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The Commodities Feed: Focus shifting back to tariffs

With the ceasefire between Iran and Israel appearing to hold, the oil market's attention is shifting back to tariffs and other risks

Energy – Focus shifts from the Middle East to tariffs

Oil prices are steady following the de-escalation in the Middle East. The ceasefire between Israel and Iran continues to hold. Meanwhile, nuclear talks between the US and Iran are set to resume next week, according to comments from President Trump. However, there are doubts over how successful these talks will be.

Assuming the ceasefire holds, the market might turn its focus to other drivers. US Secretary of Commerce Howard Lutnick said that the US and China have finalised a trade agreement that was crafted last month in Geneva. He also expects trade agreements to be reached with 10 major trading partners soon. This is constructive for the market, particularly ahead of the reciprocal tariff deadline of 9 July.

The other focus is what OPEC+ decides on production levels for August. The group will make a decision on 6 July. We're of the view that the group will continue to aggressively unwind supply cuts and announce another supply hike of 411k b/d for August. These supply hikes should ensure that the oil market moves into a large surplus towards the end of the year. This assumes we don't see a re-escalation in the Middle East, which would lead to supply losses.

Despite de-escalation between Israel and Iran, the ICE gasoil crack remains relatively well supported. The latest inventory data from Insights Global shows that refined product inventories in the Amsterdam-Rotterdam-Antwerp (ARA) region in Europe fell by 208kt WoW to 5.51mt. This decrease was driven by middle distillates, with gasoil stocks falling by 211kt to 1.85mt, while jet fuel inventories declined by 39kt to 870kt. Other refined products saw marginal increases in stocks.

European natural gas prices continue to sell off, with Title Transfer Facility (TTF) falling 3.89% yesterday. It traded down to a seven-week low. De-escalation in the Middle East might ease concerns over potential LNG supply disruptions. Meanwhile, EU storage continues to build with it currently standing at 57% full, down from 76% at the same stage last year. This is similar to 2022 levels. The market remains finely balanced, so we expect further downside in prices to be limited in the short to medium term.

Metals – Copper spreads spike again

Copper spreads spiked again on the LME on Thursday. Cash contracts trading at a premium of above $319/t to three-month futures, but still down from a historic high of $379/t seen on Monday. Meanwhile, LME's tom/next spread surged to $98/t on Thursday – the highest on record.

The tightness in the spreads has been driven by plunging LME stockpiles, which have now reached their lowest level since August 2023. Trump's investigation into whether to impose import tariffs on copper has seen LME on-warrant holdings plunging 80% this year. The race to get copper to the US before tariffs are introduced has tightened markets elsewhere. Comex copper futures continue to trade at a large premium to the LME and the SHFE, incentivising the shipment of the metal to the US.

LME copper prices also surged on Thursday, nearing $9,900/t. We believe copper prices are likely to stay supported, at least for now, if the LME stocks withdrawals continue. However, US tariffs being implemented on copper would be bearish for copper prices, with the wave of copper rushing to the US likely to stop, at least for a while. Consumers are likely to start to work through their inventories. This will also likely improve the availability of copper ex-US and weigh on copper prices.

Agriculture – Ghana cuts cocoa crop estimates

The latest data from the Ghana Cocoa Board shows that cocoa production is now expected to fall to around 600kt in the 2024/25 season, down from a previous forecast of around 618kt. This is well below the first forecast of 810kt for the season. Adverse weather conditions and swollen shoot disease have significantly impacted the crop. However, output is still expected to be 36% higher year on year.

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