

FEB 2020 - VOLUME II

US – Iran: Far from Finished

A continuous rollercoaster ride

INTUITION PUBLISHING PTE LIMITED

The relationship between the US and the Middle East has always been complex, and the most volatile has arguably been Iran. Ever since the Shah was toppled on a wave of religious fervor in 1979, the two have been at odds with wounds seemingly incapable of healing, and their core beliefs and culture go together like oil and water.

Of course, behind any US-Middle East relationship lies the issue of oil. Despite hopes to move away from dependence on the so-called black gold, the world still marches to its tune. Recent events have also been affected by a shift in power and control of the world's oil supply; the US becoming emboldened by its increased domestic oil production and potentially now feels less under the sole of OPEC's very heavy foot of influence. Some argue that the current US leadership seeks to use this unrest to divert attention away from domestic political scrutiny, just as predecessors Thatcher and others have done in the past.

Other administrations have had plenty opportunity to take out General Soleimani but chose not to undertake this extremely dangerous move as they realized what would happen if these events transpired; that the Soleimani strike risked catapulting the two countries into a full-scale war. Now with these events having occurred, there is a possibility that Iran will accelerate its pursuit of nuclear weapons. Add this on top of decades of mistrust and attrition and today you have a very difficult relationship to mediate.

Some believe that a change in strategy was needed and that the strike on Soleimani should be put in the context of the last few months. Attacks in the region had continuously escalated, either by the Iranians or those sponsored by them, ending in the attack on Saudi oil fields in September last year. The US has always tried to deter instability in the Middle East and past strategy seems to have failed in that. Thus, it is argued that a strong message was needed to make the regime reconsider its campaign of violence against the US and its allies.

Whatever the rationale and whether the actions of either side are warranted, one thing is sure – the world is worried, and concerns over supply and the price of oil is at the top of financial agendas.



Whether you are an entity that wants higher or lower oil prices, everybody wants stability. Volatility causes disruption to almost all types of trade which already has its stresses. Airlines, shipping, manufacturing – they all benefit from stability. Being able to hedge your oil exposure is critical to remaining competitive and can even affect your ability to survive. Millions of jobs could therefore be at stake.

Even without the threats of war, oil has always been a volatile animal with strong trends and sharp corrections. Using Brent Oil for tracking its price (courtesy of Eikon), we can see how volatile it's been in recent years.



Employing a smart hedging strategy against your oil risk is a wise thing. There are plenty of derivatives available to either hedge open risk or establish a strategic position.

For hedging oil, you need to understand what drives it and how to manage its fluctuations and trends. As always it starts with knowing the fundamentals – check out our related tutorials to increase your understanding with Intuition Know How.

The topics covered in Intuition Asia Perspectives are current developments or topics currently in the market. Intuition Asia provides bespoke learning solutions, both eLearning and Instructor-led courses. These can also be blended in a program to provide the most effective form of learning. These workshops can be structured as lunch & learns, webinars or full day deliveries. Clients can use these to keep their workforce updated with the latest developments in the market and complete their mandatory CPD learning hours.

Intuition – Blended Learning

The **Intuition online learning library** consists several tutorials related to this article:

- **Commodities –11 Tutorials**
 - Commodities – An Introduction
 - Commodities – Trading
 - Commodities – Gold & Other Precious Metals
 - Commodities – Oil
 - Commodities – Natural Gas
 - Commodities – Coal
 - Commodities – Electricity
 - Commodities – Non-Ferrous Metals
 - Commodities – Grains & Oilseeds
 - Commodities – Livestock Commodities – Softs
 - Commodities – Emissions
- **Introduction to Derivatives**
 - Derivatives – An Introduction
 - Derivatives – Markets
 - Forwards & Futures – An Introduction
 - Options – An Introduction
 - Derivatives Applications – Scenario
 - Contracts for Difference (CFDs)

For **Intuition blended learning** related to this article, some of our popular workshops include:

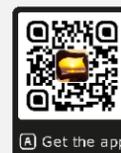
- Commodities – Investment Rollercoaster
- Risks in Commodities
- Derivatives Risks – Overview, Applications & Mitigating Business Risk
- Advanced Technical Analysis with Behavioral Finance – Identify Low Risk & High Reward Trading Strategies
- Commodity Derivatives
- Global Market Trends and Impacts

Get in touch with your Intuition account manager at apacinfo@intuition.com for more details

Other Asia Perspectives Articles

- [Smart Cities – Brave new world or surveillance nightmare?](#)
- [Why Deep Fake – AI threats to cybersecurity](#)

Download the Asia Perspectives free app to get the latest article.



Related News Articles

- Oil Falls After Third Consecutive Crude Build – Oil Price 07 May
- Oil market in flux amid uncertainty over shipping's fuel rules – FT 07 May