downstream of production restarts, which is actually the thing we're gonna need to kinda get this all going again, was going to be the capacity of inbound kind of ballast tankers.

These are the empty tankers you need to fill up to get loadings going again. But those have actually also been really impressive in terms of how fast they've come back. Yesterday alone, I'm seeing more than eight confirmed VLCC crossings.

**Erik:** Inbound.

**Rory:** Sorry?

**Erik:** Those are inbound crossings.

**Rory:** Those are inbound empty tankers, which again, is running way ahead of where I would have expected us to be at this stage.

**Erik:** Um- And whose tankers are those?

**Rory:** It's, it's an assortment of everyone. Those are, I should note, those are non-Iranian destined tankers. That's for Aramco, that's for KPC, the, the Kuwaitis, uh,



that's heading for, uh, Emirati loading ports. So you're seeing it kind of like going everywhere.

So we're seeing inbound on that, that 10-day average basis at around 10 million barrels a day. Well ahead of where we would've expected us to be at this point in the recovery. But going back to those loadings, loadings are only running at about half that rate. So far, interestingly, we're actually seeing inbound tankers not being the binding constraint on the recovery so far.

Now, we'll see if those, if that inbound tanker pace is maintainable or if that was just the most eager kind of risk-taking tanker owners and, and crews looking to kind of pocket what are very, currently very fat tanker rates, um, or had been very fat tanker rates. So we'll see if that's sustainable, but it will need to be sustainable and grown even from these heady levels further.

So we're gonna need to keep seeing this kept up. You know, it's not just a one and done. But I think what's interesting is that you just haven't seen the, um, the loadings keep up. So that's the sign that at least so far, you know, we're back to that question of kind of is it gonna take us weeks or months to recover upstream?

So far we're waiting on, on barrels to kind of seemingly be produced.

**Erik:** It seems to me like the, one of the biggest questions here is has the war really reached an end point, or is what's going on here more of we can't keep the, uh, the, the world cut off from oil so let's have a ceasefire long enough to get a big surge of oil out, enough to keep us going for a while, and then we'll go back to maybe we haven't quite resolved our, our di- disagreements yet.

Where do you think this is? Is it wi- winding down for real? Or, I mean, and we get different messages from both sides of this.

**Rory:** So I think that both sides want this to wind down, but they... Problem, as is always the case, they want it to wind down on their terms. So by all indications, Iran got a very sweet deal out of this MOU as the, as the text that we have all seen.

But so far it is struggling to maintain effective control of the management of Hormuz. And so what we've seen is that through this crisis, we've seen that Iran has proven that it can close Hormuz. That much has been made clear. What we



---

have not yet seen is if, one, it can keep it closed, and even more, requiring even more kind of operational dexterity, can they actually manage the flow?

By which I mean, can you force the ships to go through your toll booth and kind of arraign and kind of, you know, liaise and coordinate with the Persian Gulf Strait Authority as Tehran wants, or as what we have seen over the past couple, you know, past week or two is some of that, but an even larger portion of Out in the open visible transit through the Omani path and to the south, and even back through the center, which, you know, there are still belief-free minds that people are still leaving through the center as well.

All of those things are happening outside of Iran's control, and that is, that's making Iran pretty cranky, which is why last Thursday you saw Iran hit a freighter. Then on Friday, the US retaliated by bombing sites on the Iranian coast. Mostly it was drone, missile, and radar facilities, essentially the same things that were used in that attack.

Then Iran hit another tanker or another, uh, ship in, this kind of southern route. And then once again, you know, you had another attack from the United States, and voila, as has been, I think, uh, you obviously are noting this as well, uh, within about ninety minutes of open of futures on Sunday night here in, uh, in Toronto, you saw an announcement announced, of course, by Axios that, uh, there was, you know, there were gonna be peace talks again, and that there was a ceasefire, and this was all...

Again, weekends are for war at this stage, but it always ends before, uh, markets open again. So to your question of is the war still on, no, but we remain in this kind of increasingly Cold War kind of standoff, you know, with these intermittent kind of flashes of heat over who's going to control Hormuz.

'cause in the implicit language of the MOU, it seems that Iran believes that they secured the right to control Hormuz. But the messages from the United States are very much indicating that they do not believe that to be the case, and they are trying to pretend that Iran has no control over Hormuz.

So this is how you got this announced IMO, the International, uh, Maritime Organization, a plan for this escape through this evacuation operation out of Hormuz. Uh, and again, all of that used. You know, they were like AIS on, radar on, through the southern channel, and that is the process that ended up getting one



of those ships attacked, and then after that attack, the IMO publicly suspended that operation.

But even now today, uh, so far this week, we saw some limited operations immediately following the attacks and the kind of brouhaha on the strait. But then again, you know, so far yesterday and today, we've seen a resumption of those southern passages in clear violation or challenge to Iran's stated control.

So that's why I, I think that right now it seems like Iran has a hammer but doesn't have, like, the more fine-tuned tools that may be required to actually force compliance here. Because there's no way to force compliance without consequences, and so far it seems like Iran's only way to communicate consequences is with a drone to the side of your ship.

**Erik:** At the beginning of this crisis, Rory, uh, almost all the experts, and, and you and I, I think, agreed with them, were saying, "Look, if this goes as far as June with the strait still closed, there's just No getting around the fact that it's going to create a massive price dislocation, \$200 crude oil price predictions and so forth.

That proved to be wrong. Yep. And I think the reason it proved to be wrong was, number one, China cut its imports by more than anybody expected. But also, the SPRs of the world, w- not just United States, but several other countries releasing from their SPRs, really put a big dent in that. And I think we proved that if you're willing to draw down the piggy bank, you can keep the world running even if there is a significant Hormuz disruption that lasts more than people thought was possible.

So my question to you now is, based on what we've learned, let's assume that, I don't know if the war is ending, but the standoff clearly is not ending. There, there's going to be more contention in this, th- this tension between the United States and Iran.

