The Commodities Feed: Risk on after US and China lower tariffs

Oil and metals prices rose after the US and China said they will temporarily lower tariffs on each other's products, with the US reducing its levies on most Chinese imports from 145% to 30% and China lowering its duties on US good from 125% to 10% for 90 days

US Treasury Secretary Scott Bessent and Trade Representative Jamieson Greer speak to the press after the second day of a bilateral meeting between the US and China in Geneva

Metals – Copper jumps on trade optimism

Copper and other industrial metals rose this morning, with easing trade tensions giving metals markets a boost. At a briefing following the talks, US Treasury Secretary Scott Bessent said neither nation wanted their economies to decouple.

This marks a substantial cooling of trade tensions between the US and China; however, questions remain for markets as to what the end game will be, as the measure will be operational for 90 days, and what the eventual level of tariffs will be. Uncertainty is still high, and volatility is likely to remain elevated across commodities markets.

Trading in metals has been volatile since US President Donald Trump's inauguration, with this volatility mostly driven by both comments made by the President and tariff risks. In April, copper saw its worst performance since mid-2022, as signs began to emerge of trade starting to hurt economies, with the US contracting in the first quarter and manufacturing in China's factory activity showing the biggest contraction since December 2023.

Gold, meanwhile, has dropped more than 2% this morning as easing trade tensions between the US and China impacted its safe haven status while the dollar rallied. A ceasefire between India and Pakistan has also buoyed risk sentiment and weighed on gold prices. Still, gold is up by more than 20% so far this year, with Trump's unpredictable trade policy the key driver for gold so far in 2025.

The latest data from the Shanghai Futures exchange (SHFE) shows that weekly inventories for all base metals (except lead) fell over the reporting week. Copper stocks fell by 8,602 tonnes for a seventh consecutive week to 80,705 tonnes as of last Friday, the lowest since the week ending on 10 January 2025. The decline was largely driven by recent US tariffs diverting a large flow of copper inventories into the US.

Among other metals, aluminium inventories fell by 6,192 tonnes for a sixth straight week to 169,665 tonnes (the lowest since the week ending on 9 February 2024). Nickel and zinc inventories also fell by 3% week-on-week and 2.8% WoW respectively. In contrast, lead inventories rose by 2,718 tonnes for a second consecutive week to 49,504 tonnes.

The latest positioning data from the CFTC shows that speculators increased their net longs of COMEX copper by 3,325 lots for a fourth consecutive week to 23,338 lots as of 6 May. In precious metals, managed money net longs in COMEX gold decreased by 3,558 lots for a seventh straight week to 112,307 lots over the last reporting week, the least bullish bets since the week ending 27 February 2024. Money managers' interest in gold remains muted amid record-high prices. Similarly, speculators decreased net longs of silver by 1,004 lots after reporting gains for three consecutive weeks to 30,248 lots as of Tuesday.

Energy – Oil gains on easing trade tensions

NYMEX WTI is trading above $63/bbl, while ICE Brent was seen approaching $66/bbl on US-China trade talk optimism. Meanwhile, the latest round of discussions between the US and Iran also concluded with both sides agreeing to further discussions and negotiations.

The latest data from Baker Hughes shows that drilling activity in the US slowed for the second consecutive week, as several US oil companies limit planned capital expenditures because of low oil prices. The number of active US oil rigs fell by five over the week to 474 as of 9 May 2025, the lowest since 24 January and 22 below the year-ago level. The total rig count (oil and gas combined) stood at 578 over the reporting week, down from 584 a week earlier and 4% lower than the same time last year. Primary Vision's frac spread count, which gives an idea of completion activity, decreased by six over the week to 195.

The latest positioning data shows that speculators decreased their net longs in ICE Brent by 12,383 lots for a second consecutive week to 97,558 lots as of last Tuesday, the least bullish bets since the week ending on 29 October 2024. This was driven predominantly by the rising short positions by 8,887 lots to 113,008 lots over the reporting week. Similarly, in the NYMEX WTI, speculators trimmed their net long by 10,094 lots (after reporting gains for three consecutive weeks) to 143,938 lots over the reporting week. This market continues to gauge the potential tariff impact on oil flows into the US.

US natural gas prices opened lower today as the rising storage levels overshadowed the expectations of favourable weather conditions over the coming weeks. Last week, the EIA reported that the weekly inventories for natural gas rose more than average market expectations, taking the total stockpiles to 2.15Tcf, 1.4% above the five-year average. This was the second straight triple-digit weekly inventory build; storage has flipped from a 230Bcf deficit in the first week of March to the current surplus. However, weather forecasts have turned slightly positive with the expectations of warmer weather across the northern and southern regions of the nation.

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