

Supply increase clouds long-term outlook

Oil prices have remained steady recently as traders assess whether the negative news has already been fully priced in.

OPEC+ plans to raise production in June amid growing global supply, which limits oil's upside potential.

The postponement of tariffs eases demand concerns, but supply-related fears continue to weigh on prices.

Crude oil prices have remained largely flat over the past two and a half weeks, as investors take a cautious approach while evaluating whether most of the negative developments have already been priced in. Donald Trump's decision to temporarily suspend tariff hikes has also partly alleviated demand concerns.

Given this context, it seems the worst of the selling pressure is behind us. There is room for some short-term recovery. However, the increase in global supply remains a source of uncertainty, likely to limit any significant upward movement in prices in the near term.

The downward trend seen in recent months primarily reflects fears of an oversupply and a slowdown in demand growth. On the supply side, OPEC+ has decided to increase production by 411,000 barrels per day starting in June, accelerating the rollback of previously implemented cuts. Additionally, the U.S. oil industry has been operating more efficiently, managing to boost production even with fewer active rigs and wells.

Several analysts project further supply expansion from both OPEC+ and non-cartel producers in the coming months. In this environment, it becomes challenging to adopt a bullish view on oil, even if much of this scenario has already been factored into prices.

On the demand side, Trump's decision to delay tariffs on European Union products and reduce tariffs on Chinese goods, aimed at enabling a trade agreement, provided temporary relief. After weekend talks with European officials, the U.S. president extended the negotiation deadline, pushing the 50% tariff hike beyond July — a measure that had triggered sharp risk aversion in markets the previous Friday.

Last month, Trump reduced tariffs on European goods to 10% specifically to create room for negotiations. This more conciliatory tone and willingness to ease tariffs sparked a significant rebound in stock markets, although oil has so far shown limited reaction — a reflection of oil demand's low elasticity and persistent concerns about increasing supply.