Oil rises 2% as middle east conflict escalates

Oil prices closed higher for the second consecutive session on Tuesday, as investors downplayed hopes for a ceasefire in the Middle East and focused on signs of improving demand from China, which could tighten market balances in the coming months.
Brent crude futures for December rose $1.75, or 2.4%, to $76.04 per barrel.

U.S. West Texas Intermediate (WTI) crude futures for November delivery increased $1.53, or 2.2%, to $72.09 per barrel and expired after the close on Tuesday.

Recent efforts by Beijing to revive its slowing economy have led some analysts to raise expectations for oil demand in the world's largest oil-importing nation. Weak demand from China amid the rapid electrification of its car fleets has weighed heavily on oil prices in recent months.

Both Brent and WTI rose nearly 2% on Monday, recovering some of the more than 7% drop from the previous week after China announced cuts to its benchmark interest rates.

IMF: Fear of regional escalation in the Middle East added volatility to oil prices

The International Monetary Fund (IMF) analyzed in a report published on Tuesday the effects of geopolitical events in the Middle East on commodity prices, such as oil. According to the agency, the fear of a regional escalation has added volatility and a risk premium to oil prices, in addition to production cuts from the Organization of the Petroleum Exporting Countries and allies (OPEC+).
Regarding natural gas, the IMF explains that prices have increased due to growing concerns about climate and supply. For metals, the report states that political uncertainties and expectations for interest rate cuts by the Federal Reserve have contributed to the rise in gold prices, while copper benefited from increased demand due to electric vehicles.

"The production of metals may become less reliable due to geopolitical tensions," the IMF explains.

The report assesses that monetary authorities may eventually need to respond to supply shocks in metals, as these shocks have a more persistent effect on underlying inflation.