

The Commodities Feed: Tariffs delayed

Oil markets are seeing a correction after Canada and Mexico came to a last-minute deal with the US, which will see tariffs postponed by at least a month



Energy – No change to OPEC+ output policy

The oil market gave back a lot of its gains yesterday after Mexico and Canada came to a deal with the US, which saw a delay in the implementation of tariffs. Both Mexico and Canada agreed to put more resources on their border to combat the flow of fentanyl to the US. The delay has seen crude oil prices coming under further pressure in early morning trading today with NYMEX WTI down more than 1%, while NYMEX RBOB and ULSD are under relatively more pressure.

Unsurprisingly fears over tariffs on Canadian oil saw the differential for West Canada Select (WCS) widening relative to WTI. The differential widened by US\$1.55/bbl to a discount of US\$17.84/bbl yesterday – the weakest the differential has been since July 2024. The differential has been weakening for much of this year, given concerns over tariffs. Clearly, with still plenty of uncertainty over trade it would be wise for Canada to start investing in further pipeline capacity from its producing regions to its east and west coasts. It would take several years to build this infrastructure, but it would provide Canadian producers more flexibility and the potential for more destinations for Canadian oil. At the moment, given that the bulk of pipeline infrastructure is directed towards the US, Canada is left vulnerable to trade frictions.

OPEC+ held its Joint Ministerial Monitoring Committee (JMMC) meeting yesterday, and as widely expected the group recommended no change to its output policy. This suggests that the group is likely to go ahead with the unwinding of their additional voluntary supply cuts from April. The group is scheduled to bring back around 2.2m b/d of supply over an 18-month period starting in April. Obviously, the return of this supply will still be dependent on market conditions. The next JMMC meeting will be held on 5 April.

Preliminary production numbers show that OPEC production fell by 70k b/d MoM to 27.03m b/d in January according to a Bloomberg survey. Iraq led the declines, with its output falling by 110k b/d to 4.01m b/d. This reduction was largely due to a fire at the Rumaila oilfield.

European natural gas prices remain well supported with TTF settling a little more than 1% up on the day at EUR53.79/MWh. Concerns over the quicker-than-expected draw in EU storage continue to support the market. EU storage is now a little under 53% full, below the 69% seen at the same stage last year and below the five-year average of 60%. However, the EU met its intermediary target of having storage at least 50% full by 1 February. In addition, some unplanned outages in Norway have only added to supply concerns. However, Russian flows via Turkstream were stronger over January with flows totalling 1.4bcm, up 1.7% MoM and up 26% YoY.

Metals – Gold hits record high on Trump tariffs

Gold rose to a new all-time high after US President Donald Trump imposed tariffs on Canada, Mexico and China, driving investors to safe havens. However, the strength in the USD did provide some strong headwinds to gold prices through the day yesterday. Despite the US coming to a deal with Canada and Mexico, which will see tariffs delayed by at least a month, the uncertainty over trade and tariffs continues to buoy gold prices. Total known gold ETF holdings have increased by more than 590k oz this year to 83.4m oz amid a move to safe-haven assets.

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