Oil prices retreat from 7-week highs as markets weigh US-China trade progress

Oil prices fell below recent seven-week highs on Wednesday as traders digested the outcome of crucial US-China trade talks held in London.

As of 07:20 AM (Brasília time), Brent Oil Futures had dropped 0.3% to $66.65 per barrel, after hitting their highest level since late April. West Texas Intermediate (WTI) crude futures also fell 0.2% to $64.86 per barrel, after surging to their highest since early April.

US-China Trade Framework Offers Support

US and Chinese officials concluded two days of intense trade negotiations in London, agreeing on a framework aimed at revitalizing the Geneva truce and resolving disputes over export controls.

The agreement "adds substance" to prior understandings by addressing mutual restrictions on critical technologies, US Commerce Secretary Howard Lutnick said on Tuesday.

China agreed to ease export restrictions on rare earths and magnets, while the US will scale back some export controls on semiconductors and related technologies.

Lutnick and China’s Vice Minister of Commerce Li Chenggang said both governments will now seek formal approval from Presidents Trump and Xi before implementation.

Although the framework remains preliminary and lacks granular details, the announcement lifted sentiment by de-escalating tensions over tariffs and supply chains.

US-Iran Nuclear Talks Stumble

Also offering some support to oil prices is the apparent lack of progress in nuclear negotiations between Iran and the US.

The next round is expected this week, with Trump stating the talks will take place on Thursday, while Tehran claims they will happen Sunday in Oman.

"If nuclear talks fail and a conflict with the United States arises, Iran will strike American bases in the region," said Defense Minister Aziz Nasirzadeh on Wednesday, raising geopolitical tension around the talks.

"Iran-US nuclear talks don’t seem to be making progress, offering some tailwinds for prices. Iran is unwilling to compromise on its right to enrich uranium, something the US will not accept," analysts at ING said in a note.

Investors Weigh Demand Outlook; API Weekly Data in Focus

US crude oil production is expected to decline next year due to reduced drilling activity driven by weaker commodity prices, the US Energy Information Administration (EIA) said Tuesday in its monthly report.

The EIA also cut its global oil demand forecast for this year by approximately 200,000 barrels per day, now projecting 103.5 million bpd, citing weaker consumption in developed countries.

"Given our view that oil prices will be lower by the end of this year, there is room for further downward revisions in US crude oil production estimates for next year," ING analysts noted.

This comes amid steady production increases by oil-producing cartel OPEC+, highlighting an oversupply scenario.

Meanwhile, US crude oil inventories fell by 370,000 barrels in the week ending June 6, according to data released Tuesday by the American Petroleum Institute (API).

The decline defied analysts' expectations for a 700,000-barrel increase.

The API data is closely watched as a precursor to the official weekly report from the US Energy Information Administration (EIA), which is due Wednesday.