

Oil Prices Dip as Strong Dollar Puts Pressure on Commodities Markets



Oil prices edged down on Monday as renewed concerns about prolonged high interest rates bolstered the dollar, countering support from geopolitical tensions and OPEC+ supply cuts.

By 0632 GMT, Brent crude futures had slipped 3 cents to \$85.21 a barrel, following a 0.6% decline on Friday. U.S. West Texas Intermediate (WTI) crude futures were down 2 cents at \$80.71 a barrel.

Tony Sycamore, a Sydney-based markets analyst at IG, noted, "The U.S. dollar has opened bid this morning and appears to have broken higher following better U.S. PMI data on Friday night and political concerns ahead of the French election."

A stronger dollar makes commodities priced in the currency less attractive for holders of other currencies. The dollar index, which measures the greenback against six major currencies, rose on Friday and continued its ascent on Monday after purchasing managers index data indicated U.S. business activity reached a 26-month high in June.

Despite the dip, both benchmark crude contracts gained around 3% last week due to signs of increased demand for oil products in the U.S., the world's largest consumer, and as OPEC+ cuts limited supply.

U.S. crude inventories decreased, while gasoline demand rose for the seventh consecutive week and jet fuel consumption returned to 2019 levels, ANZ analysts noted. ING analysts led by Warren Patterson pointed out that speculators have become more optimistic about oil for the summer, increasing their net-long positions in ICE Brent. "We remain supportive of the oil market, with a deficit in the third quarter expected to tighten the oil balance," the analysts said.

Geopolitical risks, including the Gaza crisis and an uptick in Ukrainian drone attacks on Russian refineries, also supported oil prices. In Ecuador, state oil company Petroecuador declared force majeure over deliveries of Napo heavy crude for export following the shutdown of a key pipeline and oil wells due to heavy rains, sources reported on Friday.

In the U.S., the number of operating oil rigs fell by three to 485 last week, the lowest count since January 2022, according to Baker Hughes' report on Friday.