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

**OIL MARKETS REMAIN ELEVATED AND HIGHLY  
SENSITIVE TO GEOPOLITICAL DEVELOPMENTS**

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## **Oil markets remain elevated and highly sensitive to geopolitical developments this morning, with Brent crude trading around USD 109.75 per barrel after easing slightly following U.S. President Donald Trump's decision to pause a planned military strike against Iran and allow negotiations to continue.**

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Despite the modest overnight pullback, the broader market backdrop remains exceptionally fragile as disruptions surrounding the Strait of Hormuz continue reinforcing concerns over tightening global supply conditions. The market had rallied sharply in recent sessions, with Brent briefly moving above USD 112 per barrel, as fears intensified that the conflict could escalate further and prolong restrictions across one of the world's most critical energy shipping routes.

According to reports, Iran has submitted a revised proposal to the United States through Pakistani mediators, while President Trump stated there is now a "very good chance" of reaching an agreement regarding Iran's nuclear programme. However, the market continues viewing the diplomatic process with caution given the repeated setbacks and shifting rhetoric seen throughout recent weeks.

At the same time, shipping conditions through the Strait of Hormuz remain far from normalised. Although some tanker activity has resumed, overall transit volumes remain heavily constrained compared to pre-conflict levels, leaving physical crude markets increasingly tight ahead of the peak summer demand period. The market therefore continues focusing less on headline production capacity and more on actual deliverable supply availability.

Underlying oil fundamentals also remain strongly supportive for prices. The International Energy Agency warned yesterday that global commercial oil inventories are depleting rapidly and may only cover several more weeks of demand if current disruption levels persist. The agency additionally confirmed that global inventories declined by a record 246 million barrels across March and April as supply losses continue to outweigh softer economic demand conditions.

Meanwhile, the United States continues efforts to stabilise markets through strategic stock releases. Latest Department of Energy data showed a record weekly draw of 9.9 million barrels from the U.S. Strategic Petroleum Reserve, reducing emergency inventories to their lowest level since mid-2024. The U.S. administration also extended a temporary sanctions waiver allowing certain countries to continue purchasing Russian seaborne oil in an attempt to ease supply shortages among energy-vulnerable economies.

The financial markets remain increasingly focused on the inflationary consequences of sustained high energy prices. Although bond yields eased modestly overnight following Trump's comments, U.S. Treasury yields remain near one-year highs as the market continues reducing expectations for interest rate cuts and increasingly prices the possibility of further monetary tightening later this year. The U.S. dollar also remains relatively firm on continued safe-haven demand.

Attention today will turn towards the API inventory figures ahead of tomorrow's official EIA oil inventory report, alongside further developments surrounding U.S.–Iran negotiations, tanker movements through the Strait of Hormuz, and broader financial market reactions to elevated inflation risks.