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What's new in the oil markets

OPEC+ INFORMED OF A PRODUCTION INCREASE FOR JULY

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Over the weekend, OPEC+ informed of a production increase for July, but markets were expecting more. This morning, Brent crude oil is trading higher around \$64.20 (August-contract).

Author(s)



Jette Frydenlund Jorgensen
Head of sales and marketing

Oil prices finished last week lower as the oil market began to expect a possible even larger July output rise. But on Saturday, OPEC+ decided to increase production by 411,000 barrels per day for July, practically the same production increase as the May and June increases. This could be because market share is on top of the agenda as group leader Saudi Arabia seeks to win back market shares as well as likely punish over-producing allies such as Iraq and Kazakhstan. OPEC+ states that a steady global economic outlook and current healthy market fundamentals, as reflected in the low oil inventories as its reasoning for the July increase.

Last week, U.S. energy firms cut the number of oil and natural gas rigs operating for a fifth week in a row to the lowest since November 2021, according to Baker Hughes's report published late Friday evening. Baker Hughes said last week's decline put the total count down by 37 rigs, or 6%, from this time last year.

Also, late Friday evening, U.S. President Trump said that he plans to double duties on imported steel and aluminium to 50% from Wednesday, 4 June. This seems to continue the tariff flip-flops once again after the court room drama on tariffs last week which first put an immediate block on the most sweeping of the duties followed by a federal appeal court which temporarily reinstated the tariffs again. The United States Court of Appeals said to consider the government's appeal and ordered the plaintiffs in the cases to respond by 5 June and the U.S. administration by 9 June.

The U.S. dollar starts the week on the back foot due to the on-again-off-again trade war which make the market worry for a potential risk for a U.S. recession.

This week, the most important economic numbers will be announced from the U.S. Purchasing Managers Index and the U.S. Nonfarm payrolls at the end of the week. Also, the ECB meeting on Thursday will be an event to follow and so will news on the U.S. tariffs.