

## The Commodities Feed: Tariff-induced sell-off

The complex has sold off heavily following the announcement of reciprocal tariffs by the Trump administration. Oil, metals and ags have all sold off. Even gold, usually seen as a safe haven, has come under pressure



Even gold – traditionally a safe haven – has tumbled from the record high it reached earlier last week

### Energy – Oil pricing in big demand hit

Oil prices have had their worst week since October 2023, with risk assets getting hit by US President Donald Trump's reciprocal tariffs and the retaliation we have started to see towards them. China retaliated on Friday with a 34% tariff on all imports from the US. ICE Brent settled almost 11% lower last week to trade down to the mid-\$60s. This weakness has only continued in early morning trading today. Adding salt to the wound has been the surprise [decision from OPEC+ to increase supply in May by more than expected](#). The Saudis also decided to cut their official selling price for their Arab Light grade into Asia for May loading by US\$2.30/bbl – the biggest cut since 2022.

The scale of tariffs, combined with the decision from OPEC+, clearly took speculators by surprise. This is reflected in the ferocity of the sell-off in oil and the fact that speculators increased their net long ahead of the tariff announcement on 2 April. The latest positioning data shows that

speculators increased their net long in ICE Brent by 56,112 lots to 318,182 lots as of last Tuesday. This move was driven by fresh longs entering the market. Clearly, they have since exited the market.

The scale of the sell-off suggests the market is pricing in a significant demand hit as recession fears grow. Current price levels imply a demand hit in the region of 1m b/d for the remainder of this year, which would leave oil demand flat year-on-year.

The move in the market is also likely to lead to a severe slowdown in drilling activity in the US. While Baker Hughes data shows that the oil rig count increased by five over the last week, this will quickly reverse at current price levels. The latest Dallas Fed Energy Survey shows that US producers need, on average, \$65/bbl to profitably drill a new well, compared to a spot WTI price of a little over \$60/bbl, while forward prices are sub-\$60/bbl. A reversal in drilling in the US would mean it doesn't take long to start seeing US oil production declining. Permian crude oil production from existing wells declines by a little more than 400k b/d per year.

## **Metals – Markets collapse on global growth fears**

Metal markets collapsed on Friday as Trump's escalating trade war continues to fuel concerns about global growth and the demand outlook for raw materials. China's retaliation on Friday with its own 34% tariffs on all imports from the US intensified the sell-off. Copper prices tumbled more than 6% on the LME, the biggest drop in five years, while prices on COMEX dropped more than 8%. Nickel prices plunged 6%, to the lowest level since 2020. A global trade war is bearish for industrial metals in the context of slowing global growth. China is the biggest consumer of industrial metals, so a trade war with the US is of particular interest for metals markets.

Even gold – traditionally a safe haven – tumbled from a record high it had reached earlier last week as investors sold off the precious metal along with other asset classes to cover losses elsewhere. Still, we believe this should be short-lived, with escalating trade actions likely to continue to bolster safe-haven buying.

## **Agriculture – Soybeans fall as China responds to US tariffs**

CBOT soybean prices came under pressure on Friday after China retaliated against US tariffs by imposing a 34% tariff on all US imports starting from 10 April. This follows previous retaliation from China, which targeted US farm products. The latest export sales data from the USDA shows that over the 2024/25 marketing season, the US has exported 21.5mt of soybeans to China, while there are still 598kt to be shipped, which could be cancelled. This latest tariff move will only further push China to purchase larger volumes of Brazilian soybeans.

## Author

### Warren Patterson

Head of Commodities Strategy

[Warren.Patterson@asia.ing.com](mailto:Warren.Patterson@asia.ing.com)

### Ewa Manthey

Commodities Strategist

[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

## Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit [www.ing.com](http://www.ing.com).