

Commodities Strategy

Iran crisis lifts Brent crude oil towards the USD 80 / bbl handle. Premature to expect USD 100 / bbl.

Monday, 02 March 2026

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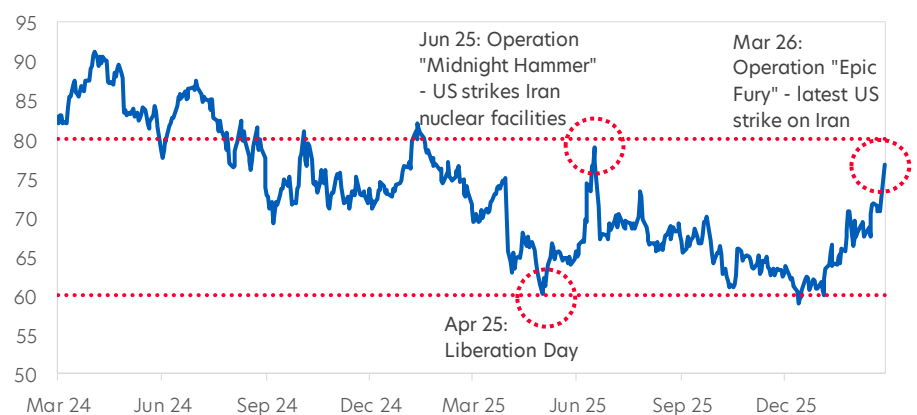
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- Renewed escalating conflict in Iran and Middle East has pushed Brent crude oil back up towards the USD 80 / bbl handle.
- We think it is premature to expect USD 100 / bbl as an important red line has yet to be crossed (and hopefully will not be crossed). Specifically, Iran has not openly targeted energy facilities across the Gulf and nor have they openly targeted oil tankers plying the region. The Gulf States have urged Iran to exercise restraint and return to the negotiation table.
- In addition, OPEC still has dry powder attributed to the previous production cuts from 2023. There is room for both OPEC and specifically, Saudi Arabia, to ramp up production if necessary to dampen any excessive spike in energy price.
- Overall, we raise our Brent crude oil forecast to USD 80 / bbl in 2Q and 3Q26, followed by USD 70 / bbl in 4Q26 and 1Q27.
- This latest Iran crisis has reinforced and amplified the safe haven need for gold as well. As such, we raise our positive gold forecast further to USD 5,400 / oz in 2Q26, USD 5,600 / oz in 3Q26, USD 5,800 / oz in 4Q26 and USD 6,000 / oz in 1Q27.

Chart 1: Latest Iran crisis lifts Brent Crude Oil back up towards USD 80 / bbl handle

Source: Bloomberg, UOB Global Economics & Markets Research



Following the dramatic escalation of conflict in Iran and the Middle East across the weekend, Brent crude oil opened this new week in Asia with a brief spike to about USD 82 / bbl before drifting back down to USD 76 / bbl by Asia mid-morning.

Brent crude oil had started the year at the USD 60 / bbl handle and has steadily climbed higher to above USD 70 / bbl last week as the renewed drumbeats of war in the Middle East grew louder. The current spike to USD 76 / bbl represents a 4% move higher from last Friday's (27 Feb) close of about USD 73 / bbl.

With the renewed offensive by US and Israel on Iran and the retaliation by Iran on regional Gulf States, there are widespread concerns that Brent crude oil will spike now towards the USD 100 / bbl. Our view is that it is premature to expect USD 100 / bbl at this stage as energy markets are now amply supplied and the dynamics are vastly different from when Russia first invaded Ukraine in Feb 2022.

The important red line has not been crossed (and hopefully will not)

Latest escalation in conflict in Iran and the Middle East is decidedly more serious than the relatively brief missile strike by the US on Iran's nuclear facilities last June. Iran has now retaliated by selective targeting of US related military assets across various Gulf States. Regional air hubs, including Dubai's key international airport are now closed, disrupting regional air travel and cargo shipment.

Many shipping lines have chosen out of an abundance of caution to stop shipping across the Straits of Hormuz as well. While there is no official statement from Iran on the closure of the Straits of Hormuz (and there probably will not be), news reports confirm a backup of oil tankers on both sides of the Straits of Hormuz at both the Persian Gulf and the Gulf of Oman.

Despite the above-mentioned alarming escalation of events, it is important to note that a particularly important red line has not been crossed. Despite the dramatic escalation of conflict, Iran has yet to openly target energy facilities across the region nor openly target the oil tankers plying the Gulf. This is an important red line if crossed, may truly disrupt energy shipment across the Gulf and trigger a further spike in Brent crude oil towards the USD 100 / bbl level.

In particular, there are signs to suggest restraint on Iran's part due to risk of further isolation amidst the widening regional conflict. The Gulf States have issued strong statements against Iran, urging de-escalation, warning Iran that "your war is not with your neighbors" and reserving their right for defense. If necessary, the Gulf States and US can help provide armed escorts for the various oil tankers to help mitigate the risk of shipping across the Strait of Hormuz.

