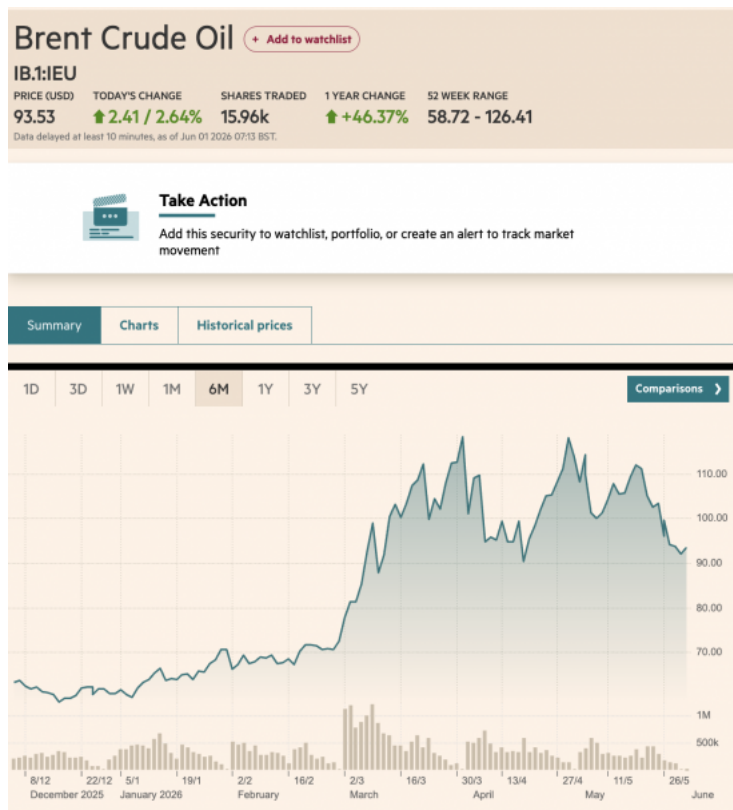


Funding the Future

Why are oil traders stupid?

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Every few days, I now realise I need to check what the price of a barrel of Brent crude oil might be. This is this [morning's six-month chart](#) from the Financial Times.



Take a 5-year view, and this is what you get:



So what is happening here?

The current oil price is around \$93 per barrel, which, as the chart shows, represents a marked decline from the peak seen in recent weeks. Yet again, it would seem that oil traders believe what Donald Trump has said. They seem to think that because he hinted that a deal on the Strait of Hormuz might now be available, everything will return to normal very soon.

Of course, as this chart reveals, they have thought this before. They did so in mid-April. They did so again in early May. Now they are repeating their folly, which is very hard to understand. The reality is that there is no agreement between the USA, Israel and Iran as yet, and the prospects of one appear to be highly unlikely.

Attacks from both sides in the Gulf took place last night.

Israel is continuing its offensive in Lebanon and says it has no intention of pulling back or declaring a ceasefire and withdrawing. It doing so is part of Iran's conditions.

Meanwhile, there are no agreements on sanctions and the unfreezing of assets, uranium and its destruction, or the unblocking of the Strait of Hormuz.

Nor, given the requirement that Israel agree to a deal, is Donald Trump in charge of any outcome, meaning that whatever he has to say is of little immediate consequence.

What is more, if an agreement is reached, there are years of repair work to be carried out before oil and gas can flow properly again, and, given the current state of the supply chain, market disruption will last for many more months, if not longer. Massively depleted oil stocks would also need to be replenished, and that in itself is going to cause continuing upward price pressure.

I have said it before, and I will no doubt say it again, but these supposedly rational market players are demonstrating they are anything but that. I have no desire for high oil prices, except to encourage the use of alternative energy sources, but to think that markets are now heading for a more stable state when all the evidence suggests to the contrary is absurd.

That is especially so when Trump is in a war in which he is completely out of his depth, meaning that things are very likely to get very much worse before they can get better, suggesting that today's oil price appears profoundly unsustainable.

This is not our consequence. Most worryingly, it provides our cowardly politicians with an opportunity to continue their pretence that there is nothing that they need to do about this developing crisis, when the exact opposite is true, and they will fail us as a result.