**Rory:** Yeah.

**Erik:** How much longer can China continue to bail the world out by holding off on imports and the various SPRs of the world?

you know, going back to the reason we thought those prices were gonna be explosive to the upside was I thought we were going to, and I, me and others, and



---

that we were talking at the beginning, thought we were going to kinda need forced demand destruction.

**Rory:** And that's just what we haven't seen. I think you have seen a smattering of demand destruction, but by far, you've seen, yes, the Western kind of IEA states. I think, uh, SPR releases likely peak somewhere around kinda four million barrels a day of, you know, all in. Um, maybe a little bit less, three and a half.

But China was the part that we thought that China could like s- you know, maybe swing like one of the IEA member states. You know, maybe two to three million barrels a day. Maybe it was the biggest swing. But the delta in crude imports we saw between the December to February average, so the three months prior to the war to the average we, uh, we, they imported through June was a five million barrel a day delta.

So that's way more than we thought. And I think that what you have seen is it appears to me, it seems to me be, to be a discretionary policy choice by Beijing because you have not seen any real dislocation in domestic mobility indicators. You have not... You know, the, the prices of petrol in Beijing only rose like thirty percent versus the doubling we saw for those prices experienced elsewhere.

So there's something clearly going on. You did not have the demand destruction evidence beyond kind of the flows, uh, that you would have needed to balance that. So it is likely some combination of either SPR drawdowns, which is I think the simplest solving mechanism, but probably was not the only thing that happened.

You likely also saw things like petrochemical swing and drawdown of intermediate stocks throughout the system. But regardless of, of the mix of how they did it, the important thing is that they, at least it appears that they've chosen to do it. And because of China's pullback from the market, you've allowed Most of the rest of the Asian importers that were hardest hit, South Korea, Australia, India, all these countries are importing as much or more than they were pre-war, largely because China has not stepped in as a competitor for any of those scarcer barrels.

The, the world is still generally on a trending basis in kind of notable deficit. But right now what's happening, I think, and part of the reason why... To be clear, I did not expect this to happen at all, but indisputably, the market is telling us right now that we ha- currently have a spot surplus of crude oil in the market.



And we know that because the front of the future curve for Brent and for Dubai are the, you know, the prompt spread is in contango, which is your telltale sign you have too much supply relative to spot market demand, and Brent DFLs. Uh, you know, people are always talking about how at the height of this crisis, the physical market was flashing most red, um, you know, 30 plus dollars a barrel over where you had futures.

Now those physical prices are lower than futures, so you're also seeing contango in that data to frontline spread. All this says too much crude, not enough demand. So I think what we're seeing right now is the consequences of that kind of mad dash out of Hormuz. I was mentioning that all in, you're probably seeing 125, 130% of pre-war supply surging out of the Middle East because you're maxing out, uh, Hormuz, and you have those offsets going full tilt, running into a market, particularly in Asia, and that's where most of this oil, crude in particular, would typically go.

That market is still defined by China kind of on the sidelines. So I think that combination is, has proven to be quite durably bearish for how crude is being priced. Now, on the flip side, and I think further contributing to this is that the petroleum market overall is not nearly as weak as we are seeing in crude oil specifically.

Crude oil is currently the weakest part of the petroleum market, which is fascinating in this context. We are also seeing refined product crack spreads exploding across the board. Diesel's back up around 60 bucks a barrel versus like a norm of like 20-ish, and gasoline also normal 20-ish crack spread right now is up around 50.

So we're retesting the all-time high crack spreads or seasonally all-time high crack spreads that we experienced only one other time in history, which is 2022. And with crude oil notably lower in terms of like nominal flat price than we were at that stage through the summer of '22, we have like all-time high crack spreads as a proportion of the underlying crude value.

Diesel crack spreads, for instance, are almost as large as the flat price of WTI, which is remarkable given, you know, what's going on. So I think what that's telling you is, one, the product market remains much tighter. Part of that is everything we're seeing in the Middle East and this Chinese response, but part of that is also the fact that Ukrainian attacks against Russia have been very effective.



You're seeing refined product exports out of Russia around the lowest level we've recorded since before COVID, and crude exports are hitting all-time highs. So you're having this moment where you're seeing this split in the global market, and that refining bottleneck is further weakening crude markets because you and I don't consume crude, we consume products.

The only natural consumers of crude beyond, let's say, investors, are refineries. So with fewer and fewer refineries in the system and the refineries in the Middle East still hobbled, we're just not seeing the demand for crude that is currently surging out of Hormuz. So again, I would've... If you had asked me, "Hormuz has been closed for four months.

Uh, it's June. Will Brent DFLs be in contango?" I'd be like, "Well, you're an insane person." But Markets have a funny way of surprising us, and that's what we're seeing in the data.

**Erik:** Let's stay on that prompt contango question just a little bit deeper because as I understand it, first of all, the oil that's coming out of the strait hasn't reached its destination yet, so it's not like the, they, they don't have room to store it.

This is expectations that the market has because of the perception that we're basically returning to a full pace of, you know, rapidly returning to pre-war levels of export out of the Strait of Hormuz, and we've already released a whole bunch of SPR oil and so forth into the market, so we're gonna have this mini glut.

And what's gonna happen is all these tankers are gonna reach their destinations. The refineries won't have enough refining capacity to process all of it, and that's the reason that we're seeing this. It seems to me that that's all predicated on the market's assumption that we really are returning to those pre-war levels.

If we have a breakdown in these negotiations and what really happens is there's a few weeks of increased flows, and then it all comes to a head and Iran really does prove their ability to constrain this and impose tolls and so forth, and we have another ki- kinetic escalation over it, what does that do to the, the, both the flat price and the prompt spread?

I- is it predicated on that not happening, and does that all reverse it, or can we ride that one out as well?



**Rory:** I think that the... I would split it. So I think right now on flat price, we're definitely building in that optimistic scenario you mentioned. I think, though, that the collapse in DFLs, these dated front line spreads for Brent and the, and, and crude term structure more broadly, that to me feels less like anticipatory and more like this timing mismatch between the surge of oil out.

