

Oil prices rise after sharp drop in U.S. inventories

Oil prices rose on Thursday as a sharp decline in U.S. crude inventories refocused attention on market fundamentals, amid signs that the ceasefire between Israel and Iran was holding.

As of 09:15 AM (Brasília time), Brent crude futures were up 0.7% at \$66.89 a barrel, while West Texas Intermediate (WTI) futures rose 0.7% to \$65.39 a barrel.

Both benchmarks climbed nearly 1% on Wednesday, recovering from early-week losses after data showed resilient demand in the United States.

Government data released Wednesday showed U.S. crude inventories fell by 5.8 million barrels in the week ending June 20, far exceeding expectations for a 1.2 million-barrel decline.

The result follows another substantial drop of 11.5 million barrels the previous week and also showed sharp reductions in distillate and gasoline stocks.

Wednesday's data suggested that demand in the world's largest fuel consumer remained strong and was increasing with the onset of the summer driving season, a time of heavy traffic.

The reading helped ease some concerns that U.S. fuel demand might be cooling amid weaker consumer spending and growing uncertainty over President Donald Trump's trade tariffs—though those factors are expected to continue playing a role in the coming months.

Nonetheless, crude prices remain significantly lower for the week—global benchmark Brent is still down 13%—as a ceasefire between Israel and Iran removed immediate concerns over short-term disruptions to Middle East oil supplies.

"A U.S.-brokered ceasefire between Iran and Israel caused oil prices to plunge this week, as traders and investors bet that bombing campaigns had ended and that the crucial Strait of Hormuz—through which 21 million barrels of oil pass daily—would remain undisturbed," ING analysts said in a note.

Trump has not announced additional sanctions on Iran's oil industry following the country's recent conflict with Israel, keeping Middle East oil supply relatively high. The U.S. President also hinted at possible sanction relief to help the Islamic state rebuild, with nuclear talks scheduled with Washington next week.

Oil prices were also supported by ongoing weakness in the U.S. dollar. The greenback posted fresh losses after a report indicated that President Donald Trump plans to announce a replacement for Federal Reserve Chair Jerome Powell much sooner than expected—likely an attempt to undermine Powell and raise expectations for interest rate cuts.

Oil had been registering steep losses earlier in the week after Trump announced the ceasefire on Monday night. The truce, which took effect Tuesday morning, now appears to be holding, reducing the likelihood of supply disruptions in the Middle East.