The Commodities Feed: Trump plans 25% tariffs on all imports of steel and aluminium

US President Donald Trump plans to impose 25% tariffs on all imports of steel and aluminium into the US, but hasn't specified when the new duties would take effect. Gold extended to near a record on new tariff threats

Prolonged trade conflict would slow global growth and hurt demand for industrial metals, but tariff concerns are spurring demand for safe haven assets like gold

Metals – Trump plans 25% tariffs on all imports of steel and aluminium

LME aluminium was steady this morning after Trump announced plans to impose 25% tariffs on all imports of steel and aluminium into the US. The US imports significant volumes of aluminium and steel from Canada. In 2023, net US aluminium imports were 44% of its total consumption, with Canada the biggest supplier, accounting for 56% of imports. Meanwhile, around 30% of steel imports into the US arrived from Canada. Only last week, Trump delayed plans to hit Canada and Mexico with general import duties of 25%.

With Trump back in the White House, uncertainty and unpredictability are running high. Prolonged trade conflict would slow global growth and hurt demand for industrial metals. In 2018, the US president imposed a 10% duty on imported aluminium and a 25% tariff on imported steel to promote domestic metal production. The duties on Canada and Mexico were lifted a year later after a new free trade agreement between the two countries and the US.

In precious metals, gold rose to a fresh record high following Trump's new tariff announcement. Gold is already up more than 10% year-to-date, having hit a series of consecutive record highs along the way. Tariff concerns that risk higher inflation and slower economic growth are spurring demand for safe haven assets like gold.

Meanwhile, China's central bank expanded its gold reserves for a third month in January. Gold held by the People's Bank of China rose to 73.5 million troy ounces in January, from 73.3 million in the previous month. Last week, data from the World Gold Council (WGC) showed that central banks' buying last year exceeded 1,000 tonnes for the third year in a row, accelerating sharply in the fourth quarter to 333 tonnes and bringing the net annual total to 1,045 tonnes. Gold's rally in 2024 was driven by central bank buying, especially from China. Central banks are still buying and will probably continue to do so as geopolitical tensions and the economic climate continue to push them to increase their allocation towards safe haven assets.

The latest positioning data from the CFTC shows that speculators increased their net longs of COMEX copper by 1,674 to 17,197 lots as of 4 February. In precious metals, managed money net longs in COMEX gold decreased marginally by 366 lots for a second consecutive week to 230,226 lots over the last reporting week. The move was fuelled by rising gross long and gross shorts by 12,202 lots and 12,568 lots for the reporting week. In contrast, speculators increased net longs of silver by 11,052 lots to 37,370 lots (the highest since the last week of October) as of Tuesday, following an increase in gross longs by 10,178 lots to 57,040 lots.

Energy – European gas prices hit two-year high on tightening storage

European natural gas prices rose to a two-year high amid colder temperatures and tightnening storage facilities. Prices rose more 4% this morning, hitting the highest level seen since February 2023. Stockpiles are already at their lowest for this time of year since the energy crisis in 2022. Inventories are only 49% full compared with 67% at the same time last year.

In crude oil, prices rose in the early trading session today, with ICE Brent and NYMEX WTI moving above $75/bbl and $71/bbl respectively. The oil market saw a second straight session of gains as the US president announced more tariffs on Sunday. Oil prices are also receiving short-term support as the US imposed sanctions on an international network facilitating the shipment of Iranian crude to China last week.

Meanwhile, drilling activity in the US recovered marginally over the last week. The latest rig data from Baker Hughes shows that the number of active US oil rigs increased by one over the week to 480 as of 7 February 2025. However, despite the weekly increase, the oil rig count is still down by 19 compared to this time last year. The total rig count (oil and gas combined) stood at 586 over the reporting week, up from 582 a week earlier.

The recent positioning data shows that speculators decreased their net long in ICE Brent by 17,981 lots over the last reporting week to 289,723 lots as of last Tuesday. This was the first weekly decline reported since 31 December 2024. The move was predominantly driven by gross longs falling by 24,308 lots to 372,368 lots. For NYMEX WTI, speculators sold 51,252 lots for a second week straight over the reporting week, leaving them with a net long of 140,540 lots – the lowest since the week ending 10 December 2024.

Agriculture – WASDE expectations

The USDA is scheduled to release its monthly WASDE report tomorrow. Initial market expectations suggest that the agency could decrease its estimates of US corn ending stocks by 13m bushels to 1,527m bushels while trimming its soybean ending stock estimates by 3m bushels to 378m bushels. In global supply, the agency could revise down its Argentina corn and soybean output estimates to 49.7mt (-1.3mt) and 50.6mt (-1.4mt). Meanwhile, Brazilian corn and soybean output estimates could also fall to 126.8mt (-0.2mt) and 169.9mt (+0.9mt) respectively. Global ending stocks for corn could decline from 293.3mt estimated in January to 292.8mt, while soybean ending stock estimates could fall to 128mt from 128.4mt.

Recent numbers from the International Coffee Organisation (ICO) shows that global coffee exports stood at 10.7m bags in December 2024, down 12.4% year-on-year compared to 12.3m bags reported a year ago. This includes Arabica exports of 6.6m bags (-6.3% YoY) and Robusta exports of 4.2m bags (-20.7% YoY). This leaves shipments between October and December 2024 at 32.3m bags, down 0.8% YoY.

The latest report from Statistics Canada shows that Canada's total wheat inventories fell by 2.3% YoY to 24.5mt as of 31 December 2024, compared to 24.3mt for the same period last year. Similarly, domestic corn inventories fell to 11.32mt, down 4.7% YoY. In contrast, soybean inventories increased by 7.2% YoY to 4.2mt for the above-mentioned period.

The latest CFTC data shows that money managers decreased their net short position in CBOT wheat by 20,340 lots to 90,442 lots as of 4 February. The move was fuelled by a decrease in gross shorts by 22,694 lots to 165,118 lots. Meanwhile, the net speculative long position in CBOT corn rose by 13,496 lots for a seventh consecutive week to 364,217 lots, the highest since 19 April 2022. The move was predominantly driven by falling gross shorts by 12,778 lots. Similarly, the net speculative long position in CBOT rose marginally by 533 lots for a fourth week straight to 57,029 lots over the last reporting week, following a decrease in gross longs and gross shorts by 4,708 lots and 5,241 lots respectively.

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