

## **Oil prices steady as focus turns to Israel-Iran war, U.S. Stockpiles, and Fed decision**

Oil prices steadied on Wednesday after recent sharp gains, as heightened tensions in the Middle East stoked fears of supply disruptions, while industry data showed a massive draw in U.S. stockpiles.

As of 9:00 AM (Brasília time), Brent crude futures for August rose 0.1% to \$76.52 a barrel, while West Texas Intermediate futures climbed 0.1% to \$73.32 a barrel.

Israel and Iran continued to carry out strikes against one another on Wednesday, as hostilities between the Middle Eastern powers showed few signs of de-escalation.

The conflict, triggered by Israel's strike on Iran's nuclear facilities last week, raised concerns that it could escalate into a broader regional war, disrupting oil supply from the crude-rich region.

U.S. involvement in the war was also in focus after President Donald Trump called for Iran's "unconditional surrender."

Iran's Supreme Leader, Ayatollah Ali Khamenei, rejected Trump's demands in a statement read by a television presenter on Wednesday.

These were Khamenei's first public comments since Friday, when he delivered a speech following Israel's initial bombing campaign against Iran.

"Intelligent people who know Iran, the Iranian nation and its history will never speak to this nation in threatening language, because the Iranian nation will not surrender," Khamenei said.

"The Americans should know that any U.S. military intervention will undoubtedly come with irreparable damage," he added.

Oil prices have surged about 10% since Israel began its offensive against Iran last week, now hovering near a five-month high.

"The biggest fear for the oil market is a closure of the Strait of Hormuz. This could impact the flow of oil from the Persian Gulf. Nearly a third of global seaborne oil trade passes through this chokepoint. A significant disruption of these flows could be enough to drive prices up to \$120/barrel," ING analysts said in a note.

Data from the American Petroleum Institute showed that U.S. crude inventories dropped by 10.13 million barrels (mb) last week, far more than expectations of a 0.6 mb draw.

The reading helped fuel bets that U.S. fuel demand will rise in the coming months, especially with the summer travel season kicking off.

API figures often precede a similar trend in official inventory data, which is due later on Wednesday.

However, weak U.S. economic data – with May retail sales and industrial production both falling short of expectations – raised some concerns about slowing growth leading to weaker demand, especially as the world's largest fuel consumer faces high trade tariffs.

Attention on Wednesday is also squarely on the Federal Reserve, which is expected to keep interest rates unchanged. Still, investors are betting the Fed will strike a dovish tone amid worsening economic conditions.