

Iran could flood the market with millions of barrels of oil if Joe Biden becomes president, one of Wall Street's top analysts says



- The oil market is not considering the threat of a Joe Biden victory in the US election, a renowned oil analyst warned this week.
- RBC Capital Markets' Helima Croft told Business Insider that a Biden victory could lead to the renegotiation of the Iran Nuclear Deal, which could in turn see Iran up international oil production.
- "You could see a million-plus Iranian barrels hit the market," Croft told Business Insider.
- Croft told Business Insider: "Iranian exports hitting the market is going to put a temporary lid on how high prices can go."
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A Joe Biden victory in the White House this year could be negative for oil prices as he is likely to take a softer stance on Iran and lift sanctions paving the way for millions of barrels of Iranian crude to return to the market, one of Wall Street's top commodity analysts said.

Speaking to Business Insider, Helima Croft, head of commodity strategy at RBC Capital Markets, said: “One of the things you want to think about for oil in 2021 is who is in the White House?”

“If you have Joe Biden as president he could basically take the US back into the [Iranian] Nuclear deal and you could see a million-plus Iranian barrels hit the market. These are the kind of things I think will be very important into the trajectory of oil into 2021,” she added.

Joe Biden is likely to bring the US back to the Iranian-nuclear deal

The Iranian Nuclear Deal was agreed under the tenure of former US President Barack Obama in 2015 between Iran, US, UK, France, China, Russia, and Germany.

The deal lifted Iranian sanctions in return for agreement that the country would limit its suspected nuclear activities.

US President Donald Trump, a vocal critic of the deal, exited the agreement in 2018, though remaining allies remained committed to the deal.

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Tensions flared up again between Tehran and Washington this year after the US ordered the killing of Iranian military commander Qassem Soleimani, prompting the Gulf nation to also withdraw from the nuclear agreement.

Croft says if Biden wins, he is unlikely to be as aggressive as Trump has been on Iran, and sees a high probability of the Iranian Nuclear Deal being renegotiated, opening up the Strait of Hormuz — a key waterway controlled by Iran — back to international oil markets.

Biden is currently leading Trump comfortably in most polls.

Croft pointed it out there may be a time lag before the Iran oil hits the market though. The Iranians would have to make a serious show-stopping their breaches

as a nuclear deal, she said.

“But if we are talking about a recovery into the \$50-60 a barrel next year, a million or even two million barrels of Iranian exports hitting the market is going to put a temporary lid on how high prices can go,” Croft added.

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Both Brent crude, the international benchmark, and US WTI oil are currently trading in the low \$40s per barrel.

Iran owns 13% of the world’s global oil reserves and has a production capacity of more than 3 million barrels per day, roughly equivalent to 4% of total global production, according to US’ Energy Information Administration(EIA).

Both US oil and Brent, have been extremely volatile in 2020, partly due to lower demand during the pandemic and a price war between Saudi Arabia and Russia that began in March this year.

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US oil prices even turned negative in April due to tanking demand and as the world ran out of place to store oil. Brent experienced a dramatic decline, falling to a two-decade low.

Prices staged a remarkable recovery in May and June as some economies began to ease lockdowns and an OPEC agreement in April to reduce supply by 9.7 million barrels a day in May and June kicked in.

Cuts were extended until July, although OPEC decided this week to ease the cuts in August and September.

In the same interview with Business Insider, Croft warned that any easing by the OPEC may result in lower oil prices as it increases the likelihood that smaller players in the market could cheat the cuts and produce more oil than agreed.

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