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Oil Prices Decline as Weak Economic Signals Offset Trade Optimism

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Oil prices slipped on Friday, driven by discouraging economic indicators from the United States and China, despite growing hopes that new trade deals could strengthen global demand in the future.

Brent crude futures fell by 32 cents, or 0.5%, to settle at $68.86 per barrel, while West Texas Intermediate (WTI) crude dropped 47 cents, or 0.7%, to $65.56. These losses capped off a down week for both benchmarks, with Brent sliding nearly 1% and WTI down by about 3%. The softening in prices reflects concerns that weak economic growth could undercut energy consumption, even as trade prospects remain hopeful.

In the U.S., new data revealed that orders for capital goods, a key indicator of business investment, fell unexpectedly in June, while shipments showed only modest improvement. This suggests companies are dialing back equipment spending, a possible signal of broader economic caution. Meanwhile, President Donald Trump commented on Friday that the chances of securing a trade agreement with the European Union (EU) were “50-50 or less,” even as he noted Brussels was eager to negotiate.

Simultaneously, fiscal data from China, the world’s second-largest economy, showed a 0.3% drop in government revenue for the first half of the year. This consistent decline in revenue could reflect slowing economic momentum, which has direct implications for global oil demand.

Despite the economic concerns, there are signs that the oil supply could expand. The U.S. government is reportedly considering allowing firms like Chevron to resume limited operations in Venezuela under certain conditions. Analysts at ING suggested this could boost Venezuelan oil exports by more than 200,000 barrels per day, a relief to American refiners facing a tight supply of heavy crude.

On the geopolitical front, Iran confirmed it would continue nuclear discussions with European negotiators following detailed talks. Should these discussions lead to a diplomatic breakthrough, sanctions relief might follow, potentially freeing up additional Iranian oil for export. Both Venezuela and Iran are members of the Organization of the Petroleum Exporting Countries (OPEC), and any increase in their output could shift market dynamics.

Looking ahead, the Joint Ministerial Monitoring Committee, which includes key representatives from OPEC and allied producers, a group collectively referred to as OPEC+, is scheduled to meet on Monday. Four sources told Reuters the group is expected to maintain its current policy, which includes an agreed output increase of 548,000 barrels per day by eight member nations in August.

Meanwhile, Russia, the world’s second-largest oil producer, plans to slightly reduce exports from its western ports next month. According to data shared with Reuters, daily shipments are projected at around 1.77 million barrels per day in August, down from 1.93 million in July, due to increased domestic refinery activity.

In summary, while the potential for new trade agreements offers hope for long-term demand, current economic indicators and shifting supply dynamics are exerting short-term pressure on global oil prices.