News headlines today are dominated by oil prices, as negotiations within the OPEC+ group have not come to an agreement yet. The United Arab Emirates oppose a proposal to extend the terms of the current supply framework beyond the initially agreed deadline of April 2022. In the absence of a consensus, the group couldn’t agree on the expected output hikes for August. As a result, oil prices rose yesterday to reflect a potentially tighter supply and the Brent reached $77. The risks are either that prices keep on increasing, as rising demand would not be met by rising supply, or even that the group loses control over the oil market, which could lead to a disorderly price war. So far, the OPEC has a great track-record of coordination and we have good hopes that an agreement could be found: the long-term trajectory matters more than the August deadline and discussions will continue. The topic is making headlines but many analysts were already forecasting much higher oil prices without considering it would derail the current recovery.
Other asset markets were relatively quiet yesterday, as often when the US markets are closed. Higher oil prices don’t appear to be seen as a major concern for stocks, as illustrated by the fact that Japan’s Nikkei is up this morning, despite the fact that the country is a major importer of oil. China and Hong-Kong slip slightly lower, as market participants keep on weighing the implications of the authorities renewed pressure on tech giants, the latest being ride-hailing firm Didi, just listed on US markets. Interest rates are slightly firmer, with the 10-year treasury yield at 1.44. Australia’s dollar is up ahead of the monthly meeting of the central bank, which is expected to start reducing its support by tapering its quantitative easing program. Elsewhere in the news, Boris Johnson confirms his intention to materially lift restrictions from July 19th, including mandatory face masks. The final greenlight should be given on July 12th.

Today we will look at Germany’s Zew survey but the key data will be the US ISM Services Index at 6PM Dubai time, which is expected to moderate from 64 in May to 63.5 in June. Stay safe.

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