Group Economics – Energy Research – Oil Market Monitor | 24 July 2025

From war dramas to tariff trauma and beyond

- **The brief Iran-Israel conflict resulted in a temporary risk premium on Brent prices, amounting up to 12 $/b**
- **OPEC+ decided to increase supply by 0.55 mb/d putting all voluntary cuts back to the market**
- **We are heading for a supply glut in 2025 due to slower demand growth and increased output from OPEC+ and non-OPEC countries**
- **However, persistent geopolitical tensions are keeping bearish sentiment from fully dominating crude prices**
- **While trade tensions and tariffs would potentially disrupt crude flows**
- **The demand-supply imbalance should push prices significantly lower**

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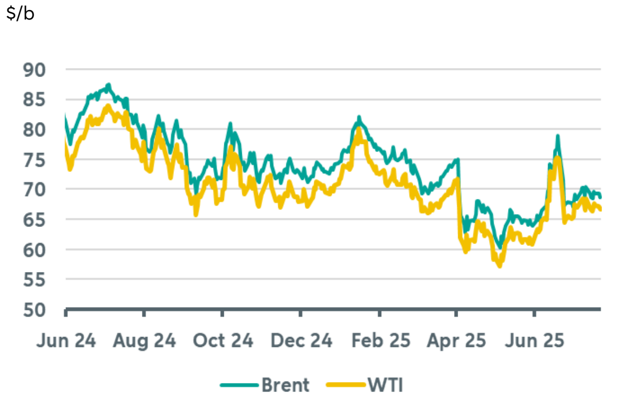
Introduction

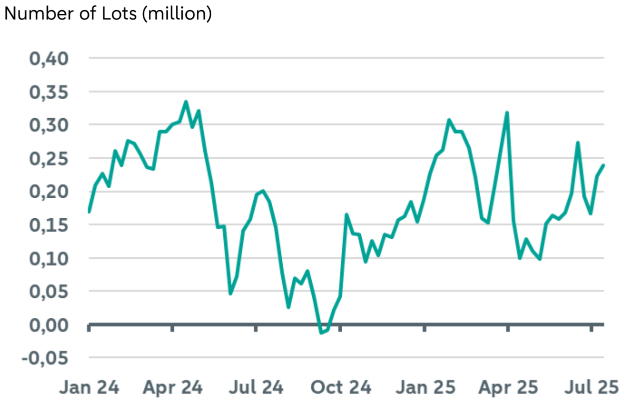
As is the case for other commodities, oil prices surged during the Iran-Israel twelve day war. Following the announcement of a ceasefire, Brent hovered briefly around 67 $/b level, losing the risk premium that amounted to around 12 $/b during the conflict. Meanwhile, OPEC+ is putting back more barrels on the market with the latest increase of 0.55 mb/d scheduled to take place in August. However, the impact of the OPEC decision on prices was partly offset by the rise in uncertainty of supply coming from Iran and Russia following executive orders and threats by President Trump, along with demand front-loading, and a depreciation of the dollar, which are keeping some upward pressure on prices, at least in the short term. In the meantime, the key energy agencies reiterated their expectations for a supply glut in 2025 driven by a combination of slower demand growth and the recent revival of OPEC+ output. Brent was trading at 68.6 $/b at the time of writing.

Oil prices hit levels last seen in 2021



Source: Bloomberg, ABN AMRO Group Economics

Net long positions gain momentum



Source: ICE, ABN AMRO Group Economics

Oil market developments

Oil markets were heavily affected by the war between Israel and Iran. The war threatened the continuity of Iranian supply, along with the disruption of 30% of global oil trade passing through the Strait of Hormuz. Accordingly, Brent experienced a risk premium that reached 12 $/b. After twelve days, a ceasefire was established, and Brent returned to the $67 per barrel price level. Subsequently, markets were positively influenced by recent Chinese data that indicated better than anticipated demand growth, which was largely driven by front-loading of Chinese exports before the US tariffs hit the economy.

Meanwhile, Saudi Arabia reported that it produced 9.752 million barrels of crude per day in June, exceeding its agreement with seven other cartel members by 385,000 barrels per day. Saudi Arabia described the increase as a temporary measure in response to the brief conflict between Israel and Iran, which unsettled markets and heightened concerns about potential disruptions to tanker traffic through the crucial Strait of Hormuz. Saudi Arabia reported the increase in a recent OPEC report, where it used a new metric to report its supply of crude, namely: “supply to market”. The metric diverts from the conventional production figures in a way that it excludes output put into storage. Considering this new metric, Saudi Arabia would be considered compliant to its quota.

