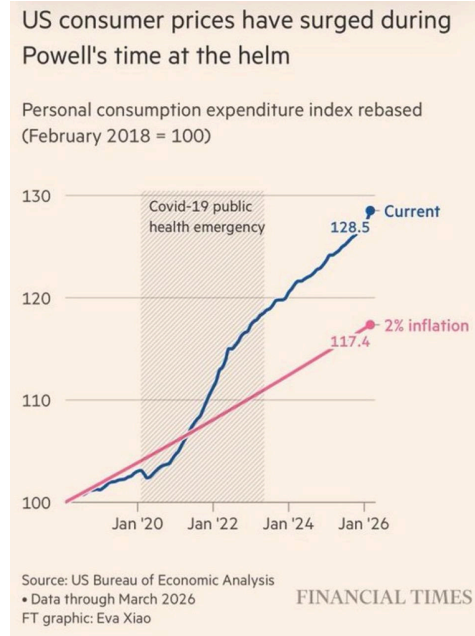
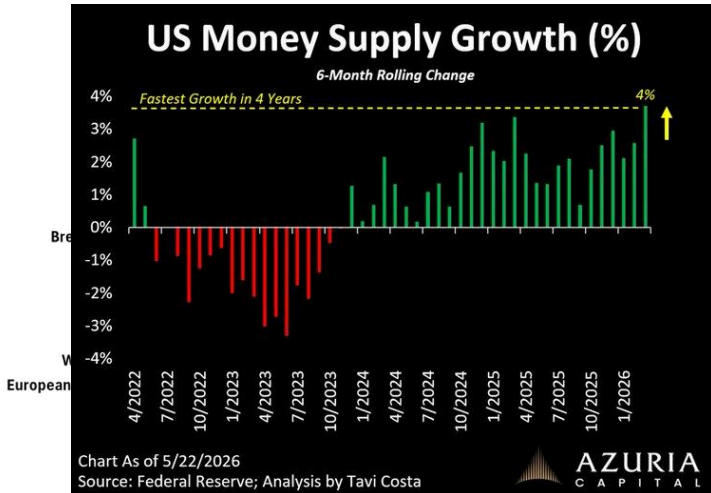


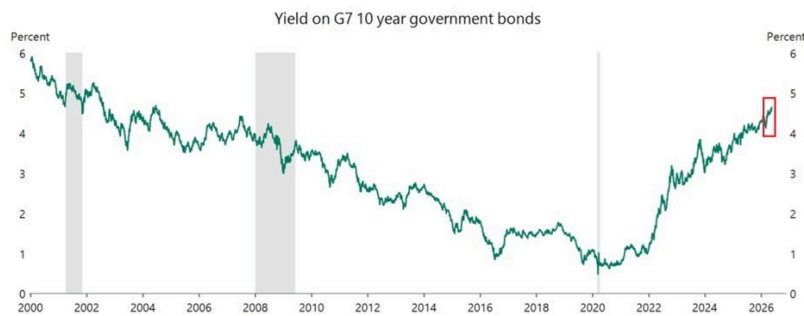
The world is entering the most severe systemic economic breakdown in modern history. Oil is the economy. Without it everything grinds to a halt. No way around it.

Inflation is really just money printing and we are doing it at record pace(fastest in four years). Don't expect prices to return.



Stocks can be manipulated- bonds can not. Bonds (can a country sell/borrow to service its debt) indicate true economic health.

G7 government bond yields at highest levels since 2004



- **10+ year government bond yields of G7 countries are up to ~4.7%, the highest since 2004.**
- **This is now ~0.5 percentage points above the 2008 Financial Crisis peak.**
- **G7 bond yields are also 8 TIMES above the 2020 pandemic low of ~0.5%.**

