The Commodities Feed: OPEC+ shocks with supply increase

Oil prices had their worst day since 2022 thanks to new tariffs and a surprise OPEC+ supply increase hitting the market

Energy – OPEC+ shock supply increase

Oil prices took a big hit yesterday as a barrage of new tariffs raised concerns over global growth and the outlook for oil demand. ICE Brent settled more than 6.4% lower on the day -- the largest sell-off since August 2022.

It wasn't just tariff concerns weighing on the market, but also OPEC+ announcing a surprise agreement to increase supply in May by more than expected. Under its original plan, OPEC+ was to increase supply by 135k b/d in May. The group will now increase supply by 411k b/d. OPEC+ cited healthy fundamentals and a "positive market outlook" for the move. However, we believe tariff uncertainty clouds the outlook for demand and prices.

Possibly, the group feels that the prospect of stricter sanctions against Venezuela and Iran allows them to increase supply. Or maybe President Trump has been successful in convincing the Saudis to increase supply. There have also been suggestions that the group seeks to punish producers that consistently produced above their targets. Either way, this brings forward the expected surplus that we see in the oil market this year.

More OPEC+ supply should translate to more medium sour crude oil and a wider Brent-Dubai spread. This spread has seen an unusual discount for much of the year. It's partly driven by OPEC+ withholding large volumes of oil from the market at a time when buyers are looking for alternative supplies amid tougher sanctions on Iran, Venezuela and Russia.

Metals – Copper slumps as tariffs threaten global growth outlook

Copper and other industrial metals slumped on Thursday amid concerns about how Trump's latest tariffs threaten the global growth outlook.

Although all base and precious metals, including gold, were exempted from the new levies, concerns about the latest tariffs hurting demand for raw materials is weighing on the sentiment. A global trade war is bearish for copper and other industrial metals in the context of slowing global growth.

Gold joined the sell-off on Thursday, after hitting a fresh record high earlier in the day. Profit-taking pressured prices, while the rush to ship metal to the US will calm down after the precious metal was excluded from new tariffs. However, the sell-off should be short-lived, with escalating trade actions likely to continue to bolster safe-haven buying. Trump's unpredictable trade policy has been one of the key drivers for gold so far in 2025. We see uncertainty over trade and tariffs continuing to buoy prices. Also, central bank buying, another key driver, is likely to continue.

The impact of tariffs on China is particularly in focus for metals markets. Higher-than-expected US tariffs are likely to drag on Chinese growth and inflation this year. China has been quite measured in its reaction to the first two rounds of tariffs. But a sharp 34% tariff escalation risks a stronger response both in terms of domestic stimulus and potential retaliation, our China economist believes. More aggressive stimulus measures from Beijing could cap the downside for copper and other industrial metal prices.

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