

The Commodities Feed: Reciprocal tariffs send oil lower

Oil prices slumped this morning after the Trump administration unveiled its latest reciprocal tariffs. Unsurprisingly, the move pushed gold prices to fresh record highs



Energy - Tariffs weigh on oil

Oil prices are under pressure this morning, following other risk assets lower, after the Trump administration unveiled a base tariff of 10% on all imports from all trading partners. WTI was down more than 3% at one stage in the early morning session and trading below US\$70/bbl.

President Trump's latest levies will come into effect on 5 April. An additional tariff will be implemented on some trading partners, effective 9 April. For example, the reciprocal tariff on China is 34%, while the EU faces 20%. Meanwhile, Canada and Mexico are exempt from these latest tariffs. Oil and natural gas also appear to be exempt.

The scale of some of Trump's tariffs will raise global demand concerns. There's also increased uncertainty, with markets waiting to see how trading partners retaliate.

Away from tariffs, OPEC+ is holding a call today to discuss the need for members to stick to production targets. OPEC+ is set to bring an additional 138k b/d of supply back to the market this

month, part of plans to start gradually unwinding 2.2m b/d of supply cuts. We may also get clarity on whether the group will continue to unwind supply cuts next month. Yet even as OPEC+ brings supply back to the market, some members need to make compensation cuts for previous overproduction. This should more than offset the planned supply increases.

The Energy Information Administration's (EIA) weekly inventory report was fairly bearish, with US crude oil inventories increasing by 6.17m barrels over the last week. Cushing crude oil inventories increased by 2.37m barrels. The large build was driven by a 728k b/d week-on-week drop in crude exports. Crude oil imports increased by 271k b/d WoW. Furthermore, refinery utilisation fell by 1pp to 86%. For refined products, gasoline stocks fell by 1.55m barrels, while distillate stocks increased by 264k barrels.

Metals - Tariff relief

Gold hit a record high following the announcement of reciprocal tariffs, with spot prices nearing US\$3,170/oz at one stage. These tariffs will raise global growth concerns. There will also be uncertainty over how trading partners retaliate, which is likely to continue to support gold.

However, the tariff announcement did provide some relief to metal markets. It's becoming clear that steel and aluminium imports won't be subject to these tariffs. The same with gold and copper. The exemption for gold means that we could start seeing a slowing of gold flows into the US.

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