

Oil prices surge after U.S. strikes on Iran, but gains moderate

Oil prices jumped sharply in early Asian trading on Monday after U.S. strikes on Iran raised fears of supply disruptions in the Middle East, although crude later trimmed some of its initial gains.

Brent crude futures for August rose 2.4% to \$79.00 per barrel, while West Texas Intermediate (WTI) crude futures climbed 2.5% to \$73.84 per barrel as of 12:05 a.m. (Brasília time). Both contracts initially spiked as much as 4%, hitting four-month highs, with Brent briefly rising to \$81 per barrel.

Crude gave up some of its gains amid uncertainty over how Iran will respond and what the White House's stance is on escalating tensions with the Islamic Republic.

U.S. Strikes Iran's Nuclear Facilities, Tehran's Response in Focus
Washington carried out a series of targeted strikes over the weekend on Iran's three main nuclear facilities, sparking outrage and threats of retaliation from the Islamic Republic. Iran was reportedly launching some attacks against Israel in the early hours of Monday.

Iranian media reported that the country was considering blocking the Strait of Hormuz in retaliation for the strikes.

Such a move could cut off a critical shipping route in the Middle East and severely disrupt oil and gas supplies from the region.

The renewed Israel-Iran conflict, now in its 11th day as of Monday, has been a major support for oil prices, with markets fearing potential supply disruptions.

Tensions Between Tehran and Washington Could Lead to More Sanctions
Hostilities between Tehran and Washington could also prompt the latter to impose further sanctions on Iran's oil industry, further restricting supply to parts of Asia and Europe.

Focus is now squarely on how Iran will respond, with reports suggesting Tehran could target U.S. military bases in the Middle East.

Oil Prices Expected to Range Between \$90-\$95/Barrel Amid Escalation – ANZ
ANZ analysts said Monday that the U.S. strikes on Iran marked a "major escalation" in the conflict, with prices expected to fluctuate between \$90 and \$95 per barrel.

They noted that the risk of Iran disrupting oil flows in the Middle East, especially through the Strait of Hormuz, has risen significantly, while non-military actions from the U.S. against Iran, particularly new sanctions, are also likely.

ANZ analysts also stated that nuclear negotiations between Iran and the U.S. now appear unlikely.