

# The Commodities Feed: Tariff threat weighs on the complex

Oil and base metals have come under pressure with the growing threat of tariffs



## Energy – Freeport outage sees TTF surge

The oil market's attention is slowly turning away from US sanctions against Russia towards President Trump's potential trade policy, which saw Brent settle below US\$80/bbl yesterday. The president has reiterated his threats to impose a 25% tariff on imports from Canada and Mexico, potentially by 1 February. Overnight, he also threatened 10% tariffs on China in retaliation to fentanyl flows from the country, which has kept some pressure on oil prices in early morning trading in Asia today. Clearly, trade and tariff risks and the potential for retaliation are growing.

The European natural gas market surged higher yesterday with TTF settling more than 4.5% higher on the day and above EUR50/MWh – the highest level since the first trading day of 2025. The catalyst for the move appears to be an outage at the Freeport LNG export terminal in the US, which has been dealing with power issues which coincide with the freezing weather conditions the region is currently experiencing. Freeport, which has a capacity of a little more than 20bcm, said the plant will remain shut until power to the plant stabilises. Europe needs to pull in more LNG this winter with the loss of Russian pipeline flows through Ukraine, along with also stronger demand.

EU gas storage has now fallen to 59% and the region will need to try to make sure it stays above the European Commission's target of 50% full by 1 February.

In addition, Germany is potentially looking at subsidising the refill of gas storage ahead of the 2025/26 winter, a discussion we are likely to see more of across the EU with the TTF forward curve providing little incentive for players to store gas for the next winter with summer 2025 prices trading at a premium to 2025/26 winter prices.

## Metals – Complex declines as Trump plans tariffs on Canada and Mexico

Base metals declined yesterday after US President Trump said, on his first day back in power, that he will likely impose tariffs as high as 25% on Mexico and Canada by 1 February. Trump also indicated that he was still considering a universal tariff on all imports to the US, but said he was “not ready for that yet”. This has raised prospects of renewed global trade conflict once again.

Tariffs are the biggest risk to our industrial metals outlook. We believe with President Trump back in the White House, the downside risks have increased for industrial metals.

## Agriculture – CONAB lowers coffee output estimates

Brazil's agriculture agency, CONAB lowered its coffee production estimates for 2024/25 as adverse weather conditions last year and at the end of 2023 resulted in reduced yields. In its recent survey, CONAB estimates total coffee production in Brazil to fall 1.6% year-on-year to 54.2m bags in 2024/25, below the previous estimates of 54.8m bags. The agency said that the Arabica coffee production projections were little changed at 39.6m bags. However, this was still 1.8% above last season's output. Meanwhile, Robusta coffee production estimates fell from its previous estimate of 15.2m bags to 14.6m bags (-9.6% YoY). However, the market is more focused on how the 2025/26 crop develops with the harvest set to start in April. There have been concerns over the upcoming crop given the dry weather conditions seen over much of 2024.

Recent estimates from the Brazilian Association of Vegetable Oil Industries (ABIOVE) show that soybean production could rise 11.9% YoY to 171.7mt in 2025, up from its previous forecast of 168.7mt. Similarly, soybean export estimates were raised by 1.7mt to 106.1mt, while 2024 export estimates were increased from 98.3mt to 98.8mt. Meanwhile, soybean ending stock estimates were raised to 9.8mt this year, up 2.2% from its earlier forecast. In 2024, ending stocks declined by 22% YoY to 3.6mt.

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