The Commodities Feed: Tariff uncertainty intensifies

Commodities and risk assets in general are under pressure as trade policy uncertainty intensifies

Energy- Venezuelan oil supply at risk

The oil market came under pressure again yesterday, with ICE Brent settling a little more than 0.8% lower. WTI is trading lower in early morning trading today. The prospect of rising OPEC+ supply, combined with intensifying uncertainty over tariffs, hit oil market sentiment. Overnight, there were suggestions that the Trump administration is considering some tariff relief on imports from Canada and Mexico. But heightened uncertainty is sending investors to the sidelines. This is evidenced by a reduction in speculative positioning in both WTI and Brent in recent weeks.

On the sanction front, the US administration has given Chevron until 3 April to wind down operations in Venezuela. Despite sanctions, Chevron previously had a license to operate in the country and export crude oil to the US. As production stops, 200k b/d of supply is at risk. This will leave US refiners looking for alternative heavy grades of crude oil just as other suppliers — Canada and Mexico — face tariffs.

Numbers overnight from the American Petroleum Institute show US crude oil inventories fell by

1.5m barrels over the last week. On the product side, gasoline stocks declined by 1.2m barrels and distillate inventories increased by 1.1m barrels. It was a fairly neutral release. Even so, the market is more focused on tariffs at the moment.

The European natural gas market sold off yesterday with TTF settling nearly 3.9% lower on the day. We believe that the weakness is overdone given the tighter storage environment. Also, European prices need to stay elevated and at a premium to Asia to ensure the region brings in enough LNG through the injection season. Previously, the TTF forward curve was at a consistent premium to Japan Korea Marker (JKM) prices for much of the year. This isn't the case amid weakness in European prices.

Agriculture – China targets US agriculture in retaliation

As widely expected, China announced further retaliatory tariffs on imports from the US. This follows the US raising tariffs on China from 10% to 20%. China is targeting US agricultural products with tariffs ranging between 10-15% on certain commodities. This includes an additional 15% tariff on wheat, corn, cotton and chicken, and an another 10% tax on soybeans, sorghum, pork, beef, aquatic products, fruits, vegetables and dairy products.

Soybean levies will only push China further towards South American supply. Seasonally, this is a time when China relies more heavily on Brazilian supply. Export sales data from the USDA shows that only around 1.5m tonnes of soybeans are still set to be shipped versus the nearly almost 21m tonnes sold to China this marketing year. Thanks to the latest tariffs, a large share of these outstanding sales could be cancelled. Meanwhile, USDA data shows no outstanding US corn or wheat sales to China.

Author

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@asia.ing.com

Ewa Manthey
Commodities Strategist
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.