And honestly, it seems like they're not able to sell them all. So there's all this excess oil floating around. So there actually needs to almost be someone incentivized to take it now versus later. When you look further down the curve, really to only to the second month, you flip back into that backwardation that would tell you the market expects, you know, net-net to be tight.

Not as tight, clearly, as we were, but tight versus loose in the current spot market. But I do think that... So I think that as that outflow peters out and you maybe get more Chinese buying, that should correct the front of the curve, 'cause I don't think that a, a prompt contango is sustainably justified. But then I think to your question, I think more broadly is I think applicable to flat price, which is the market is broadly assuming that this is the way it's going to remain, and that I think is very tenuous.

Again, we do not know. We, w- I don't think anyone, to my knowledge, knows really well what has happened in China and why they're out of the market and when they're coming back in size. So I think that's obviously this massive wild card And then I think more structurally, the, the situation as we were discussing in Hormuz is unstable because both sides are pursuing something that is mutually exclusive.

You can't-- Both the United States and Iran can't get their way with the normalization of flows out of Hormuz, and the question's going to be how hard Iran is willing to fight for it. 'Cause again, Iran seems to have got a pretty good deal out of this. Do they get their money? Do they get their investment fund?

Do they get whatever? Maybe they're willing to not push the envelope on control of Hormuz if they're getting everything else. But they have been pretty clear that they want to maintain control of Hormuz. But going back to this prior point of, like, can they keep it? Can they manage it? It doesn't-- Like, it seems like they're going to need to send a few more drones if they're going to want to enforce that line, 'cause at least on today's data, it does not seem like everyone's going through the, the Iran toll booth route.



So it's this tug of, it's this tug of war between the interests, 'cause Iran, I also don't think... I don't think Iran wants to go back to full-blown war either and risk losing some of the benefits it got out of the MOU. So it doesn't wanna push too hard, but it also wants, it needs to push hard enough to kind of lay claim.

And I think the longer people run around Iran, the more bold others will be, and the harder... So it's one of these things that if they can't assert control in these early weeks, I think it's going to be exponentially harder to do so later. And I think that will be fundamentally the battleground on which this kind of next layer of uncertainty is determined, is this question of in one month or two months, let's say we're back to even 50% or 75% of pre-war flow through Hormuz.

Are, is that flow going through the northern route or is it going through the southern and center route? And I think that will ultimately be the f- you know, the benchmark against which Iran's claim to control of Hormuz is going to live or die.

**Erik:** Let's go back to finished products that you mentioned a few minutes ago, diesel fuel and gasoline.

Donald Trump's, I, I think, existential threat is he's got to get those prices down to the point that by election time in November, it's a enough of a distant memory, those high gasoline prices. Uh, you know, everybody's mostly not necessarily forgotten them, but they're not in the immediate rear view mirror.

It seems to me that that's a much harder, uh, fish to, uh, to clean, so to speak, than getting the price of crude oil down, because refining capacity is fixed. Is there... You know, we, we saw the technique was use the SPR as well as whether China did it of their own volition or in some kind of deal with Trump, we're not sure.

But China cutting their imports also really helped on the crude side. What about the finished product side? At this point, what can be done to really rapidly get those prices down, and what should we expect in terms of policy moves from the Trump administration to try to make that happen?

**Rory:** It's a good question.

Uh, y- there are, you know, there are simply not as many product SPRs as there are crude SPRs. So there's already a limited number of discretionary levers they're



---

gonna be able to pull. The US has largely pulled the levers they can on that front. The main lever they have at their disposal was the Jones Act.

I guess the one ultimate lever that if we really get into a bad place for the summer and this hasn't resolved, you've got the pressure of the midterms, then we return to this question of kind of, you know, import, uh, or sorry, export restrictions. So I think that's a, that's still a wild card on the table.

It seems less likely with oil where it is, but you have seen, for instance, both Trump and Bessent talking publicly about price manipulation, the kind of stuff that you would normally expect to come from, like, Democratic politicians, you know, blaming oil companies on being greedy and keeping gasoline prices high.

And the problem is, is as you well know, Eric, gasoline and crude oil are two different commodities. Obviously, they're linked at the hip But in moments like this where the processing is the bottleneck in the middle, yeah, you can have moments where gasoline runs away, and that's kind of what we're seeing.

Part of this is that, you know, the surge of, of liquids coming out of the Middle East is, again, predominantly crude. For all of the offset, you know, the rerouting pipelines through the Red Sea and, uh, Fujairah, that's all been crude. And then you have the Russia side. And so all of this kind of compounds, and it...

We're just in a situation where we do not have a lot of spare capacity on refining. We have very, very low inventories across all major tracked regions, all the major trade hubs. What can be done about it from a market perspective? I think what we're gonna need to see is we're gonna need to see a recovery of product loadings out of the Middle East.

Prior to the war, you saw the typical, uh, 20 million barrel a day figure that was quoted in terms of Hormuz flow. That was 15 million barrels a day of crude and five million barrels a day of product. We're gonna need to get more work done on resupplying that five million barrels a day of product. I think that's what's going to allow the rest of the system to adjust.

The other thing we've seen is that, for instance, there were multiple periods. Like, like, ga- like, uh, like we had discussed early on, jet fuel was the initial pain point in this crisis, and one of the remarkable things we saw was that, uh, US refineries proved to be exceptionally flexible, way more than we thought they could.



Again, theoretically, but we never witnessed it. There was a massive shift in yield of refined products away from gasoline and towards jet fuel from US refiners. That proved to be one of the big sources of swing in the system. But in the process, that also seems to have starved re, you know, gasoline markets a little too much.

So now there's gonna be this process of swing back. So I would expect that we're gonna see a swing back towards gasoline in the United States from US refineries, and that will help, you know, ameliorate some of that tightness. But I think net-net, it's... you're going to remain tight here until Middle Eastern refineries recover.

And so far, if we're seeing any lag, that's probably where we're seeing it is from some of those refineries which had seen more attacks and, and we keep losing them like flies in Russia.

