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What's new in the oil markets

MARKET EXPECTS MORE RUSSIAN SANCTIONS WHILE WAITING FOR TRUMP'S "MAJOR STATEMENT" ON RUSSIA LATER TODAY

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Oil prices are higher as the International Energy Agency said that oil market may be tighter than it appears and as the market expects more Russian sanctions while waiting for Trump's "major statement" on Russia later today. This morning, the Brent oil price is trading around \$70.50.

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According to the International Energy Agency (IEA), the world oil market may be tighter than it appears despite a supply and demand balance pointing to a surplus, as refineries ramp up processing to meet summer travel demand. While the market is starting to realise that supplies are tight, Baker Hughes also confirmed the tightness in the market as the U.S. energy firms once again cut the number of oil and natural gas rigs operating for an 11th straight week. The last time that happened was in July 2020, when the COVID-19 pandemic cut demand for fuel. The oil and gas rig count is an early indicator of future output and fell by two to 537 in the week to 11 July and is the lowest since October 2021.

Yesterday, the U.S. President Trump said that the U.S. will send Patriot air defence missiles to Ukraine and later today, Trump is due to make a "major statement" on Russia. A U.S. bill that would hit Russia with sanctions gained momentum last week in the U.S. Congress, but it still awaits support from Trump while the EU is on the verge of agreeing an 18th package of sanctions against Russia that would include a lower price cap on Russian oil.

This morning, China announced that crude oil imports rebounded in June and were up after refineries increased operations and imports rose from Saudi Arabia and Iran. The world's largest crude oil buyer imported 49.89 million metric tons of crude oil, equivalent to 12.14 million barrels per day and is up by 7.1% in May and 7.4% from June 2024.

Over the weekend, Trump announced the latest tariffs in separate letters to European Commission President von der Leyen and Mexican President Sheinbaum that the U.S. will impose a 30% tariff on imports from two of the U.S. largest trading partners beginning 1 August. The EU said it would extend its suspension of countermeasures to U.S. tariffs until early August and continue to press for a negotiated settlement.

The U.S. dollar is trading higher versus the Euro, but it seems like the markets have become more insensitive to President Trump's tariff threats for now. This week, the markets will mainly be watching inflation numbers from Tuesday and onwards but surely the market will also keep a close eye on other news from the U.S. administration.