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# What's new in the oil markets ....

## U.S. AND CHINA CONTINUE TO TALK TO DEFUSE THE TRADE DISPUTE

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## Higher oil prices as U.S. and China continue to talk to defuse the trade dispute between the world's two biggest economies. This morning, the Brent crude price is trading around \$67.15.

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U.S. and Chinese officials had talks yesterday which should defuse the trade dispute between the two superpowers that has widened in recent weeks beyond tit-for-tat tariffs to export controls over goods and components critical to global supply chains. According to U.S. President Trump the talks with China were going well and he was "only getting good reports" from his team in London where the talks are held. Today, the market will monitor the second day of the trade negotiations.

Both oil prices and the U.S. dollar are trading higher as a potential trade deal between the U.S. and China could support the global economic outlook and boost demand for energy and U.S. dollar assets.

The importance of the trade talks is underscored by the key Chinese export numbers which were announced Monday morning as China's exports to the U.S. plunged 34.5% year-on-year in May in value terms, which is the sharpest drop since February 2020, when the outbreak of the COVID-19 pandemic upended global trade. Total exports from China expanded 4.8% year-on-year in value terms in May, slowing from the 8.1% jump in April and lower than the expected 5.0% growth. China's producer and consumer prices were also announced yesterday as data showed a continued trend of price decreases.

In May, OPEC oil output was limited as Iraq pumped below targets to compensate for earlier overproduction and Saudi Arabia and the United Arab Emirates made smaller hikes than allowed. OPEC pumped 26.75 million barrels per day last month, which is 150,000 bpd higher than April's total, as Saudi Arabia made the largest increase.

It's announced that the U.S. President Trump will speak late Tuesday and as usual the American Petroleum Institute report on oil inventory levels from last week will be announced. The market is also looking forward to important U.S. inflation numbers for May which will be published tomorrow. The report could give insight into the tariff impact on the U.S. economy at a time where the market is concerned of higher inflation before the U.S. central bank meeting next week.