

Oil Rises to Two-Week High Amid Supply Concerns; U.S. Tariffs Pressure Gains

Oil prices climbed to a two-week high on Tuesday, supported by growing concerns about Russian and Iranian oil supply following sanctions amid escalating tensions in the Middle East, which offset fears of inflation and the impact on global growth from trade tariffs.

Brent futures rose by \$1.13, or 1.5%, to \$77.00 a barrel, while U.S. West Texas Intermediate (WTI) crude increased by \$1.00, or 1.4%, to \$73.32. Both benchmarks rose for the third consecutive day, closing at their highest levels since January 28.

“With the U.S. pressuring Iranian exports and sanctions still affecting Russian flows, Asian crude oil grades remain firm and support yesterday’s recovery,” said PVM oil analyst John Evans.

U.S. sanctions targeting tankers, producers, and insurers have significantly affected Russian oil shipments to major importers, China and India.

The commodity's prices were also supported by U.S. sanctions on networks transporting Iranian oil to China, after U.S. President Donald Trump last week reinstated his "maximum pressure" campaign on Iranian oil exports.

In addition to supply jitters, there is the possibility of renewed fighting in the oil-rich Middle East.

TARIFFS WEIGH ON PRICES

The rise in oil prices was tempered by fears that the latest tariffs announced by Trump could harm global growth and energy demand.

On Monday, Trump raised tariffs on steel and aluminum imports to the U.S. to 25%, “with no exceptions or exemptions.”

Mexico, Canada, and the European Union condemned Trump’s decision to impose tariffs on all steel and aluminum imports next month, a move that has fueled fears of a trade war.

“Tariffs and counter-tariffs have the potential to weigh particularly on the part of the global economy that consumes a lot of oil, creating uncertainty about demand,” Morgan Stanley (NYSE:MS) noted.

Federal Reserve Chair Jerome Powell told lawmakers that free trade still makes sense, although it is not the Fed's role to comment on tariffs or trade policies, but rather to react to how they affect the economy.

Most economists in a Reuters poll believe that the U.S. central bank will wait until the next quarter before cutting interest rates again.