



(UBS)

Oil supported by supply concerns

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Oil prices rose for a second day after the US imposed a fresh round of sanctions against Iran's oil industry on Monday.

Brent crude was up 0.6% at USD 75.2/bbl on Tuesday, with the US Treasury Department targeting more than 30 brokers, tanker operators, and shipping companies for their role in selling and transporting Iranian oil. US President Donald Trump has previously said he wants to bring Iran's crude exports to zero in order to stop Tehran from obtaining a nuclear weapon. Brent crude, however, remains below its January high of over USD 82/bbl. The price later lost some ground to USD 74.74/bbl in early European trading.

Our view: Despite many expecting the oil market to flip into a surplus, the structure of the crude futures curve is still downward sloped, suggesting the oil market remains tight.

While futures curves do not have any predictive power in terms of pricing, they can provide information on participants' perceptions about market balances. We believe OPEC+'s role in ensuring the oil market stayed in balance in recent years explains why the curve remains in backwardation. In fact, global inventories fell by nearly 50 million barrels in January, according to estimates by the International Energy Agency.

Due to cold weather in the Northern Hemisphere in February, we expect the oil market to stay undersupplied this month. We retain our moderately constructive outlook for crude prices, and like selling crude oil's downside price risks.

For more, see the [US Daily - Stocks should rebound despite investor caution](#), 25 February, 2025.

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