The Commodities Feed: Trade talks give oil prices a lift

Oil prices firmed as trade talks between the US and China appear to be moving in the right direction. Meanwhile, Iranian nuclear talks continue to face obstacles

Energy – Trade talk optimism supports market

Oil prices firmed yesterday, a trend that continued in early morning trading today. Trade talks between the US and China appear to be progressing, with discussions set to continue today. The US also appears willing to ease some tech export restrictions in return for China easing limits on rare earth exports. This is providing some support to the market. Meanwhile, nuclear talks between Iran and the US don't appear to be progressing, providing some tailwinds for prices. Iran is not willing to compromise on its right to enrich uranium, something the US won't accept.

The latest trade data shows that Chinese crude oil imports were relatively weak in May, coming in at around 11m b/d, down 5.7% month-on-month and 0.8% lower year-on-year. Weaker imports were partly driven by refinery maintenance; May is generally the peak for such maintenance. However, cumulative imports for the year are still up 0.3% YoY.

The ICE gasoil market continues to point towards tightness in the spot market. The prompt ICE gasoil spread has seen its backwardation surge to almost US$16/t, up from around US$8/t a week ago. In addition, the ICE gasoil crack is holding firm. Speculators also bought the market over the last reporting week, while open interest in ICE gasoil has hit record levels. Long open interest from swap dealers remains near record highs, suggesting a potential increase in consumer hedging.

Metals – China's Central Bank adds more gold in May

China's central bank added gold to its reserves for a seventh consecutive month in May. The People's Bank of China added 60,000 troy ounces of gold to its reserves last month, taking the total to 73.83 million troy ounces.

In industrial metals, preliminary trade data from China's Customs showed imports for unwrought copper fell 2.9% MoM and 16.2% YoY to 427.2kt. Similarly, cumulative imports were down 6.3% YoY, totalling around 2.2mt in the first five months of the year. Copper concentrate imports decreased 18% MoM to 2.4mt in May, despite smelters sustaining output levels. On a year-to-date basis, copper concentrate imports totalled 12.4mt for the first five months, up 7% YoY.

In ferrous metals, monthly iron ore imports fell 3.8% YoY (-4.9% MoM) to 98.1mt. The drop reflects mills reducing purchasing activity ahead of an expected seasonal downturn in domestic steel consumption. China's cumulative iron ore imports fell 5.3% YoY to 486.6mt over the first five months of the year. On the export side, China's unwrought aluminium and aluminium products shipments fell 5.1% YoY to 2.4mt in the first five months of the year. Meanwhile, exports of steel products jumped 8.6% YoY to 48.5mt during Jan'25-May'25.

Agriculture – China soybean imports hit record levels

The latest data from China Customs shows that China's soybean imports rose 36.2% YoY (+128.9% MoM) to a record high of 13.9mt in May. The availability of cheaper supplies from Brazil and increasing demand for soybean meal from animal producers resulted in rising soybean purchases. However, cumulative soybean imports over the first five months of the year stand at 37.1mt, down 0.7% YoY.

Export inspection data from the USDA for the week ending 5 June shows that US corn and soybean inspections rose, while wheat exports eased over the last week. Export inspections of corn stood at 1,656.6kt, up from 1,641.7kt in the previous week and 1,340.8kt reported a year ago. Similarly, US soybean export inspections stood at 547kt, above 301.5kt a week ago and higher than the 234kt seen last year. For wheat, US export inspections stood at 291kt, down from 553.4kt a week ago and 353kt reported a year ago.

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