

## **Oil Prices Slip Slightly, but Post First Positive Week in Three**

Oil prices edged lower on Friday, as traders remained concerned about sluggish growth and weakening demand. Still, they are on track for their first weekly gain in three weeks after U.S. President Donald Trump and Chinese leader Xi Jinping resumed trade talks, raising hopes for increased economic activity.

As of 9:00 AM (Brasília time), Brent crude futures were down 0.1% at \$65.30 a barrel, while WTI crude futures dipped 0.1% to \$63.28 a barrel.

Brent contracts traded over 2% higher and WTI futures gained more than 4% this week, driven by growing bets that global supplies will tighten in the coming months.

Reports that the U.S. was considering additional sanctions against Russia supported this outlook, as did signs of tension in U.S.-Iran nuclear negotiations.

Oil markets were also buoyed by the decision from the Organization of the Petroleum Exporting Countries and its allies (OPEC+) to raise supply in July by the same amount as in the previous two meetings, easing concerns about a larger increase.

However, oil still faced some headwinds, with a key concern being sustained worries about slowing demand, especially amid mounting signs of a softer global economic backdrop.

A series of weak economic data from top oil consumers, the U.S. and China, raised concerns over demand, particularly as the world's two largest economies remained locked in a tariff dispute. Excessive builds in U.S. petroleum product inventories also added uncertainty over demand.

U.S. President Donald Trump and Chinese President Xi Jinping held a phone call on Thursday that could signal a revival in U.S.-China trade talks, although markets are still awaiting a more permanent trade agreement.

Fears that Trump may impose further tariffs, however, remain in play.

Reports early Friday showed Russia launched a barrage of missile and drone attacks against Ukraine, likely in retaliation for several devastating Ukrainian strikes on Russian infrastructure earlier in the week.

The attacks further undermined U.S. efforts to broker a ceasefire, with Moscow's latest offensive reportedly occurring just days after Trump and Russian President Vladimir Putin held talks.

But expectations of sustained hostilities between Moscow and Kyiv are likely to prompt further U.S. efforts to pressure Russia into a ceasefire, potentially involving tighter sanctions on Russia's oil industry.

Reports earlier this week showed a bipartisan push for more sanctions on Russian oil, this time targeting major buyers such as China and India.

Despite this week's gains, HSBC flagged potential downside risks to Brent price forecasts.

The OPEC+ producer group is expected to accelerate supply increases later this year, potentially leading to a surplus in the fourth quarter that could weigh on oil prices, HSBC analysts said.

Since April, OPEC and its allies — a group known as OPEC+ — have made or announced production increases totaling around 1.37 million barrels per day, or 62% of the 2.2 million bpd total they plan to bring back to market.

Strategists suggest these countries, including major producers like Saudi Arabia and Russia, are trying to regain some market share amid global trade tensions and an ongoing transition to greener fuel sources.

Strong seasonal demand during the summer travel period is expected to absorb the impact of OPEC+'s production hikes, HSBC analysts said. However, they warned the increases "are likely to push the market into a larger fourth-quarter surplus than previously forecast."

"Deteriorating fundamentals after the summer increase downside risks to oil prices and our assumption of \$65 per barrel starting in Q4," the analysts added.

### **Oil prices stabilize after drop amid demand concerns in the U.S.**

Oil prices rose slightly on Thursday, stabilizing after losses driven by a significant increase in U.S. gasoline and distillate inventories, while a price cut by top producer Saudi Arabia also weighed on the market.

At 12:30 PM (Brasília time), Brent crude futures fell 0.2% to \$64.75 a barrel, while West Texas Intermediate (WTI) crude futures dropped 0.2% to \$61.74 a barrel.

Crude benchmarks fell more than 1% in the previous session after government data on Wednesday showed that U.S. crude inventories fell by 4.3 million barrels last week, beating expectations.

However, gasoline stockpiles rose by 5.2 million barrels—well above forecasts—while distillate inventories also increased by 4.2 million barrels, significantly exceeding market predictions.

The readings raised some concerns about demand in the world's largest fuel consumer, especially with the summer travel season approaching.

Concerns over slowing U.S. demand were further fueled by weaker-than-expected private payroll data, suggesting that the labor market is cooling. The data came just days before the release of the closely watched nonfarm payroll report for May, due Friday.

Markets also remained uncertain over U.S. trade policy after President Donald Trump doubled tariffs on steel and aluminum to 50%. A Wednesday deadline set by Trump for U.S. trade partners to submit their "best offers" for a trade deal passed without any new agreements being announced.

Oil prices were also pressured by a Reuters report indicating that Saudi Arabia had cut its July oil prices for Asian buyers to the lowest level in two months.

The reduction signaled that the world's largest oil exporter is concerned about sluggish demand conditions.

The price cut came just days after the Organization of the Petroleum Exporting Countries and allies (OPEC+), led by Saudi Arabia, agreed to raise production in July.

The production increase came despite concerns over weakening demand and a potential oversupply in oil markets, although it did spur some gains in oil prices as it aligned with production hikes seen over the past two months.

Recent reports showed that Saudi Arabia is targeting lower oil prices in part to punish other OPEC members for overproduction and to secure a greater market share.