Relatedly, an eight-nation subset of OPEC+ members reached an agreement to increase production by 548,000 b/d in August. Such an increase exceeded market expectations. Accounting for earlier increases that started in April, the total amount being put back to the market since April is now around 2.2 mb/d, which entirely offset all voluntary cuts that were taken off the market by the cartel in its efforts for price stability. The increase in OPEC+ supply comes at a time where the cartel aims to regain market share and was interpreted in part as answering President Trump’s demands for lower oil prices.

The OPEC+ decision comes despite the widely held expectations by the key agencies, such as the IEA and EIA, of a supply glut in the market in 2025 on the back of slower demand growth and higher output from OPEC+ and non-OPEC suppliers. More precisely, The International Energy Agency (IEA) reported in its latest report that global oil consumption will rise by merely 700,000 b/d in 2025, marking the slowest growth in 16 years, apart from the 2020 pandemic slump (see right chart below). This has fueled expectations of declining demand. Significant quarterly downturns were noted in nations impacted by the trade war, including China, Japan, Korea, the US, and Mexico, according to the agency.

However, persistent geopolitical tensions are keeping bearish sentiment from fully dominating crude prices, as can be seen in the right graph above. More precisely, President Trump threatened to impose “secondary tariffs” on countries buying Russian oil if a ceasefire agreement with Ukraine is not reached within 50 days. Similarly with Iran, Trump is stuck with his maximum pressure policy to push the country to sign a new nuclear deal. In that regard, the US intensified efforts to limit Iranian oil trade by imposing new sanctions. Despite President Donald Trump hinting at easing tensions after targeting Iran's nuclear sites, the Treasury and State Departments issued penalties on companies and a "shadow fleet" of ships facilitating Iran's crude exports. These threats are increasing supply uncertainty, putting upward pressure on prices. Additionally. Trump's tariffs risk would worsen the situation by imposing a 50% tax on imports from Brazil, a major crude supplier to the US, possibly disrupting trade flows. At the same time, the dollar index is hovering around 97.8 down by 11% from its January peak of 109.9 (see graph below), which also reflected positively on crude prices. Furthermore, entering the summer (driving) season in the US and China also participated in higher demand expectation for this period. Simultaneously, fatal Houthi assaults in the Red Sea continue to fuel worries about crucial oil trade routes. Additionally, Trump's latest series of tariff impositions, featuring some of the steepest rates so far, is reigniting fears that a global trade war might diminish crude oil consumption.

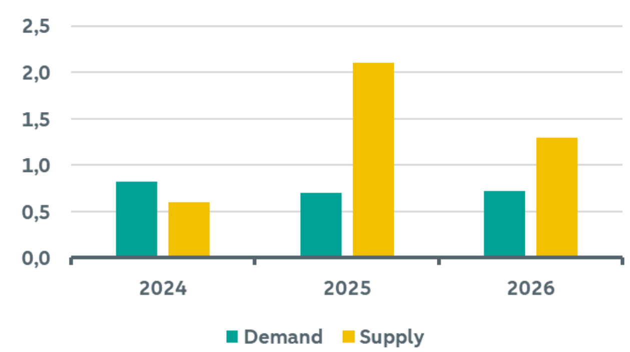
US dollar reaches levels last seen in 2022

Nominal trade-weighted index

Source: Bloomberg, ABN AMRO Group Economics

IEA expecting the slowest demand growth in 16 years

IEA’s demand versus supply growth in Mb/d



Source: IEA, ABN AMRO Group Economics

Outlook

We think that with the latest OPEC+ supply increases and the expected lackluster global demand, the prospect is for an even larger market surplus in 2025, while low price levels and higher costs would limit the supply growth from non-OPEC+ countries. However, the outlook remains clouded by deep uncertainty concerning the final scope, timing, and levels of additional US tariffs, especially those associated to geopolitical outcomes, such as an Iranian nuclear deal, Russia agreeing to a ceasefire, or the trade deal with the EU. Furthermore, as crude prices have been benefiting from the front-loading impact following the 90 days tariff pause, which put a bottom under prices, we think that this has been temporary reprieve, and we expect prices to see a decrease in the second half of 2025 driven by both slower demand growth and rising supply. Overall, we maintain our outlook for Brent to an average of 63 $/b in Q3 and to end the year around 58 $/b. Below is a summary of our Brent outlook for coming quarters.

	Q3-25	Q4-25	Q1-26	Q2-26
Brent outlook ($/b)	63	60	58	58