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COMMODITIES DAILY

The Commodities Feed: Easing trade tensions provides a boost to markets

Positive developments in US-China trade talks over the weekend provided a boost to risk assets, including large parts of the commodities complex



Energy – US-China trade tensions thaw

Following the [sanction-driven rally](#) in oil late last week, the market got another boost from the improved tone in trade talks between the US and China. Over the weekend, indications were that the truce would be extended. US Treasury Secretary Scott Bessent said that the additional 100% tariff threat is “effectively off the table,” China is expected to delay export controls on rare earths. The announcement of these controls essentially triggered the latest escalation in trade tensions.

The latest positioning data shows that speculators continued to cut their net long in ICE Brent, selling 57,085 lots over the last reporting week to leave them with a net long of just 52,521 lots as of last Tuesday. This was driven largely by fresh shorts entering the market. As of last Tuesday, speculators held the largest gross long on record, just shy of 198k lots. Clearly, a large segment of the market was positioned on the wrong side ahead of the US announcement on Russian sanctions. It drove lots of shorts to run in and cover their positions.

Meanwhile, the Brent-Dubai spread remains under pressure amid the uncertainty over Russian oil trade following US sanctions. Indian refiners have reportedly been actively seeking alternative crude oil grades, largely from the Middle East. The spread has collapsed in recent days amid strength in the Middle East market.

Turning to the refined products market, in the longer term Dangote plans to double the capacity of its Nigerian refinery. The 650k b/d refinery is expected to increase capacity to 700k b/d next year, then to 1.4m b/d over a three-year period. This will be a further pain for European refiners, who ship gasoline into West Africa. Volumes have already come under pressure in recent years due to the ramp-up of the Dangote refinery.

Agriculture– Easing trade tensions boost soybeans

Soybeans are rallying in early-morning trading today following positive developments in trade talks between the US and China. Bessent said that China will make large soybean purchases following these talks. Chinese buying would offer relief to US farmers, given that it's historically been the largest buyer of US soybeans, accounting for 45% of total US soybean exports in 2024/25. However, so far this marketing year, China has not bought a single bushel of US soybeans, according to USDA data.

Recent estimates from the Vietnam Coffee and Cocoa Association show that Vietnam coffee production could rise 10% year-on-year to reach above 1.8mt in the 2025/26 season, up from 1.7mt in the previous season. The weather has been favourable, while rising prices have encouraged farmers to invest more in crops to achieve higher yields.

Data from France's Agriculture Ministry shows that 75% of the corn has been harvested as of 20 October, up from 56% in the previous week and above the five-year average of 63%. Meanwhile, 59% of the corn crops are rated in good to excellent condition. This is slightly down from 60% seen in the previous week and below the 75% seen during the same period last year. Among other crops, 57% of soft wheat has been planted, up from 27% planted last week. This was also higher than the 20% seen at the same stage last year and the five-year average of 43%.

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