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What's new in the oil markets

OPEC+ AGREES TO ANOTHER LARGE PRODUCTION HIKE IN SEPTEMBER

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Oil prices are lower this morning after news that the group of oil producers, OPEC+, agrees to another large production hike in September and concerns that the U.S. economy is slowing. This morning, Brent oil is trading around \$69.50.

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OPEC+ met yesterday and agreed to raise oil production by 547,000 barrels per day next month. The increase is the latest in a series of output hikes to regain market share, as concerns mount over potential supply disruptions linked to Russia. With this increase, the group of oil producers has in full reversed OPEC+'s largest tranche of output cuts plus a separate increase in output for the United Arab Emirates amounting to about 2.5 million bpd, or about 2.4% of world demand.

However, the market expects that the actual increase in supply from the eight OPEC+ countries that have raised output since March will be 1.7 million bpd, or about 2/3 of what has been announced, because other members of the group have cut output after previously overproducing.

The oil market worries that further U.S. sanctions on Iran and Russia could disrupt supplies as U.S. President Trump has threatened to impose 100% secondary tariffs on Russian crude buyers as he seeks to pressure Russia into halting its war in Ukraine.

Looking to the economic key numbers, Friday's important jobs data from the U.S. showed that the country only added 73,000 jobs in July, which is much lower than forecast. In addition, the unemployment rate increased to 4.2% from 4.1%. Further, the job gains for previous months were revised down which also surprised the market. The U.S. President afterwards fired the top labour official which further stunned the market. Trump accused the Bureau of Labor Statistics Commissioner of faking the jobs numbers.

While the U.S. central bank has mentioned several times that it is in no rush to cut rates due to concern that the U.S. administration's tariff policies will reignite inflation over the coming months, the market is now pricing in a potential 25 basis point rate cut by the central bank at the middle of September, after the disappointing job data.

Consequently, the U.S. dollar is trading lower compared to European equivalents. This week, the U.S. will release factory orders, trade figures, and jobless claims, offering insights into economic momentum. In Europe, attention turns to German industrial production and Eurozone retail sales. China will publish its trade and inflation data, while the Bank of England is set to announce its latest interest rate decision. Markets will also be watching updates from the ECB and Bank of Japan for further policy signals.