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What's new in the oil markets

U.S. ATTACK ON KEY IRANIAN NUCLEAR SITES OVER THE WEEKEND

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Oil prices jump to the highest level since January 2025 after news of a U.S. attack on key Iranian nuclear sites over the weekend. Markets are now awaiting the response from Iran and the risk of a potential disruption of shipping lanes in the Strait of Hormuz. This morning, Brent crude price is currently around \$78.20 (august contract).

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Before the weekend, consensus in the market was that the U.S. would probably be involved in some way in the conflict in the Middle East at some point. There were few signs of diplomatic progress after European foreign ministers met their Iranian counterpart on Friday in a bid to prevent conflict in the Middle East from escalating. Over the weekend, the U.S. bombed Iran's Fordow nuclear site. After the U.S. attack, the oil market starts to assess which response Iran will take, besides the missile attacks which Iran and Israel exchange with each other. The U.S. warned of a "heightened threat environment" in America. However, the oil market will especially look for signs over a potential disruption in the Strait of Hormuz that would lead to significant spikes in oil prices.

Yesterday, the Iranian parliament was reported to have backed the measure to close the Strait of Hormuz, but it will be Iran's Supreme National Security Council that must make the final decision and this morning, the oil market speculates in whether Iran will close the narrow strait. Market participants are speculating if it will be a benefit for Iran to close the Strait of Hormuz as the economic incentives for Iran, China, and the U.S. to try to prevent a sustained and very large disruption of the strait would be strong. But if the Iranian oil supply drop, the oil market will be pushed significant higher.

The immediate reaction in the currency market was a firmer U.S. dollar but also here, the markets are waiting for Iran's response to the U.S. attacks. Besides the markets focus on further developments in the Middle East, speeches by the U.S. central bank chairman will have an impact and the European purchasing managers index for June will attract attention too.