



Trump Puts The Lid on Iranian Oil Exports But Was It A Slick Move?

Cast your mind back to 15th June 2015 – are you there? Good. It's a sunny day. Serena Williams just won the French Open and Greece is in the middle of its financial meltdown. Most importantly, 99% of us had absolutely no clue what was going to happen tomorrow. Most of us, except Donald J. Trump and his closest advisors, that is. The following day, Trump would announce his candidacy for the US presidency, and we all know what happened next...

Fast-forward 1,408 days and we're now almost immune to President Trump's rhetoric and his aggressive foreign policy doctrine. His ongoing trade war with China is more like a soap-opera than anything else. But what happened this week was something different and it deserves our attention. So, let's analyse...

What DID Happen This Week?

In a move that showed even more belligerence than the time Trump fired Piers Morgan on *Celebrity Apprentice*, his administration, this week, decided not to renew the *waivers* that spared countries who import Iranian oil from US sanctions.

Waiver? Like the thing you stick in your ice cream? No, no, not a wafer. These waivers were the lovely golden tickets that allowed countries like China, India, Japan, South Korea and Turkey to continue to buy Iranian oil, safe in the knowledge that they wouldn't be scolded by the US for doing so. Well, they're not-so-safe anymore.

By not reissuing the waivers, the Trump administration is basically saying that they will place sanctions on these countries, should they continue to trade with Iran when the current deal runs out next month (1st May). This is all part of the US' attempt to strangle the Iranian economy in the

wake of Trump tearing apart the “Joint Comprehensive Plan of Action” – or the “Iranian Nuclear Deal” to us normal people – that his predecessor, President Obama, fought so fervently for. Poor Barack.

It might just work, too. If these countries do comply, it will bring Iranian oil exports – its main source of income – down to practically zero. Ouch!

How Did Iran & The Others Take it?

Really well. NOT!

As you can probably expect, none of the key players here were pleased about this *crude* (sorry, we had to!) decision. Tehran responded by claiming the move to be illegal and threatened to close the Strait of Hormuz, a major oil shipment channel in the Gulf. Not good.

China was also not a happy-bunny. 6% of all Chinese oil imports come from Iran and it reportedly imported 29.3 million tons of Iranian black-stuff last year (around 585,400 barrels per day), according to Reuters. On Tuesday, China’s Foreign Ministry said it had formally complained to the US over its decision.

So, what next? Will this all blow up in Trump’s face? Can China and the others be forced to comply? Would the US really slap sanctions on these massive economies? What will this mean for US/China bilateral trade negotiations? All of this remains to be seen, but you can be sure that whatever happens, the markets will move accordingly.

Speaking of the Markets Moving...

Any news story that simultaneously affects the US, China, Japan, India and South Korea is going to be BIG news. These guys occupy mahoosive economies which means that if they sneeze, we all catch a cold. An output loss of 700,000 to 800,000 barrel of crude oil per day is expected. Saudi Arabia has promised to help fill the supply gap, but we’re our noses are still starting to feel a little sniffy...

Oil prices jumped to a six-month high on Tuesday, with Brent crude up 0.4% to about \$74.30 and WTI crude up 0.7% to \$66.

Asian stocks dropped on the news. The Shanghai Composite slid 0.5%, the SZSE Component fell 1%, and Hong Kong's Hang Seng took a dive by 0.3%.

European markets had a more mixed reaction, with Germany's DAX and the Euro Stoxx 50 down about 0.2% while Britain's FTSE 100 interestingly rose 0.2%.

The Dow Jones Industrial Average rose by 0.55%. The S&P 500 climbed by 0.88% and the Nasdaq Composite jumped 1.32%.

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