

## The Commodities Feed: Oil edges lower on weakening demand concerns

Oil prices extended their declines this morning on a clouding demand outlook amid ongoing US tariff uncertainties and OPEC+ plans to increase output



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### Energy – Oil slides on weakening demand concerns

Oil prices edged lower in the early trading session today amid concerns that the US-led trade war will hurt energy demand, continuing the declines seen towards the end of yesterday. ICE Brent lost almost 1% this morning, with prices moving back towards \$65/bbl. The latest release of the US economic data signalled the slowing of the economy, while China pushed back against US tariffs, once again raising trade war concerns between these two countries. Meanwhile, downside risks for oil prices continue to persist as OPEC+ plans to revive production in its upcoming meeting scheduled for next week.

US Energy Secretary Chris Wright has said that the country will continue to refill its Strategic Petroleum Reserve as current crude oil prices provide an attractive opportunity. The SPR stands at a little over 397m barrels. That's up from a low of 347m barrels in 2023, but still well below the 656m barrels it stood at in mid-2020. Wright previously said it will take years to fully refill the SPR, requiring \$20bn of funding. He further added that he is asking Congress for funding to help fill the

reserve faster. Considering the SPR has a capacity of around 700m barrels, this assumes refilling the SPR would cost around \$65/bbl.

Recent market reports suggest that several oil refineries across Spain were halted after the country was hit by a power failure on Monday. Moeve said that all its plants in the country had fully stopped working, while another site in Bilbao was also halted. Repsol SA, the majority owner of Petronor, which runs other plants across the country, said all of its refineries were affected. It is reported that sharp fluctuations in power resulted in a network outage across Spain, marking Europe's worst blackout in years. As per market estimates, Spain operates a significant oil refining system that processed about 1.3m b/d on average last year. Officials are continuing to determine the reason for the outage, while backup plans have already been put in place by utilities.

## Metals – Gold under pressure

Gold edged lower this morning, with spot prices falling almost 1% as market participants continue to focus on new developments in the ongoing US trade negotiations with 17 key trading partners, excluding China. Meanwhile, a decline in US Treasury yields, along with weakness in the dollar, further weighed on gold prices.

However, the extended uncertainty in the US-China trade talks and economic instability should continue to support safe-haven demand for gold. Prices are still up by more than 25% so far this year, supported by market volatility and ever-changing US policies. The rally has also been supported by increased flows into gold ETF holdings and central bank buying.

## Agriculture – Sugar prices fall on higher supply prospects

Sugar prices came under pressure yesterday, with Sugar No.11 futures falling 2.9% day-on-day at one point (the biggest intraday decline since 3 April) amid expectations of ample global supplies for the 2025/26 season.

The weather has become favourable in Brazil, with rainfall expected over parts of the sugar belt. While this may slightly delay the early harvest, it will improve soil moisture, benefiting the cane harvested later.

There are suggestions that Brazil's sugar production will rise this season (2025/26), as mills will likely be converting more cane juice into sweeteners, eventually boosting exports. Still, concerns over weakening consumption have emerged following the announcement of recent US tariffs, increasing economic uncertainty. Looking at the spreads, the May futures versus July moved into a contango yesterday following estimates of rising supply, though the spread was trading at a premium just last week.

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