



CIO base case is for Brent to trade around USD 80 a barrel through 2025. (UBS)

Oil gains for a fourth week despite the Middle East ceasefire

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The price of Brent crude reached a five-month high, gaining ground for a fourth consecutive week. The gains came despite news of a ceasefire between Israel and Hamas, which has the potential to lower tensions in the Middle East and hence the threat of a disruption to oil supplies.

The positive news in the Middle East has been outweighed by other factors that look set to constrain supplies. Part of the recent upward pressure on oil prices has come from news earlier in the month that the outgoing Biden administration was imposing additional sanctions on the Russian oil industry. While there is still a winddown period to import Russian barrels, Indian and Chinese refineries have already started to look for alternative sources based on media reports, and freight rates have moved higher.

We think it is unlikely that these measures will be immediately repealed by the incoming Trump administration. Comments by officials in the incoming Trump administration regarding their desire to reintroduce a “maximum pressure campaign” on Iran have also added to supply concerns, while OPEC+ producers have demonstrated solid compliance levels to their quotas. These developments come alongside data showing global oil inventories falling along with rising demand for heating oil due to a cold winter in Europe and the US.

Takeaway: Our base case is for Brent to trade around USD 80 a barrel through 2025. But given recent developments, oil could trade higher in the near term. Hence, we like to sell risk of falling Brent crude oil prices.

Original report: [Slowing US inflation calms market worries over the Fed, 20 January 2025.](#)

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