

The Commodities Feed: The door opens for tariff de-escalation

Risk assets staged a recovery yesterday amid growing hopes for a de-escalation in US-China trade tensions. President Trump also eased concerns he might fire Federal Reserve Chair Powell



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Energy – Oil rebound

Oil rebounded yesterday along with other risk assets. ICE Brent settled almost 1.8% higher on the day after President Trump calmed concerns over the future of Federal Reserve Chair Jerome Powell's position. Trump stated he has no intention of firing Powell. In addition, comments from both President Trump and Treasury Secretary Scott Bessent on tariffs opened the door for an easing of tensions between the US and China. Yet, signs of tightness in the prompt physical market should continue to support the oil market. This tightness can be seen in the strengthening of timespreads.

Numbers from the American Petroleum Institute (API) overnight were also constructive. US crude oil inventories fell by 4.57m barrels, while stocks at Cushing declined by 354k barrels. Refined product inventories declined, with gasoline and distillate stocks falling by 2.18m barrels and 1.64m barrels, respectively. The more widely followed Energy Information Administration report will be

published later today. Numbers similar to API's would mark the eighth consecutive week of declines in gasoline inventories.

European natural gas prices plunged almost 4% yesterday as storage continues to build. Gas inventories stand at 37% full after bottoming out at less than 34% full in late March. However, storage levels are below last year's levels and lower than average. Meanwhile, the Title Transfer Facility (TTF) forward curve continues to move towards a more normal shape, with summer prices trading at a discount to winter prices. Behind this move are broader demand concerns and the potential for flexibility in EU storage targets.

The EU is reportedly discussing a potential ban on spot purchases of Russian gas to help reduce the region's reliance on Russian fossil fuels. Possible actions to be taken are expected to be presented to EU members on 6 May. Russia is still a large supplier of natural gas to the region. While Russian pipeline flows have fallen significantly in recent years, Russian LNG arrivals into Europe have grown. The fact that the EU is looking at options to reduce flows suggests that a return of Russian pipeline gas to Europe as part of a Russia/Ukraine peace deal is unlikely.

Metals – Chinese smelters boost copper output

LME copper climbed to a two-week high yesterday after reopening from the long Easter weekend. Dollar weakness seen in recent days is providing some support. Meanwhile, comments from Trump suggesting a reduction in China tariffs leave room for de-escalation on the trade front.

Copper smelters in China boosted output to a record high in March. This is despite record-low processing fees, partly driven by rising prices for by-products including gold and sulphuric acid. Production of refined copper rose 8.6% in March from a year earlier to 1.25 million tonnes, according to China's National Bureau of Statistics. In the first quarter, China's total output of refined copper was 3.54 million tonnes, up 5% from 2024.

Agriculture – EU wheat yields raised

In its monthly crop monitoring Mars report, the European Commission estimates that total wheat yields could rise slightly to 5.82t/ha, compared to the previous projections of 5.8t/h and the five-year average of 5.55t/ha. Abundant rainfall in Southern Europe improved soil moisture and led to an upward revision of yield projections.

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