

Iran Negotiations Drag Oil Lower and Support the Dollar



May 22, 2026

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Lebanese Forex Market

	22/05/2026	15/05/2026	% Change	YTD
Euro / LBP	103,936.35	104,133.25	-0.19%	-1.03%
Euro / Dollar	1.1601	1.1627	-0.22%	-1.26%
NEER Index	121.00	120.88	0.10%	-46.32%

*Prices are as of the time of writing this report

The **Nominal Effective Exchange Rate (NEER)** of the Lebanese pound marginally rose by 0.1% this week, reaching 121 points, against a basket of 21 influential currencies, including the Euro and British pound.

International Forex Market

	22/05/2026	15/05/2026	% Change	Status
Dollars index = DXY	99.33	99.28	0.05%	Strengthened
Euro (EUR/USD)	1.1601	1.1627	-0.22%	Weakened
U.K. Pound (GBP/USD)	1.3422	1.3327	0.71%	Strengthened
Swiss Franc (USD/CHF)	0.7862	0.7870	-0.10%	Weakened
Chinese Yuan (USD/CNY)	6.7972	6.8099	-0.19%	Strengthened
Japanese Yen (USD/JPY)	159.12	158.78	0.21%	Weakened
Australia \$ (AUD/USD)	0.7130	0.7150	-0.28%	Weakened
Canadian \$ (USD/CAD)	1.3792	1.3753	0.28%	Weakened

*Prices are as of the time of writing this report

The **US Dollar Index** ended the week marginally higher by 0.05% to 99.33 points, as opposing pressures kept the currency in a tight range.

On one hand, geopolitical tensions tied to the Iran conflict sustained safe-haven demand for the dollar, as investors awaited clarity on the war’s trajectory and its impact on energy markets.

On the other, the dominant driver of dollar sentiment this week was the Federal Reserve. New Fed Chair Kevin Warsh is set to be sworn in as the chair of the Federal Reserve later today (Friday), amid President Trump’s calls for cuts. Richmond Fed President Barkin noted hikes may not resolve supply-driven inflation, though they could become unavoidable. Philadelphia’s Paulson backed holding rates until inflation shows sustained improvement.

As per the U.S. Overnight Index Swaps (OIS), traders are pricing in a 56.2% possibility of a rate hike this year. Details below:

US FEDERAL RESERVE - PROBABILITY DISTRIBUTION (OIS)													
Meeting Date	Expected Target Rate	Cut	No Change	Hike	2.75 - 3	3 - 3.25	3.25 - 3.5	3.5 - 3.75	3.75 - 4	4 - 4.25	4.25 - 4.5	4.5 - 4.75	
17-Jun-2026	3.6158	3.7	96.3	0.0			3.7	96.3					
29-Jul-2026	3.7218	2.4	63.9	33.8			2.4	63.9	33.8				
16-Sep-2026	3.7510	2.1	56.7	41.2			2.1	56.7	37.3	3.9			
28-Oct-2026	3.7741	1.9	51.6	46.5			1.9	51.6	39.1	7.0	0.4		
09-Dec-2026	3.8209	1.6	42.3	56.2			1.6	42.3	41.4	13.0	1.6	0.1	

Source: LSEG

As the dollar held firm, most major currencies traded in narrow ranges, with a few notable exceptions.

The **euro** declined by 0.22% to 1.16 against the dollar this week. Bank of America recommended a trade that benefits if the euro weakens (specifically a EUR/USD 1.15/1.13 3-month put spread), saying the recent slide could be the start of a “head-and-shoulders” chart pattern. This came even as the European Commission raised its 2026 inflation forecast to 3% (from 1.9%) and cut growth to 0.9% (from 1.2%) amid the Iran-driven energy shock. The higher inflation outlook suggests the ECB may need to tighten policy more aggressively than the Fed this year, which in theory should support the euro. Yet, because eurozone economies are heavily reliant on imported oil contrarily to the US, the energy squeeze weighs on growth prospects, keeping the currency under pressure.

Sterling was the week’s standout, rising by 0.71% to 1.3422 against the dollar. April inflation rose by 2.8% YOY, below the 3% Bloomberg consensus. Softer inflation made UK bonds more attractive, prompting foreign investors to convert into sterling, which in turn supported the currency.

Commodities

	Currency	22/05/2026	15/05/2026	% Change
Gold (Spot)	USD	4,524.94	4,540.07	-0.33%
Silver (Spot)	USD	75.98	75.98	0.00%
Brent Crude Oil	USD	105.31	109.26	-3.62%
WTI Crude Oil	USD	98.23	105.42	-6.82%

*Prices are as of the time of writing this report

In commodity markets, **gold** fell by 0.33% this week to \$4,525 per ounce. Despite its strong safe-haven reputation, the yellow metal took a hit this week even amid geopolitical tensions and inflation concerns. That is mainly due to the 30-year yields recording their highest level since 2007, which weighed on the non-yielding metal. Also, an expected Fed rate hike by the end of 2026 made the non-yielding metal less appealing.

In Contrast, **silver** held at \$76 per ounce, as last week's steep decline under \$80 set a weak starting point.

In oil markets, **Brent** and **WTI crude** declined by 3.62% and 6.82% this week to \$105.31 and \$98.23 per barrel, respectively. Reports of progress in US-Iran negotiations briefly lifted hopes for reopening the Strait of Hormuz. But Iran's refusal to end its nuclear program and surrender uranium stockpiles halted talks, sparking a partial rebound Friday. In addition, Reuters reported that seven OPEC+ members are expected to approve a 188,000 b/d increase in July output at their June 7 meeting, adding pressure despite war-related supply disruptions.

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