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The Commodities Feed: Markets poised for a risk-off day

The re-emergence of tariff friction is likely to weigh on risk assets today. The tailwinds for gold and silver are only getting stronger with President Trump's latest threat of tariffs on several European countries



Source: Shutterstock

Energy – European gas prices continue to rally

The oil market is under pressure in early-morning trading today, amid a broader risk-off move. President Trump threatened a 10% tariff on several European countries that oppose his Greenland plans. These tariffs would kick in on 1 February and increase to 25% on 1 June, until a deal for the US to acquire Greenland is reached. Reports suggest the EU is set to halt the EU-US trade deal and potentially revive a EUR93bn tariff package on US goods. There's also a push from France for the EU to use its anti-coercion instrument against the US. This would restrict US access to the EU single market. There will likely be plenty of noise this week around these developments, particularly as both world and business leaders gather for the World Economic Forum in Davos.

Despite the pressure on flat price, the prompt ICE Brent timespread remains firm, suggesting some tightness in the spot physical market. If forecasts of a large surplus are correct, we

should see spreads come under pressure, along with weakness in the flat price.

The latest positioning data shows that speculators increased their net long in ICE Brent by 85,496 lots over the last reporting week to 208,461 lots as of last Tuesday. This is the largest position held since September. This move was predominantly driven by fresh buying amid growing supply concerns from Iran, given the recent protests in the country and the potential for US intervention. Although these concerns have subsided in recent days.

European gas prices continued their rally on Friday. TTF settled more than 11% higher on the day. The market settled at EUR36.88/MWh, the highest close since June. EU gas storage is now just 50% full, well below the 5-year average of 65% full. Meanwhile, forecasts for colder-than-usual weather towards the end of January are proving bullish for prices. We had been warning for some time about the risk of an aggressive short-covering rally in the European gas market, given the record short position held by investment funds in TTF heading into winter. The rally in the European market has seen gas prices in the region trade at a premium to Asian LNG. This should attract additional LNG supply into Europe, helping to alleviate some of the growing tightness concerns.

Agriculture – Stronger than expected Asian cocoa grinding data

London cocoa prices settled 1.7% higher on Friday, recouping some of the losses from earlier in the week. The late-week market strength was driven by stronger-than-expected grinding data from Asia. Data from the Cocoa Association of Asia shows that cocoa grindings increased by 8.9% quarter-on-quarter to 197kt in the fourth quarter, while grindings were down 4.8% year-on-year. The market was expecting a larger YoY decline. This leaves total Asian grindings for 2025 at 770kt, down 9.1% YoY.

The latest CFTC data shows that money managers increased their net short in CBOT corn by 65,348 lots to 81,774 lots as of 13 January. The move was predominantly driven by a 43,230 lot increase in the gross short position. Meanwhile, for soybeans, the net speculative long fell by 44,756 lots to 12,961 lots (the least bullish since October 2025), with a large amount of fresh selling in the market. Finally, CBOT wheat saw a marginal change over the reporting week, with speculators decreasing their net short by 936 lots to 106,229 lots.

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