

Oil steady as market monitors Red Sea developments

By [Jeslyn Lerh](#)

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Oil prices were little changed on Wednesday, 27 December as investors monitored Red Sea developments, with some major shippers resuming passage through the area despite continued attacks and broader Middle East tensions.



Source: Reuters.

Brent crude futures dipped 5 cents, or 0.1%, at \$81.02 a barrel by 0415 GMT, while US West Texas Intermediate crude edged down 12 cents, or 0.2%, at \$75.45 a barrel.

The benchmarks settled more than 2% higher in the previous session as further attacks on ships in the Red Sea prompted fears of shipping disruptions, on top of hopes of US interest-rate cuts that could boost economic growth and fuel demand.

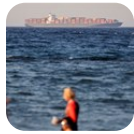
Despite the attacks by Yemen's Iran-backed Houthi militia, major shipping firms such as Maersk and France's CMA CGM were resuming passage through the Red Sea following the deployment of a multinational task force to the region.

"Despite shutting down shipping channels and re-routing vessels, how far the global supplies are impacted is still debatable," said Priyanka Sachdeva, senior market analyst at Phillip Nova.

Germany's Hapag-Lloyd is expected to decide whether to resume shipments through the Red Sea on Wednesday, 27 December.

The prospect of a prolonged Israeli military campaign in Gaza also remains a major driver of market sentiment.

Israel's chief of staff Herzl Halevi on Tuesday, 26 December told reporters that the Gaza war would go on "for many months".



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Oil-price declines were also capped on Wednesday as markets remain supported by speculation that the US Federal Reserve will begin to lower interest rates in 2024. Lower interest rates reduce borrowing costs, which can stimulate economic growth and greater oil demand.

US crude stocks were expected to have fallen by 2.6 million barrels last week, while distillate and gasoline inventories likely rose, a preliminary poll showed on Tuesday.

Inventory reports from the American Petroleum Institute industry group and the Energy Information Administration, the statistical arm of the US Department of Energy, are expected on Wednesday and Thursday respectively, a day later than normal for both reports due to the Christmas holiday.

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