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COMMODITIES DAILY

The Commodities Feed: US copper prices hit record highs amid tariff risks

US copper prices rise to record highs amid rising tariff risks, while oil briefly slides on Russia-Ukraine ceasefire hopes

Energy – Russia-Ukraine maritime ceasefire

Oil prices slid after Russia and Ukraine agreed to a maritime ceasefire. The move, though, was short-lived with crude oil prices trading higher in early morning trading today. This renewed strength comes as Russia insists that some conditions for the ceasefire are met before committing. They include lifting some sanctions on Russian banks and companies involved in the trade of agricultural products. In addition, any increase in oil supply could be limited, as Russia diverted oil flows to other markets following Western sanctions, so having little impact on supply. It's not entirely clear when the ceasefire would come into effect. That would depend on if and when Russia's demands are met. Finally, there are still plenty of supply risks hanging over the market in the form of sanctions on Iran and Venezuela, which could push the global oil market into deficit.

Numbers overnight from the American Petroleum Institute were bullish, with inventory draws across the board last week. US crude oil inventories fell by 4.6m barrels, which was very different from the almost 2m barrel increase the market expected. Cushing crude oil stocks fell by 600k barrels, while gasoline and distillate stocks declining by 3.3m barrels and 1.3m barrels, respectively. The more widely followed an Energy Information Administration (EIA) report will be released today.

Metals – Tariff concerns drive copper to record highs

Copper futures on Comex surged to a record high. That pushed the London Metal Exchange (LME) contract above the $10,000/t level, as prices benefited from the front-running of tariffs. Last month, President Trump instructed the US Commerce Department to investigate copper import tariffs on national security grounds. Copper prices in New York are up by more than 28% this year, creating a disconnect between prices in the US and the global benchmark set on the LME.

The arbitrage between Comex and LME reached all-time highs of more than $1,400/t yesterday. This creates incentives for traders to shift metal to the US to front-run any potential tariffs. There's a further upside risk for copper prices in New York if tariffs are implemented. The investigation includes raw mined copper, copper concentrates, copper alloys, scrap copper and derivative copper products. It may take months, allowing more metal to be shipped to the US before tariffs are imposed. However, there are more recent reports that suggest the tariffs could be introduced within weeks. The US copper rush could leave the rest of the world tight on copper if demand picks up more quickly than expected.

Meanwhile, Glencore temporarily suspended copper shipments from its Altonorte smelter in Chile after an issue affecting the plant's furnace created a further tailwind to copper prices yesterday. The Altonorte plant has capacity to produce 349,000 tonnes of copper a year.

In precious metals, exchange-traded funds (ETFs) added 23 tonnes of gold in the last trading session, the biggest one-day increase since 2022. Over the first quarter of 2025, gold-backed ETFs have seen net inflows of around 155 tonnes so far, lifting the total to the highest since September 2023. If this trend is sustained, it will help support prices.

There's still room for further additions given the current total remains shy of the peak hit in 2020. Gold-backed ETFs saw outflows over the last few years. Global holdings in gold ETFs were effectively flat in the fourth quarter and ended the year very close to where they started it even as gold prices surged 27%. Gold has rallied more than 16% this year as escalating trade actions bolstered safe-haven buying. US President Trump's unpredictable trade policy is the key driver for gold. We see uncertainty over trade and tariffs continuing to buoy gold prices.

Agriculture – India to maintain sugar export quota

Recent reports suggest that despite a decline in sugar production in India, the government may uphold its 1mt sugar export quota for the 2024/25 season with India still set to have comfortable stocks at the end of the season.

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