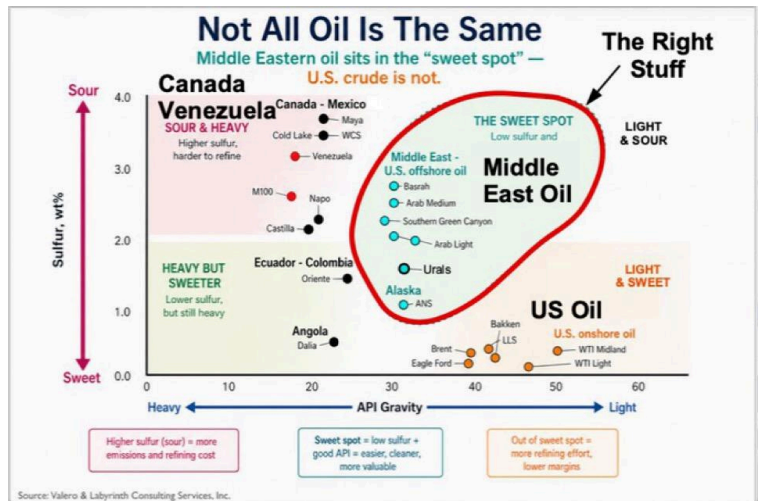
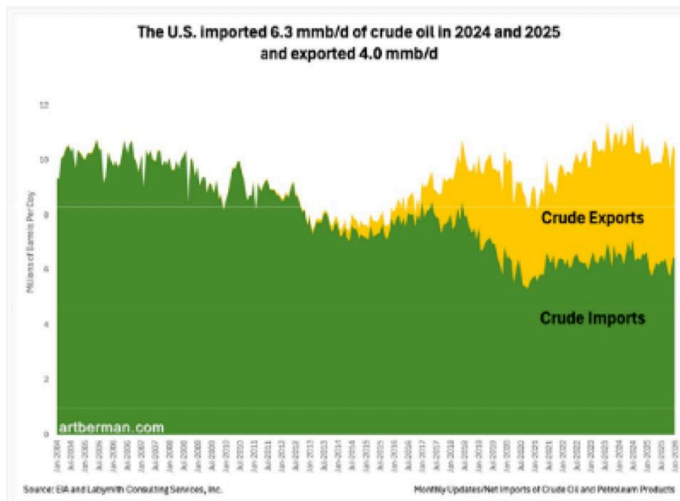
OIL SITUATION:

Rabobank projects that 700,000 b/d—about 6% of Persian Gulf oil production—may be lost permanently due to underground reservoir damage.

Even if Hormuz reopens, they estimate only ~70% of production returns within 3 months, with another 16% after 6 months.

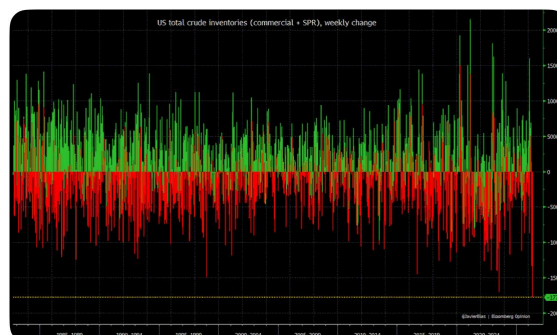
Flows will return to 25-50% in 2027 with crushing effects that will change the world forever.

US is a crude importer- the light stuff doesn't make fuel etc and can't run the economy. We don't function without mid grade oil. Shale isn't the same as Middle East Oil despite what the headlines read this isn't what we run our economy on. If it was, we wouldn't import like we do.



The reason things feel normal right now except for slightly higher gas prices is that we are using our Strategic Petroleum Reserve. This will be totally depleted in 3 months. We can't draw it down that much because the mines collapse but you get the idea - it's not sustainable. Also the price oil is traded at on the stock market is NOT the price of physical inventory. That has gone way up.

BREAKING: US total crude inventories fell last week ~17.8 million barrels (that's commercial and SPR stocks combined). On that basis, it's the largest weekly fall since data is available starting in 1982.

