

Oil Falls as Sanctions on Russia Have Limited Impact

Oil prices declined on Tuesday as markets perceived that the European Union's new sanctions against Russia would have limited impact on global supply. Meanwhile, escalating trade tensions between the United States and the EU also weighed on market sentiment.

Despite a notable weakening of the U.S. dollar, the effect on oil prices was limited, as broader macroeconomic conditions continued to pressure the commodity.

At 7:45 a.m. Brasília time, Brent crude futures for September delivery were down 0.77%, trading at \$68.72 per barrel, while West Texas Intermediate (WTI) fell 0.76% to \$65.45 per barrel.

Transatlantic relations worsened after reports that Washington is proposing minimum tariffs of 15% on goods from the European Union—a move that surprised officials in Brussels and sparked threats of retaliation against U.S. products.

In a note to clients, analysts at ANZ Bank warned that the "deadlock in trade negotiations could hamper economic performance and reduce crude oil demand," particularly if the U.S. imposes more aggressive tariffs on the European bloc.

The European tariffs, along with duties on other major U.S. trading partners, are set to take effect on August 1—a date the White House reportedly considers a "hard deadline." According to sources, the measures include 25% tariffs on Japanese goods, 35% on Canadian products, and 50% on Brazilian exports.

This expanded tariff framework has fueled concerns about disruptions to international trade, with potentially negative implications for global economic activity and, consequently, for energy consumption.

The latest round of EU sanctions on Russia's energy sector was met with a muted market response, as their effectiveness in curbing Moscow's exports is seen as unlikely. According to ANZ analysts, there is "little expectation" that the measures will significantly restrict Russian shipments.

The sanctions come in the context of the prolonged war between Russia and Ukraine, a conflict that continues without meaningful progress toward resolution, despite repeated calls for a ceasefire from the United States and other Western allies.

In its early stages, the war triggered a sharp spike in oil prices, pushing them to historic highs. Since then, however, markets have assigned less weight to supply shock risks stemming from the conflict.

It's worth noting that U.S. unilateral sanctions on Russia's oil sector remain in place and are more stringent than the European measures.