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What's new in the oil markets

U.S. EXTENDING THE DEADLINE TO REACH A DEAL WITH THE EU ON TARIFFS

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The week starts off with slight oil price increases. Mainly due to news of the U.S. extending the deadline to reach a deal with the EU on tariffs to 9 July. Also, drops in the number of oil and natural gas rigs in the U.S. support prices this morning. Brent crude oil is trading around \$64.90 (July-contract).

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Today is a holiday in the U.S., UK and other markets so the start of this week is expected to be rather slow. However, the Memorial Day weekend in the U.S. normally kicks off the U.S. summer driving season which is the period of highest demand for motor fuels. Note that the two weekly oil stocks reports are one day delayed due to today's holiday.

Friday was a volatile day in the markets after the U.S. president stated that he was recommending a 50% tariff being implemented from 1 June on goods from the EU. Allegedly because of frustration that talks with the EU were not moving quickly enough. The threat meant volatility in global financial markets and intensified a trade war characterised by frequent changes in tariff policies. However, yesterday the U.S. President backed away from his threat, agreeing to extend the deadline until 9 July for talks between the U.S. and EU to produce a deal. The 9 July deadline is the end of the 90-day pause on Trump's 2. April "Liberation Day" levies on the EU and most other trade partners.

Due to the deadline extension, oil prices are higher this morning combined with Friday's news of U.S. energy firms cutting the number of oil and natural gas rigs operating for a fourth week in a row. That brings the number down to the lowest since November 2021, according to energy services firm Baker Hughes. The oil and gas rig count fell by 10 to 566 and is an early indicator of future output.

Another round of talks between Iranian and U.S. delegations took place on Friday where signs of some limited progress emerged in the negotiations which aim at resolving a decades-long dispute over Iran's nuclear programme. Remains unclear when next round of talks will take place.

This weekend, OPEC will meet – potentially to decide on an increase in production of 411,000 barrels per day for July. Among others, the strategy for OPEC+ seems to be to let go of the attempt to defend price in favour of market share, as compliance in OPEC to stick to the agreed production quotas has proven difficult.

The U.S. dollar is lower this morning against the Euro, particularly after the news that the U.S. pauses the threats of 50% tariffs towards the EU and tax-cut bill which is currently in legislation. Later this week, minutes from the U.S. central bank will be interesting to investigate as well as the U.S. Q1 GDP data.