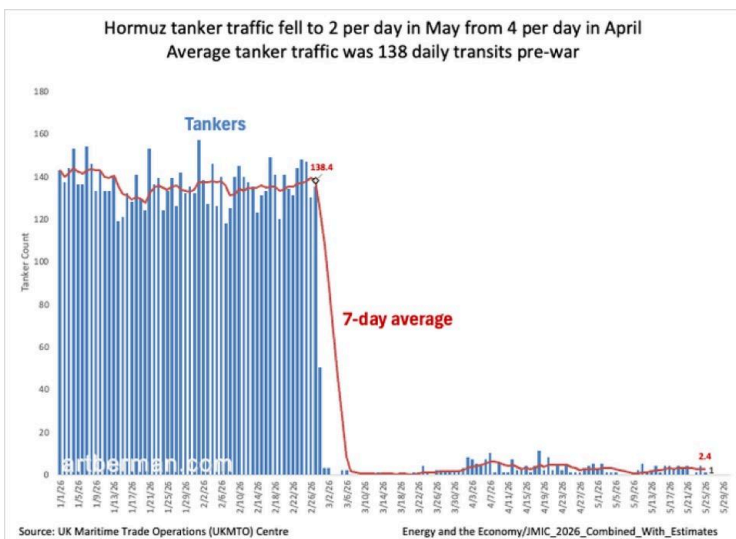


- ⦿ The Hormuz Crisis is not an oil crisis. It cannot be compared to past oil shocks.
- ⦿ It is not an energy crisis. It cannot be compared to what the US experienced in 1972-1973 or any other in Europe.
- ⦿ It is not a lockdown crisis. It cannot be compared to COVID-19.
- ⦿ The Hormuz Crisis is a manufactured global crisis — the largest since World War II, intended to change the global economic and financial system and trade patterns. Its ramifications across every sector, every industry, and every field are beyond our current comprehension. We will learn as we go.

- Bloomberg : global recession predicted
<https://x.com/aeberman12/status/2057661353964224615?s=46>

Diesel is the circulatory system of the real economy—trucking, mining, farming, shipping and industry. U.S. diesel demand swung from 257 mmb/d above the 5-year average to 228 mmb/d below it in May.

Currently we are staying alive by supplementing through the SPR but we can't do that much longer- Maybe one month.



GLOBAL OIL INVENTORIES ARE FALLING FAST

IEA OBSERVED DRAW
 March: **129** million barrels
 April: **117** million barrels
 March + April: **246** million barrels gone

EIA Q2 DRAW ESTIMATE
8.5 million barrels/day

1 week:
59.5
 million barrels gone

1 month:
255
 million barrels gone

One more month at this pace erases more inventory than March and April combined.

This is not just an oil price story.
 Price can fall overnight on a peace headline.
INVENTORY CANNOT REBUILD OVERNIGHT.

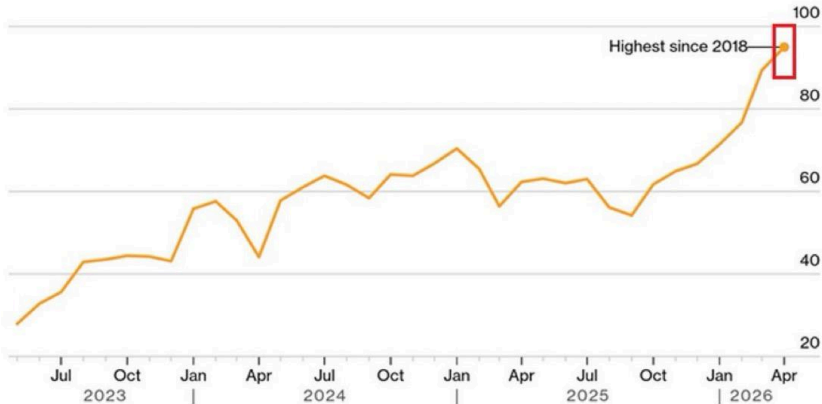
It's the entire world that is draining their reserves - that is why things still feel normal.

Inflationary pressures in transportation are a huge indicator of economic futures-

US Freight Transport Costs Are Surging

Inflationary pressures in transportation are "being strongly felt across the supply chains," latest LMI report says

Logistics Managers' Index, transportation prices



Source: Logistics Managers' Index

Bloomberg

The Logistics Managers' Index, or LMI, is a monthly survey of over 100 US supply chain executives that tracks the expansion or contraction of the US logistics industry across 8 key metrics, including inventory, warehousing, and transportation costs and capacity.

A transportation prices reading above 50 indicates that freight costs are rising, while a reading below 50 indicates a decline.

The LMI transportation prices index has surged +40.8 points, or +75%, since September 2025.

The increase in freight costs comes at a time when inflation is already rising to a 3-year high.

Bottom Line: No one knows how this will shake out because an energy loss of this magnitude has NEVER happened before. Energy is the lifeblood of every single world economy. It cant be printed. It cant be controlled with monetary policy it is a physical commodity and at some point supply and demand economics will take over. Recommend: Plan accordingly for supply chain disruption, demand destruction and decreasing elective procedures.