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Oil Prices Surge on US-EU Trade Deal and Tariff Hopes

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Oil markets kicked off the week with a strong rebound, fueled by renewed confidence in global trade after a significant US-EU agreement eased fears of economic turbulence. The breakthrough, coupled with prospects of a pause in US-China tariffs, has lifted investor sentiment, driving crude prices higher.

Brent crude futures on Monday climbed 22 cents, or 0.32%, to \$68.66 per barrel by 5:30 a.m. Similarly, US West Texas Intermediate (WTI) crude gained 22 cents, or 0.34%, reaching \$65.38 per barrel. The uptick reflects market relief following Sunday's US-EU trade deal, which set a 15% import tariff on most EU goods, far lower than the previously threatened rate. This agreement, forged between two economic powerhouses accounting for nearly a third of global trade, has reduced concerns about a broader trade war that could have stifled economic growth and curbed oil demand.

"The US-EU trade deal, combined with potential progress on US-China tariffs, is giving a real boost to global markets and oil prices," said Tony Sycamore, an analyst at IG Markets, in a recent interview. Negotiators from the US and China are slated to meet in Stockholm today to discuss extending a tariff truce set to expire on August 12. A successful outcome could further stabilize markets, though investors remain wary.

Despite the optimism, challenges loom. OPEC+, the alliance of the Organization of the Petroleum Exporting Countries and its partners, is unlikely to adjust its plan to increase output by 548,000 barrels per day in August, according to four OPEC+ delegates. This decision, to be reviewed by the group's monitoring committee today, could limit price gains. Meanwhile, Venezuela's PDVSA is gearing up to revive joint ventures under terms reminiscent of Biden-era licenses, pending authorization from US President Donald Trump for oil swaps and exports. Such moves could add complexity to global supply dynamics.

Geopolitical risks are also simmering. Yemen's Houthi rebels on Sunday issued a stark warning, vowing to target ships owned by companies trading with Israeli ports, regardless of their nationality. This threat heightens concerns about shipping security in a critical region for oil transport.

JP Morgan analysts noted that global oil demand rose by 600,000 barrels per day in July compared to last year, while inventories grew by 1.6 million barrels per day. This delicate balance of supply and demand underscores the market's sensitivity to trade policies and geopolitical developments. As negotiations and production decisions unfold, oil markets remain on edge, poised for further volatility.