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Stoxx 600 **379.44** 0.19% ▲Nikkei **23672.52** 1.08% ▲U.S. 10 Yr **-2/32 Yield** 3.066% ▼Crude Oil **70.03** 0.26% ▲Euro **1.1709** 0.34% ▲

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<https://www.wsj.com/articles/oil-market-weighs-impact-of-u-s-china-trade-tensions-1537265860>

OIL MARKETS

Oil Prices Climb After Russian Plane Shot Down

Threat of increased geopolitical instability adds to uncertainty in global oil market

By *Stephanie Yang and Christopher Alessi*

Updated Sept. 18, 2018 5:07 p.m. ET

Oil prices rose Tuesday, boosted by heightened geopolitical tension after Russia blamed Israel for the loss of one of its reconnaissance planes shot down overnight by Syrian defense systems.

Light, sweet crude for October delivery rose 1.4% to \$69.85 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, increased 1.3% to \$79.03.

The loss of Russia's reconnaissance plane, shot down by Syrian defense systems, threatens to increase geopolitical instability, contributing to uncertainty in the global oil market. The Russian Defense Ministry told Israel that it "reserved the right to take steps to respond" to the downed plane.

"Simply the presence of [Russia, Syria and Israel] in the same headline certainly isn't going to dampen bullish sentiment today," said analysts at TAC Energy.

Analysts said oil prices have become more sensitive to shifts in geopolitical tensions, as global supply has been called into question. Traders are grappling with the impact of Iranian sanctions to the country's exports, while also debating how much the global oil cartel will make up the difference.



An oil well at the Toma South oil field to Heglig, in Ruweng State, South Sudan. PHOTO: JOK SOLOMUN/REUTERS

President Trump in May pulled the U.S. out of a 2015 international agreement to curb Iran's nuclear

program, setting the stage for the reimposition of economic sanctions on the Islamic Republic. Analysts have estimated that more than one million barrels a day of Iran's roughly 2.5 million barrels a day in exports could be at risk.

However, increasing production from the Organization of the Petroleum Exporting Countries and its partner producers, including Russia, have helped keep a cap on prices.

"OPEC members with spare capacity try to live up to expectations to make up for the production shortfall in member countries, such as Venezuela and Iran," according to Tamas Varga, an analyst at brokerage PVM Oil Associates Ltd., who said the group's output has increased nearly 700,000 barrels per day in the past five months.

Prices fluctuated between gains and losses earlier in the session as trade tensions between the U.S. and China also gave investors pause.

President Trump Monday announced plans to impose new tariffs on around \$200 billion in Chinese goods, leading China to vow fresh retaliatory measures. On Tuesday, China retaliated by announcing new tariffs on \$60 billion of U.S. goods. Such actions have raised concerns over the strength of global fuel demand, which has been a major factor underpinning the strong crude rally in the past year.

“The oil market has thus far been able to take the evolving tariff issues in stride with the help of a steady U.S. stock market that has virtually ignored potential negative impacts off of the mounting tariffs that the Trump administration is applying on China,” said Jim Ritterbusch, president of Ritterbusch & Associates, in a Tuesday note.

Analysts are also anticipating that government data due Wednesday will show a decline in the amount of crude oil in storage. Traders and analysts surveyed by The Wall Street Journal forecast on average that crude stockpiles fell by 2.1 million barrels in the week ended Sept. 14. The U.S. Energy Information report is scheduled for release at 10:30 a.m. ET Wednesday.

The American Petroleum Institute, an industry group, said late Tuesday that its own data for the week showed a 1.2 million-barrel increase in crude supplies, a 1.5 million-barrel fall in gasoline stocks and a 1.5 million-barrel increase in distillate inventories, according to a market participant.

Gasoline futures rose 1.4% to \$2.0049 a gallon, and diesel futures gained 1.3% to \$2.2357 a gallon.

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