**Erik:** One of the theories that's been floated is that the sudden return of flow out of the strait into the rest of the global market will create just a mini glut that only lasts for a couple of months.

But the scenario is all of that crude oil arrives at the same time, it's more than the refiners can refine, and you end up with excess oil, the flat price crashes down into the low fifties. Now, silly me, I would think if you just drew down all of your strategic reserves, you might have an interest in, I don't know, refilling it, and there would be demand for that oil.

But it seems like there's a lot of concern in the marketplace that you could get into a situation where maybe they don't want to refill anything because of these political pressures, especially in an election year, to keep prices down at least through November. Maybe they don't refill anything, and we do end up in a scenario where there's a mini glut that creates a short term further drop even below where we are now.

As we're speaking on Tuesday afternoon, WTI is sitting right on seventy dollars, the, which happens to be the contract two hundred day moving average major support level and about where we were before this conflict began. Do you think there's scope here to go much lower as a result of that mini glut?

**Rory:** It's an interesting question. I think one thing we have to keep in mind with flat price is that we've seen a near record accumulation of short interest in speculators as well, which has been a major source of some of the downward



pressure on prices. So I, I think that we're probably pretty close to the bottom here in terms of flat price in this mini glut.

And again, this is where we're standing right now, flat price with the front of the crude curve in contango, uh, which I think is a pretty strong indication of kind of that is a point of weakness, and I don't expect it to fall further from here. If we were sitting at normalized positioning I think I'd probably be more concerned about the downside, but I think that is something that's gonna provide a decent amount of downside protection, at least in the kind of base normalization case.

I should note that we still, even with this, we still have a little bit more to go on a net basis to hit the all-time low spec positioning that we saw in December of last year. But we are pretty close to that bottom, and we've worked back virtually all of, all the length we built up through the crisis and then some.

I think that's one piece. Beyond that, I do think that eventually China's... I mean, here's the thing. It's a guess when China comes back. I don't think that China-- I mean, China was supporting the oil market implicitly through building when prices were around these levels la- you know, late last year. So there's no reason to think th-that alone wouldn't allow them to re-enter the market.

You've also seen a recovery of refining margins, given that crude has finally fallen back to a level, uh, that allows for, you know, those suppressed domestic Chinese prices to kinda still make a profit for refineries. So I would say I would expect them to step back in, but so far they haven't. So all of this is conditional on China stepping back in because it's just such a big swing.

In terms of how long the SPRs could draw down, I think they could keep drawing probably for months longer at this stage. But I don't think they're going to if the crude market remains this weak. Um, but I also don't expect them to return to building them before, for instance, the end of the year.

I think that we're probably, that's at least a next year problem. At least a next year story as to when that's going to be occurring.

**Erik:** Let's talk more about SPRs and SPR capacity, 'cause I'm hearing different things. In one hand, supposedly the US, uh, SPR still has 300 million barrels or so.



But other people have said it's at most 100 million before you get down to kind of an operational limit where some combination of the numbers not being completely reliable, you can't get the last of the oil out of the salt caverns, and some of the oil may not be of the highest quality at the bottom of the barrel, so to speak.

How many of those factors are true? I, I'm not really sure how to sort out the different stories that I've heard. But also, how does that relate to all the other SPRs and commercial storage around the world in terms of how fuzzy are these numbers of how much capacity we have left before the, the tank runs out?

**Rory:** I think at this stage we could keep drawing at these levels for another couple months at commercial levels. And again, that's largely because China has kind of taken so much of that slack or injected so much of that slack into the system. US SPR, we're sitting, what, uh, just above three hundred and thirty million barrels as of last week.

And I think that will continue drawing down probably for the next couple weeks. Um, at least we've seen that pace fall back a little bit. We've seen that fall to around five and a half million barrels over the course of the week, uh, which is back below a million barrels a day for the first time since we hit that pace.

So the SPR is slowing down a little bit to your potential concern for where the lower minimums are. But I think, at least in my understanding of the SPR, you don't have the same level of tank bottom concerns as you would in a normal tank, given that by definition, the tanks that are vertical where you're drawing down, the pipe is above a certain threshold, like vertical in the air, so anything below that can't be drawn.

That makes sense. That's kind of your working bottom storage baseline fundamentally. In salt caverns, you're typically doing the opposite. You're typically displacing crude and sucking it up like a straw. So you don't have the same level of, of constraint. I th- there mu- there likely will be some, but I would say that I expect they could draw it down almost all the way.

Uh, we, we'll see if they end up doing it. And I don't think they will, but I think you probably could in, in like a particularly protracted conflict if, say, Iran decided to turn around and hit Abqaiq you know, later this week, um, and we went back into a crisis. Yeah, I think you could probably draw it down for months more at this pace.



**Erik:** That was actually gonna be my next question is, on one hand, I agree with you that it feels like Iran wants to end this conflict, and I sure hope it ends and ends soon. But it also seems to me that if we got to an escalation, the combination of closing the Strait of Bab el-Mandeb and hitting the East-West Saudi pipeline at the same time That really could put a pretty big dent in things if this crisis were to re-escalate.

And it's not a prediction. I don't think that's gonna happen. But it does seem to me that that tail risk is pretty darn big.

**Rory:** Definitely still there. I think at this stage we've got enough of a demonstration of Iran's escal- you know, escalatory ladder. That would be multiple steps. Like, we didn't see that during the peak of fighting in that s- third, fourth week of March.

So I think that to get back there, we would have to climb a couple more steps back to where we were there to that be, I think, a risk that was on deck. I think what we'd see first would be a reclosure of the strait. And so far, we've seen them hit a couple ships trying to instill respect for their new regime, but they've stopped well short of enforcing that, I think, even as hard as they could.

So I think it's clear to me, at least based on their behavior thus far, that they don't have a strong interest in re-escalating things, and they may not even have the appetite to enforce their kind of core claim to Hormuz at this stage. So I think I would expect that to happen well before we saw a return to kinetic threats to physical Gulf.

