Oil remains stable amid hopes for China demand, but concerns over Fed

Oil prices closed almost unchanged on Monday, as hopes for stronger demand from increased industrial activity in China were largely offset by concerns that the Federal Reserve (Fed) would not cut interest rates again in its December meeting.

Brent crude futures closed down by $0.01, at $71.83 per barrel. U.S. West Texas Intermediate crude rose $0.10, or 0.15%, to $68.10.

A private sector survey showed that China's industrial activity expanded in November at the fastest pace in five months, boosting optimism among Chinese businesses at a time when U.S. President-elect Donald Trump intensified trade threats.

Meanwhile, a ceasefire between Israel and Lebanon, which came into effect last Wednesday, appeared increasingly fragile. The Israeli military said on Monday that it was currently attacking "terrorist" targets in Lebanon amid mutual accusations of ceasefire violations between Israel and the Lebanese armed group Hezbollah.

The Pentagon stated that, despite some incidents, the ceasefire between Israel and Hezbollah has held.

"Increased geopolitical risks remain. While the ceasefire is in place in Israel, it seems evident that there are some misunderstandings regarding the legitimacy of the ceasefire," said Dennis Kissler, senior vice president of trading at BOK Financial.

Both oil benchmarks fell more than 3% last week, pressured by concerns over supply reductions due to the Israel-Hezbollah conflict and forecasts of a surplus in 2025, despite expected sustained production cuts.

Weighing on oil prices, the president of the Federal Reserve Bank of Atlanta, Raphael Bostic, said he was open-minded about whether to cut interest rates again at the Fed's December meeting, with upcoming jobs data being crucial to shaping the decision.

Higher interest rates increase borrowing costs, which can slow economic activity and reduce oil demand.