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What's new in the oil markets

FEARS OF SUPPLY DISRUPTION OF RUSSIAN OIL
AND SOLID U.S. OIL DEMAND

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Oil prices seem to be on the rise this morning after ending last week with slight oil price drops. Fears of supply disruption of Russian oil and solid U.S. oil demand support prices currently. This morning, Brent crude oil price is trading around \$67.60.

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Today is a bank holiday in the U.S. and this day also traditionally signals the end driving season where demand for oil peaks. For now, it looks like demand for oil remains solid as inventory draws are seen in every category. I.e., U.S. crude stocks, gasoline, diesel, and heating oil inventories all fell according to last week's data.

Over the weekend, Russia has targeted Ukraine's energy and transport systems, while Ukraine has been attacking Russian oil refineries and pipelines. Lately, both countries have intensified airstrikes and yesterday, Ukrainian President Zelenskiy said that new deep strikes have been planned. The oil market remains concerned about Russian oil flows and the market is eyeing the 7 September meeting between members of the Organization of the Petroleum Exporting Countries and their allies for further cues on rising output. Also, the Energy Information Administration said on Friday that the U.S. crude oil production hit a record high in June.

China's manufacturing activity shrank for a fifth straight month in August, as the purchasing managers' index (PMI) rose to 49.4 from 49.3 in July, i.e. it remains below the 50-mark separating growth from contraction as the Chinese economy is confronting weakening exports due to U.S. tariffs, a property sector downturn, rising job insecurity, heavily indebted local governments and extreme weather.

Friday, the latest U.S. inflation data was published, and it was in line with expectations. The personal consumption expenditures (PCE) price index rose 0.2% last month or 2.9% year on year. Earlier Friday, the European inflation data came out a bit higher than expected with the German inflation rate in August announce at 2.2% which is above the European Central Bank's goal of 2%. The U.S. inflation data for July supports lower interest rates ahead from the U.S. central bank which is weakening the U.S. dollar too.

On the financial data side, despite, today being U.S. Labor Day Holiday, this week will be busy with U.S. ISM manufacturing and services data, jobless claims, and the closely watched nonfarm payrolls report on Friday. Markets will be watching for signs of labor market cooling and wage trends. In Europe, attention will be on inflation data, unemployment figures, and a series of PMI releases across major economies, offering insight into the region's growth momentum and price pressures.