OPEC still has dry powder

Across the weekend (1 Mar), in a scheduled meeting, OPEC announced that they will raise crude oil production by 206k bpd in Apr. Previously, prior to this latest escalation of conflict in Iran, the consensus expectation was for OPEC to raise production by 135k bpd.

While OPEC's measured response is met in some quarters with some disappointment, it is important to note that overall, OPEC has returned about 1.65 mio bpd of production volume compared to their "voluntary adjustment" or production cut of 2.2 mio bpd from 2023. In other words, OPEC still has ample dry powder to ramp up production if necessary.

Chart 2: OPEC has room to raise production further if needed

Source: Bloomberg, UOB Global Economics & Markets Research



OPEC's weekend statement highlighted this in very clear terms noting that "the countries will continue to closely monitor and assess market conditions, and in their continuous efforts to support market stability, they reaffirm the importance of adopting a cautious approach and retaining full flexibility to increase, pause or reverse the phase out of the previously implemented voluntary adjustments of 2.2 mio barrels per day announced in Nov 2023".

Full [OPEC statement](#) dated 1st Mar 26.

Overall, near term risk of elevated Brent crude oil prices at USD 80 / bbl. But premature for USD 100 / bbl.

Overall, as discussed above, while we note near term risk of Brent crude oil price at the USD 80 / bbl handle, potential de-escalation as well as ample supply from OPEC will dampen any excessive surge in crude oil price.

Our updated quarterly forecasts are USD 80 / bbl for 2Q26 and 3Q26, followed by USD 70 / bbl for 4Q26 and 1Q27. It is premature to expect a spike in energy prices to USD 100 / bbl at this stage. Previous forecast was USD 75 / bbl for 1Q26, USD 70 / bbl for 2Q26 and USD 65 / bbl for 3Q26 and 4Q26.

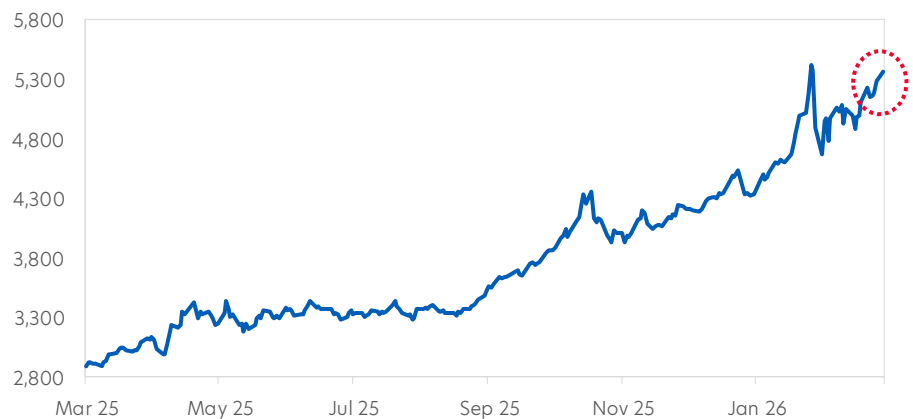
Our latest technical outlook suggests that a long-term low in Brent crude oil price is in place. A weekly close above USD 75.20 / bbl would increase the probability of Brent remaining above the USD 80 / bbl level in the coming months. For more details, kindly refer to Chart of the Day (COTD) on Brent Crude Oil at the end of this report.

Raising our positive forecast for gold further to USD 6,000 /oz by 1Q27 as this latest Iran conflict will further amplify and reinforce safe haven investor needs

Prior to this escalation of conflict in the Middle East, gold was consolidating at the USD 5,000 / oz level after the heavy bouts of profit taking at the end of Jan from USD 5,500 / oz to USD 4,600 / oz. This morning, gold traded back up above USD 5,300 / oz.

Chart 3: Gold resumes climb on latest Iran crisis

Source: Bloomberg, UOB Global Economics & Markets Research



Despite near term elevated volatility, the long-term safe haven needs for gold remain intact. Global central banks continue their strong reserve allocation into gold while retail investors continue their strong purchases of gold bullion. This latest round of escalation of conflict with Iran will further reinforce and amplify investors' safe haven needs.

As such, we maintain our positive outlook for gold and update our quarterly forecasts further to USD 5,400 / oz by 2Q26, USD 5,600 / oz by 3Q26, USD 5,800 / oz by 4Q26 and USD 6,000 / oz by 1Q27. Previous forecast was USD 4,800 / oz by 1Q26, USD 5,000 / oz by 2Q26, USD 5,200 / oz by 3Q26 and USD 5,400 / oz by 4Q26.

