

20 FEBRUARY 2026

What's new in the oil markets

OIL PRICES TRADING AT A SIX-MONTH HIGH AS THE MARKET WORRY ABOUT THE ESCALATING TENSIONS BETWEEN THE U.S. AND IRAN.

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Oil prices are up again and are trading at a six-month high as the market worry about the escalating tensions between the U.S. and Iran. Also, a surprise draw in the U.S. oil inventories is keeping the oil supported. This morning, Brent oil is trading around 72.00.

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The oil prices are boosted from geopolitical tensions, and the market is pricing in additional risk of a supply disruption. Iran planned a joint naval exercise with Russia, according to Iran's Fars news. That came only days after it shut down the Strait of Hormuz for a few hours for military drills. The Strait is a vital link for trade, with about 20% of global oil supply passing through it.

Yesterday, the U.S. President Trump warned Iran that it must reach a deal over its nuclear program, or "bad things" will happen, and appeared to set a 10-day deadline before the U.S. might act and some countries have asked their residents to leave Iran.

Also, a surprise draw of the U.S. oil inventories reported yesterday has an impact on oil prices. The U.S. Energy Information Administration (EIA) reported that the U.S. crude oil stocks fell by 9 million barrels in the week ended 13 February while gasoline inventories fell by 3.2 million barrels and inventories of diesel and heating oil fell by 4.6 million barrels from a week earlier. Overall, the draws are higher than expected by the market and it seems that there is solid demand of oil at the moment.

The U.S. dollar is also trading higher after a much more hawkish Federal Reserve outlook in the minutes from the latest U.S. central bank meeting. The minutes showed that policymakers were open to rate hikes if inflation remains elevated. That said, other policy makers do support further cuts if inflation recedes.

Before the weekend, the market will keep a close eye on the development in the Middle East while attention will also turn to the release of the U.S. core PCE price index and advance fourth quarter GDP figures later in the day, which could drive the next move in the markets.