**Erik:** Now let's go to the other side of that, which is the optimistic case. Let's suppose that we really can get to some kind of agreement with or without tolls that really it's wide open, nobody's gonna get droned, it really is safe to take your tanker through, and everybody wants to send their empty tankers back into the strait.

How long does it take for them to get from wherever they are back into the strait? You know, how long does it take to, to really get the world back to a fully supplied state if we had a resolution completely? I- is it weeks, months? H- uh, what does it take?

**Rory:** I would say high weeks, low months at this stage. I think what...



So far, as I was saying earlier, uh, the inbound pace of tankers is actually really surprised to the upside so far. So what we're gonna need to see over the next couple weeks is whether or not that is a maintainable level of inflows or if these are just the most risk-tolerant tanker owners and operators that are taking these risks for the kind of big, fat prize of these very, very high tanker rates in the region.

So I think that if that's maintained, this will be a matter of weeks until we can at least get the inbound tanker capacity to facilitate restarts, and then we go to this question of how long it takes for them to restart, which is this broader question about stream capacity. It seems like the Em- the Emiratis have, have returned really quickly.

Kuwait as well is, is outperforming expectations. Uh, I saw a report from Argus today that reports they're back up to around one point nine million barrels a day of production capacity, which if true, was seventy-three percent of pre-war levels of one... about two point six. They had initially said even at the beginning of this month, it would take them six to eight weeks to re-reach seventy percent capacity, so they're well ahead of schedule if, if these numbers are correct.

I think the one... Iraq's struggling more. Uh, that was always gonna be expected to a degree. The one that's interesting here is Saudi Arabia. Saudi has finally resumed this past week loadings at Ras Tanura, but we had generally accepted that Saudi was going to be one of the fastest, if not the fastest, to recover production capacity. And so far they're among the slowest, at least in terms of resumption of loadings.

So this then begs the question, is this a technical capacity thing, or is this a discretionary choice? So are they choosing to more slowly lag supply back into the market given this kind of full knowledge that right now China is not there as a buyer. So maybe there's a bit of a, you know, a tactical kind of implicit cut going on.

I think it's still too early to say for sure, but I think that's something I'm watching.

**Erik:** Rory, final question. You mentioned earlier that a lot of the downside in crude oil prices was a result of the short sellers piling in. Anytime short sellers pile in, it creates a risk of a short squeeze. So what perspective can you give us on which short sellers were they?



Uh, how weak or strong are those hands? How, in terms of commitment of traders interest has been expressed on the short side, and how big would the short squeeze be if this started to turn around?

**Rory:** Yeah. So, you know, in terms of short interest, we've seen it rise almost back to the level that we saw hit all-time highs last December, and that was when we saw overall crude complex fall nearly into a net spec short on Brent.

In terms of short interest, in terms of the net position, I think we could probably have ten plus dollars a barrel on a short position alone upside here, just a f- just a renormalization. But I think at this stage we still have a decent amount of gross length in the market offsetting that kind of really, really swelling short position.

So I think what we're probably going to see, and actually even last week we did see a trim back from that exceptionally high short position, just a narrow one. But I do think that while momentum could bring us lower here, again, we've still got a little bit of downside to last December's highs. The natural impulse here is that positioning and as momentum on prices has moderated with us in the low seventies on Brent.

I think the next move here for positioning is to become a tailwind to prices and kind of gradually pull us back higher. So I think we could probably see six to ten dollars a barrel on upside from spec positioning normalization alone. And if we got a kind of a big fundamental development over this period, I think that if we started shooting higher to the upside, momentum could probably bring us fifteen, twenty dollars a barrel higher on positioning, just given kind of the distance of where we are right now, where we were at the high point in kind of late March, early April.

**Erik:** Well, Rory, I can't thank you enough for another terrific interview. I really enjoy our talks. But before I let you go, please tell our listeners a little bit more about what you do at [commoditycontext.com](http://commoditycontext.com), what they can expect to find, uh, when they go visit that website, and what services are on offer.

**Rory:** Thanks again for having me as always, Eric. Commodity Context is my research outlet for oil market analysis. I publish typically twice a week, uh, once in the, uh, Oil Context weekly report every Friday after market close, and that provides, uh, I publish immediately after the Commitment of Traders data is published around four, uh, around three thirty PM Eastern.



So that, you know, you get your fresh Commitment of Traders data analysis right there in your inbox, along with everything else that's happened in the week, to flat prices and inventories and everything in between. I also publish three different data decks where I track slower moving but kind of structural oil market data, and then a bunch of thematic reports that a lot...

And my next report is going to be on some of this Hormuz math that we talked about today, digging in and having a bunch of visuals to kind of express and show how that fits in context of pre-war levels and where we need to get to really repair the market. But thanks so much for having me, Eric.

**Erik:** And folks, stay tuned as Massil Beguenane will be joining our team for a whole new post-game format that's coming up next.

Now, back to your hosts,

**Announcer:** Eric Townsend and Patrick Ceresna

**Patrick:** Welcome to the very first edition of Macro Voices Trading Desk. I'm Patrick Ceresna.

**Massil:** And I'm Massil Beguenane.

**Patrick:** So this new segment is where we're going to take the big macro themes and break them down into the key markets, the charts, the positioning, and of course, the trade of the week inspired by the guest interview.

So I am very pleased to welcome aboard my new co-host, Maciel. Maciel is a market strategist at BigPictureTrading, and he's also the architect of the brand new cotsignal.com website, which was just launched today. It's a completely free resource with no registration required, built to help traders and investors quickly track commitment of traders' positioning across the major futures markets in a completely new way.

We're going to be leaning on Massil's analysis of the COT data as a regular part of the new format, both in our commentary and in helping us identify where positioning may create opportunity or risk.



---

**Massil:** Thank you so much, Patrick. It's a pleasure to officially be joining this amazing podcast, and I look forward to providing as much value as possible to our Macro Voices listeners.

