

Oil nudges up as China cuts policy rates to support economy

Oil prices edged higher on Tuesday as China unexpectedly cut key policy rates for the second time in three months to shore up a sputtering economic recovery, but sluggish economic data from the country put a lid on gains.

Brent crude futures rose 11 cents, or 0.1%, to trade at \$86.32 per barrel at 0414 GMT. U.S. West Texas Intermediate crude was up 7 cents, also 0.1%, to \$82.57 a barrel.

Prices turned higher after the People's Bank of China (PBOC) lowered the rate on 401 billion yuan (\$55.25 billion) worth of one-year medium-term lending facility (MLF) loans to some financial institutions by 15 basis points to 2.50% from 2.65%.

The cash injection was to counteract factors including tax payments in order to "keep banking system liquidity reasonably ample", the PBOC said in an online statement.

"The market was expecting the PBoC to wait until September before easing again, and today's cuts suggest that the authorities' concern about the state of the macroeconomy is mounting," said Robert Carnell, regional head of research from ING bank, in a note.

China's industrial output and retail sales data on Tuesday showed the economy slowed further last month, intensifying pressure on already faltering growth and prompting authorities to cut key policy rates to shore up activity.

Despite the weak macroeconomic data, China's oil appetite showed resilience. The country's refinery throughput in July rose 17.4% from a year earlier, as refiners kept output elevated to meet demand for domestic summer travel and to cash in on high regional profit margins by exporting fuel.

Also lending support to oil prices, Japan's economy grew much faster than expected in April to June, as brisk auto exports and tourist arrivals helped offset the drag from a slowing post-COVID consumer recovery.

Meanwhile, oil and natural gas output from top U.S. shale-producing regions is set to fall in September for the second straight month to the lowest levels since May, Energy Information Administration data showed on Monday.

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