

11 AUGUST 2025

What's new in the oil markets

U.S. AND RUSSIA ARE AIMING TO REACH A DEAL TO HALT THE WAR IN UKRAINE

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Oil markets had a volatile day on Friday as news emerged that the U.S. and Russia are aiming to reach a deal to halt the war in Ukraine and that the parties will meet this week. This morning, Brent oil is trading around \$66.20.

Author(s)



Jette Frydenlund Jorgensen
Head of sales and marketing

U.S. and Russian officials are working towards an agreement on territories for a planned summit meeting between Trump and Putin as early as Friday. The meeting which is scheduled to be held in Alaska raises expectations of a diplomatic end to the war in Ukraine. This could lead to eased sanctions on Russia, sending the country's oil back to the global markets. News of the meeting comes as trade tensions have been on the rise between the U.S. administration and buyers of Russian oil.

At the moment it is uncertain who will attend the meeting, i.e. if also Ukraine President Zelensky will attend. Last week, Trump threatened to increase tariffs on India if it kept purchasing Russian oil. Trump also said China, the largest buyer of Russian crude, could be hit with tariffs like those levied against Indian imports. If peace talks falter and the conflict drags on, the market could quickly pivot to higher oil prices.

The U.S. inflation data will be out tomorrow, Tuesday, and could be another key price driver this week. Expectations are for a slight increase in prices in July compared to the month before. Inflation is a key point for the U.S. central bank's interest rate policy. For now, expectations are for a 25-basispoints cut at the September U.S. central bank meeting but consumer prices above expectations would spark stagflation fears and push back expectations of Fed rate cuts. Later in the week, European inflation data will be announced.

U.S. dollar is trading a bit lower this morning ahead of a deadline to avoid the imposition of higher tariffs between the U.S. and China. Trade talks are in focus as the 12 August deadline for a deal between the U.S. and China looms, particularly around chip policy. For now, the market is expecting that the deadline will be extended.

This week, the market will also keep a close eye on monthly reports from OPEC, the U.S. Energy Information Administration and the International Energy Agency.

Looks like we are heading into another interesting week in the markets!