

## Oil gains on Middle East war concerns

Oil prices climbed on Wednesday after an industry report showed U.S. crude and gasoline inventories fell and as the market watched for a possible widening of the Israel-Gaza war, which may impact global oil supplies.

Brent crude futures rose 56 cents, or 0.7%, to \$81.25 a barrel by 0540 GMT. U.S. West Texas Intermediate crude increased by 59 cents, or 0.8%, to \$78.94 per barrel.

Key Middle Eastern oil producer Iran has not yet retaliated against the assassination of a Hamas official in its capital that it blames on Israel. But any escalation of the conflict in the Middle East is a clear upside risk to oil prices over the next six months and potentially even longer, said Vivek Dhar, analyst at Commonwealth Bank of Australia (OTC:CMWAY).

"The extent of Iran's reprisal, as well as Israel's response, will likely determine whether the current conflict in the Middle East broadens into a regional conflict," said Dhar.

"The immediate market concern will be attacks on Iran's oil supply and infrastructure. Iran accounts for 3-4% of global oil demand, of which, 25-50% is exported."

Iran has vowed a severe response to the killing of the Hamas leader late last month. Israel has neither confirmed nor denied its involvement but it is fighting in Gaza against Hamas after the group attacked Israel in October. To counter Iran, the U.S. Navy has deployed warships and a submarine to the Middle East.

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