Oil prices retreat amid oversupply concerns

Oil prices edged lower in Asian trading on Monday after posting weekly gains, as persistent concerns over a supply glut loomed amid ongoing U.S.-Iran nuclear talks. Meanwhile, investors assessed Chinese industrial data that showed resilience despite the impact of U.S. tariffs.

Investors also remained cautious following Moody's downgrade of the U.S. sovereign credit rating.

As of 03:23 AM (Brasília time), Brent crude futures for June delivery fell 0.3% to $65.20 a barrel, while West Texas Intermediate (WTI) futures also dropped 0.3% to $61.77 a barrel.

Both contracts had gained over 1% last week, buoyed by early-week momentum after the U.S. and China agreed to temporarily ease heightened mutual tariffs.

However, most of those gains were erased by oversupply concerns stemming from a potential U.S.-Iran nuclear deal and rising output from OPEC+.

Oversupply Concerns, U.S. Downgrade by Moody's, and Trump-Putin Talks in Focus

Moody's downgraded the U.S. sovereign credit rating on Friday to Aa1, cutting it one notch from the top-tier Aaa rating.

The agency cited concerns over the country's growing $36 trillion debt, a problem that could worsen under tax cuts proposed by President Trump.

This sparked cautious sentiment among oil traders, who were already facing developments pointing to a potential increase in global supply.

Trump stated last week that the U.S. was very close to securing a nuclear agreement with Iran, and that Tehran had "more or less" agreed to the terms.

Signing a deal and lifting sanctions could bring Iranian oil back to the market in force, potentially loosening the global supply-demand balance.

For the day, "much of the focus is on a scheduled call between President Trump and President Putin regarding the Russia-Ukraine war," ING analysts said in a note.

“Fundamentally, however, even if we saw a peace deal and the eventual lifting of sanctions against Russia, the supply increase would be limited,” they added.

Additionally, the International Energy Agency (IEA) said on Thursday that global oil supply is expected to grow faster than previously forecast this year, as OPEC+ members unwind production cuts.

The agency also estimated that global oil demand growth will slow for the rest of the year.

Chinese Industrial Production Beats Estimates, Retail Sales Lag

Markets digested April data on China’s industrial production and retail sales, released on Monday.

Industrial output rose more than expected in April, with factory activity holding up well despite pressure from high U.S. trade tariffs on exports.

However, domestic demand showed signs of weakness, as retail sales for the month came in below expectations.

Investors were seeking signs of a recovery in the world’s largest oil importer, as the country grapples with weak economic growth and tariff tensions with the U.S.

While Washington and Beijing have announced a 90-day truce on elevated tariffs, concerns remain over future negotiations.