

The Commodities Feed: Mineral deals and tariffs

Energy prices are under pressure amid demand concerns and improving prospects for a Russia-Ukraine peace deal. But tariff risks continue to hit metal markets



We see a brighter outlook for copper amid easing trade tensions and resilient China demand

Energy-WTI below \$70

Energy markets came under downward pressure yesterday. ICE Brent fell by 2.35%, while WTI is trading back below \$70/bbl. Lingering tariff risks and falling consumer confidence are fueling demand concerns. In addition, prospects for a peace deal between Russian and Ukraine are improving as the US and Ukraine agree on a minerals deal. It could be signed later this week. This would take us a step closer to Russian sanctions being lifted, removing much of the supply uncertainty hanging over the market.

Meanwhile, American Petroleum Institute (API) data show that US crude oil inventories fell by 600k barrels last week. If confirmed by the EIA later today, it would mark the first decline in US crude oil inventories since mid-January. The market has been expecting a build of around 2.4m barrels. Last week's output disruptions in North Dakota might've contributed to the stock decline. As for refined products, the API estimates that gasoline stocks increased by 500k barrels, while distillate inventories fell by 1.1m barrels.

European natural gas prices faced significant pressure yesterday, with TTF ending the day 6% lower. The US-Ukraine minerals deal contributed to downward pressures. German utilities are calling for storage target rules to be eased ahead of next winter. This would reduce demand for gas storage through the injection season. Utilities favor lowering the storage target for 1 November from 90% to 80%. In addition, storage levels have been falling at a slower pace in recent days amid milder weather conditions. EU gas storage is a little over 40% full, down from 64% at the same stage last year, and below the 5-year average of 51%. However, this 5-year average is inflated by the milder winters seen in 2022/23 and 2023/24, along with Covid impacts in 2020.

Metals- Copper tariff risk

COMEX copper futures surged after President Trump ordered an investigation into copper imports on national security concerns, paving the way for tariffs down the road. The US imports roughly 45% of its copper needs. As such, it's not a surprise to see COMEX copper futures up more than 3% at the time of writing. This move has also seen the COMEX/LME arbitrage widen back towards \$900/t. The risk of copper tariffs has the COMEX/LME arb behaving in a volatile manner in recent weeks. It briefly spiked above \$1,000/t following the announcement of tariffs on steel and aluminium imports.

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