

The Commodities Feed: Bearish supply outlook vs improved sentiment

Oil prices moved higher following a pause in tariffs by China and the US. However, supply dynamics are likely to continue to generate headwinds



Energy – Tariff pause provides short term relief

Sentiment across risk assets improved with the pause in US-China tariffs. The move to reduce tariffs for 90 days was certainly more aggressive than many expected, highlighted by the big upward moves in risk assets, including oil. However, while a thawing in trade tensions between China and the US is helpful, there's still plenty of uncertainty over what happens in 90 days. This uncertainty could continue to generate headwinds for oil demand.

Though demand has been a key concern for the oil market, supply increases from OPEC+ mean that the oil market will be well supplied through the remainder of the year. *How* well supplied depends on whether OPEC+ sticks with the aggressive supply hikes we saw for May and June. Interestingly, despite the strength in the ICE Brent flat price yesterday, the prompt time spread weakened. Also, the forward curve suggests the market may become increasingly more comfortable with supply towards year-end. For now, the pause in US-China trade tensions has not caused us to revise our price forecasts. The supply side should keep downward pressure on the

market.

Agriculture – USDA's first crop estimates for 2025/26

Monday's World Agricultural Supply and Demand Estimates (WASDE) report from the USDA provided the first forecasts for the 2025/26 marketing year. It was fairly bearish for corn and wheat, while constructive for soybeans. For corn, the USDA expects US production to rise significantly 6.4% YoY to 15.8b bushels in 2025/26, thanks to improved yields and higher acreage. As a result, US ending stocks for 2025/26 are forecast to rise to 1,800m bushels, up from 1,415m bushels at the end of 2024/25. For the global balance, world production is estimated to total 1,265mt in 2025/26, up 3.6% YoY. However, global ending stocks for 2025/26 are still forecast to fall to 277.8mt, down 9.5mt from the previous year.

For US soybeans, the USDA forecasts 2025/26 ending stocks to fall to 295m bushels, down from an estimated 350m bushels for 2024/25. The reduction is driven by lower output as farmers reduce soybean acreage, while increasing corn plantings. Corn is offering better returns. In addition, trade tensions with China contributed to this shift. US soybean production is seen at 4.34b bushels in 2025/26, down from an estimated 4.37b bushels in 2024/25. For the global market, the USDA estimates production will rise nearly 1.4% YoY to 426.8mt (+5.9mt). Global soybean stocks are forecast to rise from 123.2mt in 2024/25 to 124.3mt in 2025/26.

Finally, for wheat, the USDA forecasts that US ending stocks for 2025/26 will rise by 82m bushels (+9.8% YoY) to 923m bushels. This is despite expectations that domestic production will fall to 1,921m bushels from 1,971m bushels from 2024/25. The global wheat balance shows that ending stocks are forecast to rise marginally from 265.2mt in 2024/25 to 265.7mt in 2025/26.

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