

Oil Trades Near Three-Year High as Middle East Risks Flare

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12 aprile 2018, 02:42 CEST

Updated on 12 aprile 2018, 15:07 CEST

- Saudi Arabia intercepts ballistic missile over Riyadh
- WTI futures trade at \$66.58 a barrel after Wednesday's surge

Oil steadied after jumping to the highest in more than three years on concern that escalating tensions in the Middle East could lead to conflict and disrupted supplies.

Futures in New York remained above \$66 a barrel, having climbed 2 percent on Wednesday to the highest since December 2014. Saudi Arabia, the biggest oil exporter, [intercepted](https://www.bloomberg.com/politics/articles/2018-04-11/loud-blasts-heard-in-riyadh-as-saudi-arabia-intercepts-missile) a ballistic missile fired by pro-Iranian Yemeni rebels over its capital just hours after President Donald Trump warned America is preparing to strike Syria. Meanwhile, investors largely shrugged off a U.S. government report showing a surprise gain in nationwide crude inventories.



"The geopolitical noise is as loud as it gets," said Norbert Ruecker, head of commodity research at Julius Baer Group Ltd. in Zurich.

A measure of oil-price volatility also jumped this week on speculation rising conflict in the Middle East may hinder crude output and shrink global supplies, sending prices above January's highs. At the same time, concerns persist that surging U.S. production will damp efforts by the Organization of Petroleum Exporting Countries and its allies to tighten the market and prop up prices.

West Texas Intermediate for May delivery was at \$66.58 a barrel on the New York Mercantile Exchange, down 24 cents, at 9:03 a.m. local time. The contract climbed \$1.31 to \$66.82 on Wednesday, the highest since December 2014. Total volume traded Thursday was about 29 percent above the 100-day average.

Brent for June settlement slipped 26 cents to \$71.80 a barrel on the London-based ICE Futures Europe exchange, after adding \$1.02 on Wednesday. The global benchmark crude traded at a \$5.27 premium to June WTI.

Yuan-denominated futures for September delivery rose 1.5 percent to 424.4 yuan a barrel on the Shanghai International Energy Exchange.

Geopolitical Tensions

Tensions in the Middle East flared as Saudi Arabia said it intercepted a ballistic missile over Riyadh and shot down two drones in another part of the country in the latest attacks by Yemeni rebels. Just hours earlier, Trump had confirmed the U.S. would strike Syrian President Bashar al-Assad, whose forces are backed by Russia and Iran, over a suspected chemical-weapons attack.

“The oil markets are very much linked to geopolitical tensions, especially if they’re in the Middle East, the heart of global oil exports,” Fatih Birol, executive director of the International Energy Agency, said on Bloomberg Television. “If tensions continue, they will continue to have an impact on the oil market and prices. Definitely, this will be a reason to push the prices up.”

With investors more concerned about events in the Middle East, the shock gain in U.S. stockpiles did little to temper prices. Inventories increased 3.3 million barrels last week, according to the Energy Information Administration’s data on Wednesday. That compares with a 1.25 million-barrel decline estimated in a Bloomberg survey before the data.

Other oil-market news:

- The call skew <https://www.bloomberg.com/news/articles/2018-04-11/oil-options-traders-are-most-bullish-since-crude-was-over-100>, which measures how much more investors are willing to pay for calls than for puts, in WTI jumped Wednesday to the highest level since June 30, 2014.
- OPEC said its oil output <https://www.bloomberg.com/news/articles/2018-04-12/opec-sees-tighter-market-as-oil-output-drops-to-lowest-in-a-year> fell to the lowest in a year last month amid reduced supplies from Venezuela and Saudi Arabia, suggesting global markets may tighten sharply later this year.
- U.S. Treasury Secretary Steven Mnuchin [signaled https://www.bloomberg.com/politics/articles/2018-04-11/mnuchin-signals-very-strong-new-sanctions-on-iran-coming](https://www.bloomberg.com/politics/articles/2018-04-11/mnuchin-signals-very-strong-new-sanctions-on-iran-coming) on Wednesday the nation may impose “strong” sanctions on Iran as Trump seeks to renegotiate a multinational accord that curbs the Islamic Republic’s nuclear program.
- Saudi Arabian Oil Co. <https://www.bloomberg.com/news/articles/2018-04-11/aramco-wants-more-india-deals-in-plan-to-double-refining-output> is looking for more refining partnerships in India, the fastest-growing oil market, as part of a plan to double capacity to produce gasoline and other fuels.

— *With assistance by Tsuyoshi Inajima, Serene Cheong, and Sharon Cho*