Investors will be on the lookout for pass-through of higher energy prices leading to renewed inflation risks in US

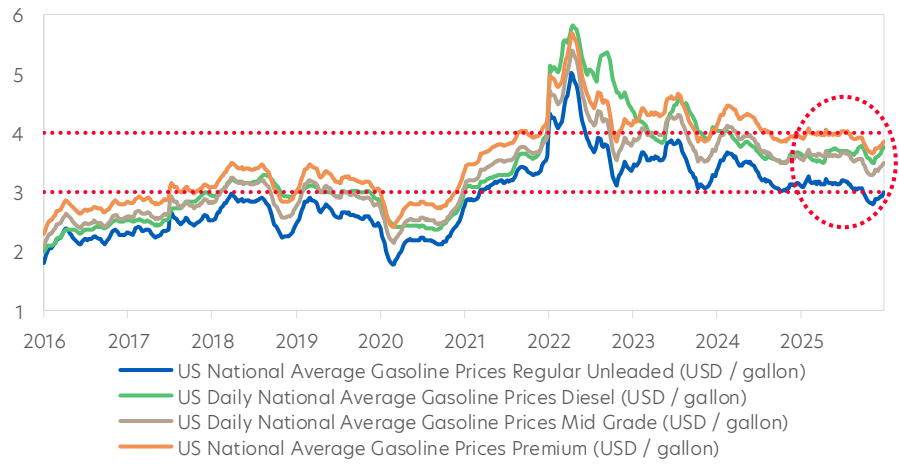
Needless to say, a higher Brent crude oil price around USD 80 / bbl risks makes near term inflation a bit sticky as well. Questions will be asked at upcoming FOMC meeting as to the pass-through risk of higher energy prices on US inflation outlook.

For now, we retain our view of two more 25 bps rate cuts by the Fed in June and in 3Q. But investors will be on heightened lookout for risk of either further delay in Fed rate cut timing or even increasing difficulty for the Fed to cut in the second half of the year.

In the currency space, the USD opened marginally higher this morning, with the USD Index (DXY) rising by about 0.2 to 97.80. While further risk aversion may provide a short-term squeeze higher for the USD, the long term trajectory remains negative unless the Fed were to signal renewed inflation risk and reluctance to cut rates further later this year.

Chart 4: A renewed rise in US gasoline prices above USD 4 / gallon will be negative for US economy in 2H26

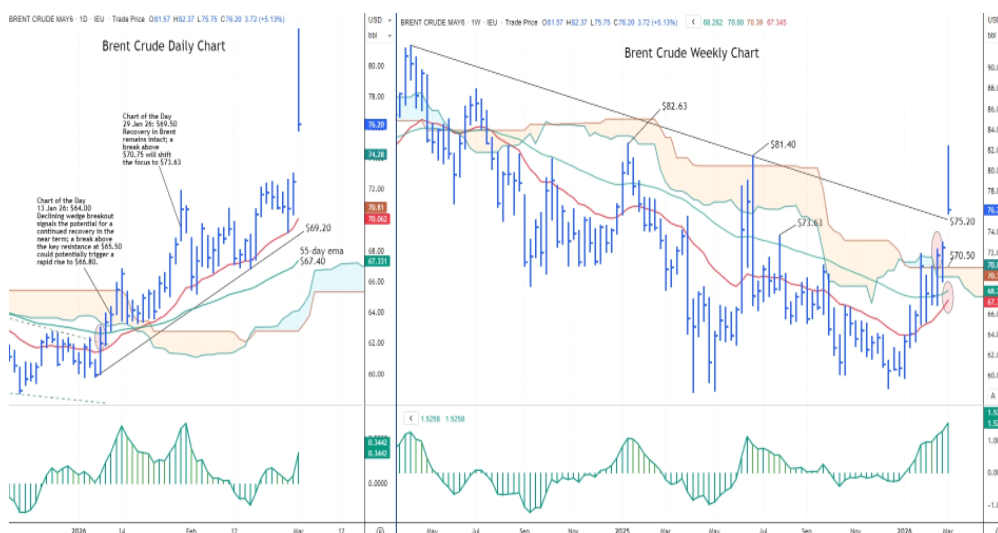
Source: Bloomberg, UOB Global Economics & Markets Research



A key proxy for higher pass-through inflation risk in the US is gasoline price in the US. This is a key proxy that investors including the White House follow closely. It will be particularly sensitive ahead of the Mid-Term election should gasoline prices rise above the USD 4 / gallon level, back higher towards USD 5 / gallon.

Brent Crude: \$76.20/bbl

Technical outlook suggests a long-term low is in place; a weekly close above \$75.20 would increase the probability of Brent remaining above the \$80 level in the coming months.



Source: LSEG Workspace, UOB Global Economics & Markets Research

The titles of our previous two Chart of the Day updates are shown below:

[13 Jan 2026: \\$64.00](#)

Declining wedge breakout signals the potential for a continued recovery in the near term; a break above the key resistance at \$65.50 could potentially trigger a rapid rise to \$66.80.

[29 Jan 2026: \\$69.50](#)

Recovery in Brent remains intact; a break above \$70.75 will shift the focus to \$73.63.

Brent rose to a high of \$73.00 last week, closing clearly above the top of the weekly Ichimoku cloud. Brent gapped up on the open today and appears to have tested last year's high of \$82.63. With the technical outlook suggesting that a long-term low is likely in place, the focus has now shifted to the weekly chart – specifically, whether Brent can close above the descending weekly trendline at \$75.20. A close above this level would increase the probability of Brent remaining above the \$80 level in the coming months.

On the downside, support levels are at:

\$70.50 – top of the weekly Ichimoku cloud.

\$69.20 – ascending daily trendline support.

\$67.40 – 55-day EMA.

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