The Commodities Feed: Sentiment sours

Tariff developments over the weekend have led to a stronger dollar this morning and weighed on large parts of the commodities complex

Energy – Tanker rates ease

Oil prices saw their first weekly decline of the year with ICE Brent settling a little more than 2.8% lower last week. And this downward pressure has continued in early morning trading today. The tariff story has become an increasing concern for the market. This is particularly the case after the Trump administration imposed 25% tariffs on Colombia, which is set to increase to 50% in a week after Colombia refused entry to two US military planes attempting to deport illegal immigrants. The Colombian government has retaliated with the president ordering similar tariffs of 25%. Colombia is the fourth largest supplier of crude oil to the US, exporting a little more than 200k b/d. Colombia's key export grades are heavier crudes, and so refiners in the US Gulf Coast will either have to find alternatives or face higher costs. The USD strength following this escalation will also be providing headwinds to oil and the broader commodities complex.

Putting further pressure on oil are signs that maybe the latest US sanctions are not having a significant impact on Russian oil exports. Tanker rates appear to be coming off from their recent highs following the announcement of sanctions against Russia, suggesting that Russian oil is still flowing through the use of Russia's shadow tanker fleet, despite a large share of this fleet being sanctioned.

The latest positioning data shows that speculators increased their net long in ICE Brent by 8,533 lots over the last reporting week to 262,865 lots as of last Tuesday. While for NYMEX WTI, speculators increased their net long by 20,195 lots to 250,887 lots as of last Tuesday – the largest position speculators have held since July.

Metals – Gold nears record high on Trump's China comments

Gold rose close to a record high late last week after Donald Trump signalled a less aggressive approach to China. In a TV interview last week Trump said he would "rather not have to use" tariffs against China. His comments weighed on the US dollar and lifted gold prices higher. Although renewed USD strength this morning following escalation between the US and Colombia is providing some headwinds to gold in early morning trading.

Trump's softer tone towards China also pushed copper and other base metals higher last week. Copper climbed to a two-month high above $9,300/t in Friday's session after Trump's comments have eased trade concerns, at least for now.

Agriculture – Tighter cocoa stocks

The latest survey from the International Cocoa Organization (ICCO) suggests that stocks at the end of the 2023/24 season were even tighter than the ICCO initially thought. The survey shows stocks at 1.04mt at the end of last season, down 36% year-on-year and lower than the ICCO's estimate of 1.3mt. Tight stocks after three years of consecutive deficit and concerns over dry Harmattan winds in West Africa continue to support cocoa prices.

The USDA's weekly net export sales for the week ending 16 January showed a rise in demand for US corn and soybeans, while wheat exports fell over the previous week. Weekly export sales for corn rose to 1,670.2kt, higher than the 1,024.4kt from the previous week and 992.4kt for the same period last year. Similarly, soybean exports stood at 1,492.7kt for the week, higher than the 569.1kt reported a week ago and 560.9kt reported a year ago. Meanwhile, US wheat shipments stood at 215.3kt, lower than the 521.9kt reported a week ago and 510.4kt reported a year ago.

The latest Commitment of Traders report from the CFTC shows that speculators increased their net short in No.11 raw sugar by 51,159 lots over the last reporting week to 51,666 lots. This is the largest net short that speculators have held in sugar since 2020 and comes after the Indian government surprised the market by allowing 1m tonnes of exports for the 2024/25 season.

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