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What's new in the oil markets

OPEC+ AGREES TO UNWIND OIL PRODUCTION FASTER THAN EXPECTED

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The downwards trend in oil prices continue this morning after the group of oil producers, OPEC+, surprisingly met on Saturday instead of today, and agreed on a faster than expected unwinding of the existing oil production cut agreement. OPEC+ met to discuss the policy of oil production among the members. This morning, Brent oil is trading around \$59.50.

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Last month, OPEC+ surprised the oil market by agreeing to a faster than expected unwinding of production cuts. At the meeting over the weekend the group decided to maintain the trend and has agreed to accelerate oil production in June by 411,000 barrels per day (bpd). The June increase by the eight OPEC+ members will take the total combined hikes for April, May and June to 960,000 bpd, representing a 44% unwinding of the 2.2 million bpd of various cuts agreed on since 2022.

OPEC+ could fully unwind its voluntary cuts by the end of October if members do not improve compliance with their production quotas. Especially Saudi Arabia is pushing OPEC+ to accelerate the unwinding of cuts to punish fellow members Iraq and Kazakhstan for poor compliance with their production quotas. Next time OPEC+ is expected to meet is on the 28 May where the group plans to hold a full ministerial meeting.

The important U.S. nonfarm payrolls increased by 177,000 jobs last month after rising by 185,000 in March according to data released on Friday. The market forecast 130,000 jobs added last month but the report does not reflect the full impact of the tariffs imposed in the beginning of April. The unemployment rate is 4.2%. The job report reinforces the expectation that the U.S. central bank will hold interest rates steady at the next central bank meeting this week.

U.S. drillers cut the number of oil rigs by four to 479 for the first time in three weeks in the week to 2 May. That is according to data from oilfield services provider Baker Hughes. The oil rig count is an early indicator of future output.

In the Middle East, a missile fired by Yemen's Houthi rebels towards Israel landed near the country's main international airport yesterday, causing threats of retaliation against the group and Iran. Yemen's Iran-aligned Houthis claimed responsibility for the missile strike that struck near the airport and is the latest in a string of attacks. Israeli Prime Minister Netanyahu vowed to retaliate.

Later today, the non-manufacturing purchasing managers' index for April will be announced by the U.S. Besides, the U.S. central bank meeting on Wednesday, it will probably be very important to follow the press conference by chairman Powell for further news.