Now, before we jump into market positioning, let's talk about the new format of the segment. The idea behind Macro Voices Trading Desk is simple. We wanna make this a tighter, more actionable market segment where we focus on the assets that matter most, highlight meaningful positioning extremes, and translate the big picture macro conversation into practical market setups.

And if you haven't checked it out yet, be sure to visit [cotsignal.com](http://cotsignal.com). That is C-O-T-S-I-G-N-A-L.com. Again, it's a completely free resource, no sign-up required, just pure value to our listeners.

**Patrick:** Coming out of Rory Johnson's interview, the headline story is oil and geopolitics, but the real market opportunity may be one step downstream where crack spreads are still strong and refiners continue to do the heavy lifting.

So on this week's Macro Voices Trading Desk, we'll kick things off with the trade of the week, and then we'll run through equities, the dollar, crude oil, and gold before wrapping up with a quick commitment of traders' positioning pulse to spotlight where positioning is getting crowded or washed out.

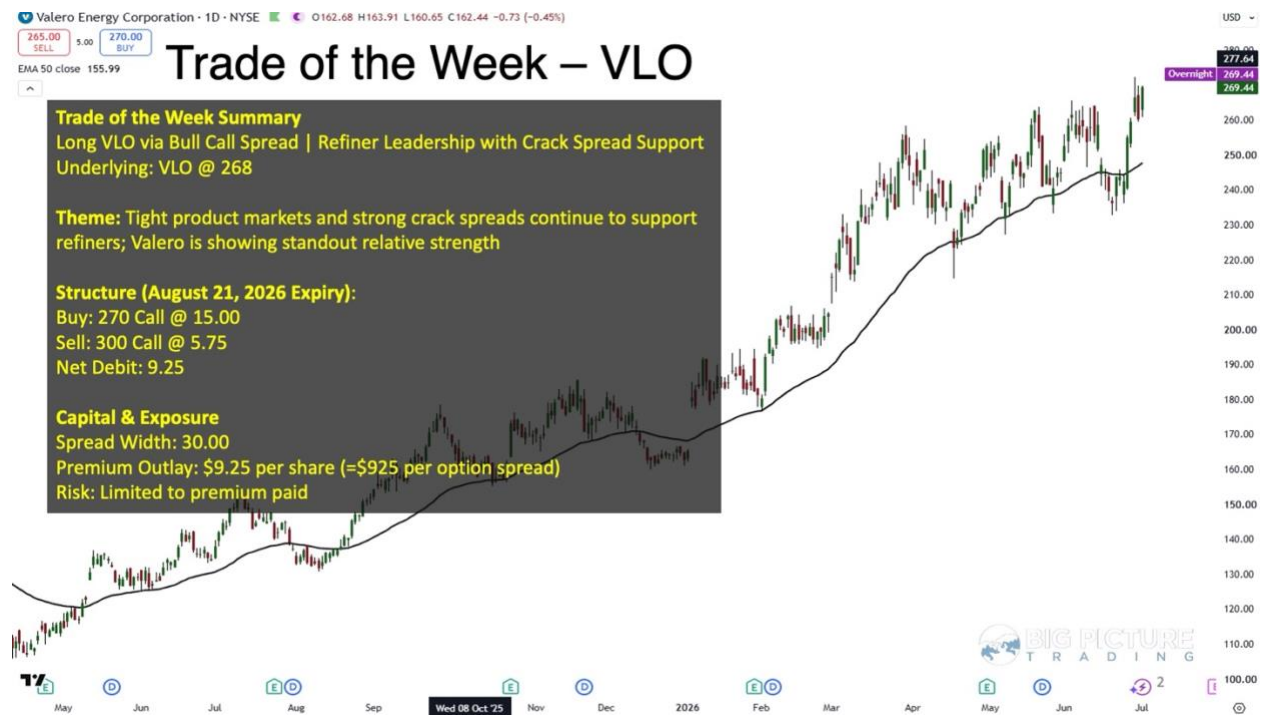
**Massil:** Listeners, as always, you can find the download for the Trade of the Week chart book in your Research Roundup email, in our homepage at [macrovoices.com](http://macrovoices.com), and on our social media platforms under the new post of the week. Now, Patrick, Rory's big point was that this is really a split petroleum market. Crude itself may still look sloppy, but products remain very tight, and that keeps the refining story alive.

What's the cleanest way to express that?

**Patrick:** One of Rory's most important points was that the real strength in the petroleum complex is not necessarily in crude itself right now, but in the product side with gasoline and diesel markets staying tight and the crack spreads remaining elevated. So rather than trying to pick a bottom in crude, I'd rather continue to lean into the part of the value chain that is actually benefiting from that setup, and that is the refiners.



For this week's Trade of the Week, I wanna focus on Valero, symbol VLO, which is trading at two hundred and sixty-eight dollars. What stands out here is that Valero has just broken to a fresh fifty-two week high and is clearly one of the strongest names in the refining space. So instead of trying to own the stock outright after such an extended move, I'd rather use a shorter duration bull call spread to continue to play the momentum while keeping the risk defined.



So here's the structure. Using the August 21st, 2026 expiration, about fifty-one days out, I'm looking at buying the two hundred and seventy dollar call option for around fifteen dollars and selling the three hundred dollar strike calls for five dollars and seventy-five cents, creating a two hundred and seventy by three hundred bull call spread for nine dollars and twenty-five cent net debit.

That gives you a thirty dollar widespread for a nine dollar and twenty-five cent cost, so the maximum payoff is twenty dollars and seventy-five cents, which is better than a two to one payoff if Valero is at or above three hundred by its expiration. So this is a defined risk way to stay with one of the key leadership names in the refining space while the crack spread theme remains supportive.

**Massil:** What I like is you're not forcing a crude oil call here. From a positioning side, this theme isn't crowded yet. On the product side, gasoline speculators and



commercials are actually light, low 30s on their one-year range reading. So the crack spread strength isn't a maxed out speculative trade. There's still room to run.

