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# The Commodities Feed: Markets stabilise after heavy selloff

After a heavy sell-off in commodity markets, most markets are steadier in early morning trading today, while precious metals are recouping some of their recent losses



Source: iStock

## Energy: Oil risk premium fades

Oil prices sold off aggressively yesterday, with ICE Brent settling 4.36% lower on the day. This weakness comes as immediate concerns about U.S. military action in Iran have subsided, and negotiations on a nuclear deal appear imminent. Clearly, the market will be closely following these talks, given the risks that will re-emerge if they break down.

The continued recovery in the US dollar yesterday, following President Trump's nomination of Kevin Warsh as the next Federal Reserve chair, also exerted downward pressure on oil prices.

Despite the easing in flat price, the prompt ICE Brent timespread remains firm, suggesting continued tightness in the market. Yet, given expectations of a large surplus, this tightness should ease, leading to weaker spreads.

Overnight, the US and India agreed on a trade deal under which the US will lower tariffs on

Indian goods from 25% to 18% and remove the additional 25% tariff imposed on India for its purchases of Russian oil. This is after Trump said India agreed to stop buying Russian oil. If we do see this happen, it will only lead to a further increase in the amount of Russian oil floating at sea. This further pressures the Urals discount to attract buyers. A lack of buyers means Russia would ultimately be forced to reduce output, tightening up the oil market. Indian refiners have already reduced their purchases of Russian oil following US sanctions on Rosneft and Lukoil, and the EU ban on refined product imports made from Russian oil. Indian imports of Russian oil are estimated to be in the region of 1.1-1.2m b/d in January, down from around 1.8m b/d in November 2025.

European natural gas prices came under significant pressure yesterday, with TTF settling 13.59% lower, as concerns over recent cold weather in the US eased, while forecasts for milder weather in Europe only added to the downward pressure on the market. However, EU gas storage is now below 41% full. This is down from 53% at the same stage last year and below the 5-year average of 57% full. Tighter storage will leave the market vulnerable until the heating season ends.

### **Metals – Volatility continues**

Metals extended the sharp retreat that began on Friday, with volatility across the commodity complex triggering a broader risk-off tone in yesterday's trading. The selloff in silver and gold on Friday was followed by further weakness on Monday as investors unwound stretched long positions.

The selloff comes after an extraordinary three-month rally in which gold surged from \$4,000/oz to over \$5,500/oz and silver jumped from around \$50/oz to near \$120/oz. The move was fuelled largely by a wave of speculative buying from China, ranging from retail traders to larger equity funds rotating into commodities, with fresh flows pushing prices to extreme levels.

The immediate catalyst for Friday's reversal was Trump's intention to nominate Warsh as the next Fed chair. Warsh is viewed as the most hawkish candidate, which has sent the US dollar sharply higher and prompted widespread profit-taking among investors who had been positioned for a weaker dollar.

Despite the sharp correction, gold's fundamental story remains unchanged. The structural drivers -- elevated geopolitical risk, macro uncertainty, diversification flows and ongoing central-bank buying -- remain firmly in place. Central banks bought less last year but remain key marginal buyers, while current price levels are likely to attract renewed interest.

Near-term downside risks persist as year-to-date gains are almost fully unwound, and some investors may continue to take profits. But absent a material shift in fundamentals, the pullback looks more like a correction than the start of a new trend. Volatility will remain

elevated.

Copper was also dragged down in the cross-commodity selloff, with prices now more than 10% below last week's peak. Its fundamentals still look supportive, driven by tight mine supply, constrained growth in key producers, and strong structural demand linked to electrification and AI-related data-centre build-outs.

The recent price surge has also kept many industrial users on the sidelines, but lower prices should now draw physical buyers back into the market, helping to stabilise demand. While volatility may persist in the near term, copper's underlying narrative remains intact, and the dip should ultimately attract renewed buying once macro conditions settle.

Meanwhile, the European Union is considering sanctions that would ban Russian imports of several platinum-group metals and copper as part of its next package targeting Moscow. The proposal, which requires unanimous approval from member states, could be adopted later this month and would cover iridium, rhodium, platinum and copper. The measures would primarily impact MMC Norilsk Nickel, Russia's largest miner, which has so far avoided restrictions due to its importance to global supply chains.

The potential ban comes at a time when markets for these metals are already tight. Copper's mine supply is constrained, while platinum is also expected to remain in deficit. This means any loss of Russian material would further tighten availability.

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