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What's new in the oil markets ....

IT'S ALL ABOUT IRAN RIGHT NOW. U.S. PRESIDENT SAID THAT IRAN WAS "SERIOUSLY TALKING" WITH THE U.S.

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In the oil markets, it’s all about Iran right now. While oil prices continued to increase Friday, this morning oil prices are much lower as the U.S. president said that Iran was “seriously talking” with the U.S. As expected, OPEC+ agreed to keep oil output unchanged in March. This morning, Brent oil is trading around 66.00.

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Over the weekend, the U.S. president said that the U.S. and Iran are "seriously talking," hours after Iran’s top security official Ali Larijani said arrangements for negotiations were underway. Further, reports that the naval forces of Iran's Revolutionary Guards have no plans to carry out live-fire exercises in the Strait of Hormuz, are signs of de-escalation, which has a massive impact on oil prices this morning.

During the last days and weeks, everything has been centered on Iran as the oil market had priced in a lot of geopolitical risk on Iran. But after both the U.S. and Iran have since signaled willingness to engage in dialogue, it seems that the latest development is an encouraging step back from confrontation, which is easing the geopolitical risk premium built into the price during last week's rally and prompting much lower prices.

However, the market still thinks that the conflict is not over yet as the U.S. has strengthened its military position in the Middle East in recent weeks, issued new sanctions targeting seven Iranian nationals and at least one entity.

Yesterday, OPEC+ agreed to keep its oil output unchanged for March. In November they froze further planned increases for January through March 2026 because of seasonally weaker consumption. That comes after OPEC+ raised production quotas by about 2.9 million barrels per day from April through December 2025.

Also, the U.S. president said over the weekend that India will buy Venezuelan oil, helping to replace some of the Russian oil that the world's third-biggest oil importer buys.

The U.S. dollar traded higher on Friday and this morning after former Federal Reserve Governor Kevin Warsh was selected to be the next U.S. central bank chair after a sharp selloff earlier in the beginning of last week. Kevin Warsh will head the U.S. central bank when Jerome Powell's leadership term ends in May. With this appointment, the central bank is expected to maintain its independence, as Warsh is not regarded as a figure who would uncritically align with the U.S. President’s policy preferences.

Both the central bank’s more optimistic tone and the announcement of the new Chair have supported the U.S. dollar. The market is pricing in a 50 basis points of rate cuts this year, with the first 25-basis-point reduction likely in June.

Besides the easing tensions on Iran, today’s attention is on growth signals. This morning, China has announced their purchasing managers index (PMI) data which is reported a bit better than expected at 50.3. Later today, other PMI data from the euro area and the U.S. will provide early indications of economic activity at the start of the year.