Crude itself is middle of the road, which is exactly why bottom picking is a coin flip right now. You're leaning on the strong part of the chain without fighting a crowded trade, and the spread gives you the convexity to keep playing the momentum without taking on full delta one risk. Now that's the setup you want.

All right, now let's dive into equities. Investors keep asking if the AI trade has legs or if we're riding a narrow wave that's about to break. What do you think?

**Patrick:** Well, so let's take a look at that chart of the S&P 500 here in the chart book. And what we can identify is the market remains in a primary bull trend.



The semiconductor leadership is starting to though show some momentum lost, uh, in the post Micron earnings window. And in fact, overnight on the Kospi, we saw another legitimate breakdown, this time along a key support line, which is now questioning whether the Kospi has actually put in as high, which has been a huge, uh, international proxy for the big AI trade.

So can the market continue to maintain, uh, its highs w- if the semiconductors begin some sort of profit taking cycle? And if so, will it lead to a bigger sector

rotation? There's been some really big breakouts in the healthcare and biotechs. So the puzzle to solve is if we are seeing the start of a bigger sector rotation.

Technically, the market is bouncing off support lines and so far staying away from the systematic trigger points. The technical price question is if the semis begin a profit taking cycle, will the index be able to absorb the pressure without tripping those index selling triggers, which currently lie around the s- 7,300 level?

**Massil:** It's interesting you say this, Patrick, because current positioning speaks straight to the rotation puzzle you just laid out. In a single week, large specs in the S&P covered close to 150,000 contracts of short. That's the biggest one-week swing anywhere on the board, and it takes them to the least short they've been all year.

They're also outright long the Dow, now with retail sitting at the top of its range beside them. A month ago, an S&P wobble toward those trigger levels would have run into a wall of shorts ready to cover. That's a natural cushion. But those shorts are gone now. With funds and retail both stacked up on the S&P and the Dow, the crowd that would normally buy the dip is already in.

So if the semies do start a profit-taking cycle, there's less positioning support underneath that there was even just two weeks ago. You can see that large spec positioning at cotsignal.com or on page three of the chart deck. All right, let's rotate to the dollar here, Patrick. What do you see?

**Patrick:** So look, we got a bullish breakout out of a 15-month range, and it's actually holding.

Now inevitably, we're going to see a retracement and, uh, a test of some sort of support lines, and this is gonna be the real key. Are we going to see a pattern develop of old dips being bought and a primary trend being well established? This is going to be the, uh, certainly the story into the summer. And so we're gonna watch here whether or not this bull trend is, uh, gonna stick here on these charts.

So how does it look from a positioning perspective, Mass?

**Massil:** Well, let's start with the most interesting one out there, the British pound, because it's the cleanest positioning signal where all three groups are aligned. Over the last week, commercial hedgers added around forty-three thousand contracts to



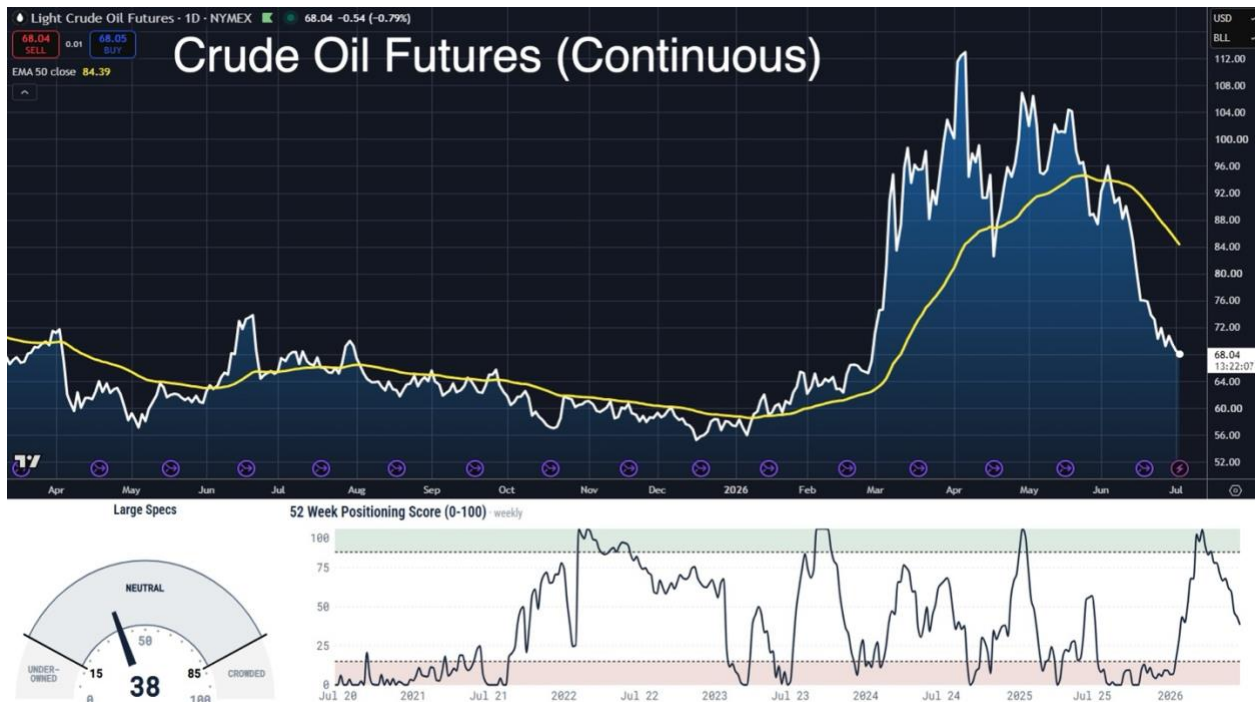
their net long position, and the large speculators added about thirty-four thousand contracts to their shorts.

That pushed both groups to the extreme of their one-year range. Commercials at their most net long, funds at their most net short, and it's not just the funds and the large specs. The smaller specs are down at the bottom of the range too. So both groups that tend to chase are short to pound at the same time.

