The Commodities Feed: Energy supply uncertainty

Energy prices fell yesterday, however, there is still plenty of uncertainty over how oil supplies evolve in the months ahead following US sanctions

There was an outage on the Colonial pipeline, the largest fuel pipeline in the US which carries refined products from the Gulf Coast to the East Coast

Energy – Colonial pipeline outage

Oil prices fell yesterday with ICE Brent down 1.35% to settle below US$80/bbl. Reports of a potential ceasefire between Israel and Hamas would have supported this move. This is the first daily decline since the US announced stricter sanctions against the Russian energy sector. It is still unclear what the impact of these sanctions will be on oil flows. However, buyers of Russian oil have been looking at alternatives, in case these sanctions turn out to be disruptive. Any significant impact, however, is likely to be short-lived with Russia eventually finding ways to circumvent these latest sanctions. The uncertainty over the impact means that oil prices will likely be better supported than initially expected through the first quarter of the year.

However, oil prices are trading firmer in early morning trading in Asia today after API numbers showed that US crude oil inventories fell more than expected over the last week. US crude oil inventories fell by 2.6m barrels. However, this is where the support ended in the release. Cushing crude oil stocks increased by 600k barrels, although inventories are still historically low. Meanwhile, for products, gasoline and distillate stocks increased by 5.4m barrels and 4.9m barrels respectively.

The EIA yesterday released its latest Short-Term Energy Outlook, where it marginally increased its US crude oil production estimate for 2025 from 13.52m b/d to 13.55m b/d, growing by around 340k b/d year-on-year. The EIA also released its first production estimates for 2026 and expects US crude output to grow by just 70k b/d YoY to 13.62m b/d.

NY Harbor gasoline and ULSD cracks have strengthened since yesterday on the back of an outage of the Colonial pipeline, the largest fuel pipeline in the US which carries refined products from the Gulf Coast to the East Coast. The outage occurred on line 1, which moves around 1.5m b/d of gasoline. The shutdown is due to a potential leak, however, the duration of the outage is expected to be relatively short.

European gas prices also came under pressure yesterday. TTF settled more than 2.7% lower on the day. However, reports overnight that the EU is considering a potential ban on Russian LNG will likely only add to supply uncertainty for the European market, potentially offering some support to prices. In 2024, around 18% of EU LNG imports came from Russia.

It's a fairly busy day for energy markets. Both the IEA and OPEC will release their monthly oil market reports, where they will share their outlook for the oil market. In addition, the EIA will also release its weekly US oil inventory report. And outside of energy markets, we will get US CPI data, which may alter expectations on what the Fed may do concerning monetary policy in the months ahead.

Metals – Copper rises on Trump tariff report

Copper moved higher yesterday following a report the incoming Trump administration will slowly increase trade tariffs rather than impose sizable duties in one go, which weighed on the dollar. According to the report, the plan would boost import duties 2-5% a month on trade partners. During his presidential campaign, Trump threatened to impose minimum tariffs of 10% to 20% on all imported goods, and 60% or higher on shipments from China. The proposed approach is reportedly aimed at boosting negotiating leverage and helping to avoid a spike in inflation, however, it is still in its early stages and hasn't been presented to Trump yet.

We believe the timing as well as the scope of the US tariffs will be key for demand for copper and other industrial metals this year. A continued trade war remains the key downside risk to our industrial metals outlook. However, the prospect of a prolonged trade war has raised expectations for Beijing to unveil more aggressive stimulus measures. We believe Trump's tariffs could trigger bigger stimulus from China, limiting the downside to copper prices. Copper is up more than 4% so far this year.

The latest LME COTR report shows that speculators increased their net long position in copper by 4,203 lots for a second consecutive week to 62,767 lots for the week ending 10 January, the highest since the week ending on 29 November. Similarly, net bullish bets for aluminium rose by 1,294 lots to 105,528 lots at the end of last week. In contrast, money managers decreased net bullish bets for zinc by 1,835 lots for a fourth consecutive week to 27,095 lots (the lowest since the week ending 22 November 2024) as of last Friday.

Author

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com

Disclaimer