

Oil prices rise on U.S.-China trade talks and expectations of tight supply

Oil prices rose in Asian trading on Wednesday, primarily driven by signals from the U.S. that initial trade negotiations with China will take place this week, while bets on tighter U.S. supplies also supported the markets.

Prices extended gains into a second consecutive session after rebounding from a four-year low on Tuesday, with some bargain buying also contributing to the rally.

Still, larger gains were capped by persistent concerns over deteriorating global demand, while anticipation of the Federal Reserve's interest rate decision kept markets on edge.

Brent crude futures for June rose 0.7% to \$62.58 per barrel, while West Texas Intermediate (WTI) crude futures rose 0.8% to \$59.14 per barrel as of 10:13 PM Brasília time.

Oil prices also received some support from industry data showing a significant drop in U.S. crude inventories. Official stockpile data is due later in the day.

U.S. and China to Begin Formal Trade Talks This Week

U.S. Treasury Secretary Scott Bessent and Trade Representative Jamieson Greer will meet with their Chinese counterparts for trade talks in Switzerland this week, their respective offices said Tuesday night.

The meeting marks the first clear sign of U.S.-China trade negotiations, ending weeks of uncertainty and mixed signals, and potentially paving the way for a thaw in relations.

Still, the announcement of the talks comes shortly after U.S. President Donald Trump stated he was in no rush to sign trade deals, as his administration negotiates with several countries.

A bitter trade war between the U.S. and China — which escalated in April — has been a major drag on oil prices, as traders fear that oil demand could deteriorate amid growing global economic disruptions.

Recent weak economic readings from both the U.S. and China have reinforced that notion. However, China also offered some positive signs for oil, with travel demand rising significantly during last week's Labor Day holiday.

U.S. Supply Outlook Tightens on Falling Prices

Oil was also boosted by expectations of tighter long-term U.S. supplies after several major shale producers warned they were cutting output due to low price pressures.

Diamondback Energy — a key producer in the Permian Basin — warned on Monday that U.S. oil production has likely peaked and is expected to decline in the coming months, echoed by rival Coterra Energy. Both companies said they will scale back some rigs in the months ahead.

The comments spurred some bets on tighter U.S. oil supplies, which could help offset recently announced output increases by OPEC+.