That's the mirror image of the dollar, which is still crowded long near the top of its one-year range. But I do want to emphasize that the pound is the most washed out of every currency on the board. Now, positioning this one-sided doesn't call the turn. It just means the fuel for a squeeze is there if price starts to confirm.

There's no technical confirmation yet, so keep it on your close watch list for now. Now let's pivot to crude.

**Patrick:** All right, so yeah, we have that chart of crude oil on page five. The relentless forced selling continues. Rory and many other oil experts out there are openly discussing that the fair value of oil at this stage is higher, maybe five, ten, fifteen dollars higher, depending on who's the one speaking.



But the pain trade is the one that is prevailing. Technically, we are overdue for a bounce or retracement of some sort. But the part that troubles me is that that is the consensus. It's not easy to find traders or pundits that have a different view.

**Massil:** You know what else is interesting, Pat? As of last week's COT report positioning, the large and small speculators are clearly reducing long exposure.

But from a one-year positioning, we're far from seeing traders washed out on the oil trade. I'm looking forward to see if there's a material change when the numbers are updated. Patrick, what about gold? What do you see?

**Patrick:** From a technical perspective, it remains in a primary downtrend, and the price action continues to exhibit all of the characteristics of distribution.

At the same time, we're trading right at a psychological round number, uh, near the four thousand level, which lies right at the Fibonacci retracement zones, uh, of the two-year bull advance, which suggests the asymmetry of being long has already been reset. This would be a logical place to see if the bulls can hold the line, but there is no evidence of that yet.

**Massil:** Interestingly enough, commercial hedgers are doing little hedging at these price levels. Over the last quarter, they have been at multi-year low of forward hedging. Basically meaning that many miners are accepting the price volatility risk at these levels. That is even more prominent in silver where commercials are the least hedged they've been in a very long time.

**Patrick:** All right, listeners, this is where I wanna introduce the new segment called the COT Signal Positioning Pulse, where Maceo highlights some of the key changes in the futures markets that we did not yet cover. Mace, what are you looking at right now?

**Massil:** All right. In this week's COT Signal Positioning Pulse, I want to highlight one of the more notable positioning extremes, and in this case, that's Cotton futures.

Reading the data straight, the large speculators, the trend following funds, are heavily long here, up in the high 80s on our one-year scale. But the smaller speculators are only around the middle, in the mid-15s. So the crowd is clearly leaning long, but it's not all in just yet. And the chart backs that up.





Looking at the con chart on page seven of the chart deck, con has just reclaimed its 50-day moving average. It's up more than 2% today, and it's working back towards the top of its range. To me, that makes it an interesting long continuation pattern. Momentum is turning up, and there still appears to be some room left in the positioning.

What I'll be watching over the coming weeks is the retail side. The small specs start piling in on top of funds that are already this long. That's when the trade becomes generally crowded. The fuel starts to run low, and the long side gets more dangerous. But for now, price and positioning are still pointing in the same direction.

So the through line this week is that the crowd is leaning hard in a few very specific places. Short the pound, crowd into the S&P and the Dow, and long con. And if you're wondering where I pull all this analysis from, you can see it all in our brand-new Commitments of Traders tool made live today where everyone has free access to it.

It includes every major futures market, every group updated the moment the CFTC drops the report, all at [cotsignal.com](https://cotsignal.com). Spell it out again, it is [C-O-T-S-I-G-N-A-L.com](https://C-O-T-S-I-G-N-A-L.com).



**Patrick:** Great observations, Mace. Definitely gonna be watching this going into next week. Now, listeners, reminder that you can find the Trade of the Week chart book and the supporting links in this week's Research Roundup or on the homepage of [macrovoices.com](http://macrovoices.com).

That does it for this week's edition of Macro Voices Market Desk. Have a great trading day, everyone.

**Massil:** Thanks, ladies and gentlemen. Pleasure to be part of the show, Patrick, and happy Canada Day and Independence Day for our American listeners.

**Announcer:** That concludes this edition of Macro Voices. Be sure to tune in each week to hear feature interviews with the brightest minds in finance and macroeconomics. Macro Voices is made possible by sponsorship from [bigpicturetrading.com](http://bigpicturetrading.com), the internet's premier source of online education for traders. Please visit [bigpicturetrading.com](http://bigpicturetrading.com) for more information.

Please register your free account at [macrovoices.com](http://macrovoices.com). Once registered, you'll receive our free weekly research roundup email containing links to supporting documents from our featured guests and the very best free financial content our volunteer research team could find on the internet each week.

You'll also gain access to our free listener discussion forums and research library. And the more registered users we have, the more we'll be able to recruit high-profile feature interview guests for future programs. So please register your free account today at [macrovoices.com](http://macrovoices.com) if you haven't already.

You can subscribe to Macro Voices on iTunes to have Macro Voices automatically delivered to your mobile device each week, free of charge. You can email questions for the program to [mailbag@macrovoices.com](mailto:mailbag@macrovoices.com), and we'll answer your questions on the air from time to time in our mailbag segment. Macro Voices is presented for informational and entertainment purposes only.

The information presented on Macro Voices should not be construed as investment advice. Always consult a licensed investment professional before making investment decisions. The views and opinions expressed on Macro Voices are those of the participants and do not necessarily reflect those of the show's hosts or sponsors.



Macro Voices, its producers, sponsors, and hosts, Eric Townsend and Patrick Ceresna, shall not be liable for losses resulting from investment decisions based on information or viewpoints presented on Macro Voices. Macro Voices is made possible by sponsorship from [bigpicturetrading.com](http://bigpicturetrading.com) and by funding from Fourth Turning Capital Management LLC.

For more information, visit [macrovoices.com](http://macrovoices.com).

## Monthly Membership Includes:

- Daily “Macro Outlook” video
- Watch Patrick analyze and demonstrate trades LIVE during “Where’s the Trade”
- Daily LIVE Q&A
- Weekly position summary
- Hours of FREE educational videos and bootcamps
- Access to members only LIVE webinars

**SIGN UP NOW!**

