

The Commodities Feed: Trump threatens more tariffs

Copper and other base metals slipped on Tuesday morning amid the strengthening dollar after Trump vowed additional tariffs



Crude oil prices retreated yesterday on reports of significant progress towards an Israel-Hezbollah deal

Metals – Trump vows more tariffs

US President-elect Donald Trump said in a post to his Truth Social network on Monday that he will consider imposing additional tariffs of 10% on Chinese goods and 25% levies on imports from Mexico and Canada to tackle the country's drug epidemic. Base metals retreated amid a strengthening dollar following the post. Base metals have been under pressure since Trump's presidential win due to the potential trade war and weak demand outlook in China.

Precious metals tumbled yesterday after some media reports suggested that peace talks between Israel and Hezbollah are progressing well and a ceasefire agreement could be finalised in a few days. Gold prices dropped more than 3% to settle at US\$2,625/oz while silver prices also fell by around 3.3% to settle at US\$30.3/oz. De-escalation of tensions in the Middle East could shave off some of the risk premium from the precious metals, although other factors including Russia-Ukraine tensions and Fed rate cuts remain supportive for the yellow metal.

Steel inventories at major Chinese steel mills rose for a second consecutive week to 15.6mt in mid-November, up 13.8% compared to early November, according to data from the China Iron and Steel Association (CISA). Steel inventories are 1.4% higher than in the same period last year. CISA also reported that steel production in China increased in November as margins recovered and

some of the mills restarted production after cuts in August and September.

Energy – Peace talks in the Middle East push crude lower

Crude oil prices retreated yesterday on reports of significant progress towards an Israel-Hezbollah deal. ICE Brent settled at around US\$73/bbl yesterday, down around 3% for the day whilst NYMEX WTI settled at around US\$69/bbl. The Israeli ambassador to the US is reported as saying “we are close to a deal” and that “it could happen within days” after addressing some final points. A deal in the Middle East could also help reduce the tensions between Israel and Iran and lower the regional supply risks significantly for the oil market in immediate terms.

Trump has vowed to impose additional tariffs on imported goods from China, Canada and Mexico once he assumes office. New tariffs from the US could intensify the global trade frictions and may impact the economic growth prospects in the longer term. For energy markets, new tariffs could make crude oil and natural gas expensive in the US as Canada is one of the major suppliers of energy products. On the other hand, tight supplies from external markets could lead to bigger investments into shale drilling that may help push domestic production higher.

Agriculture – Supply concerns push coffee higher

Arabica coffee futures jumped more than 2.5% to a high of US\$313/lb yesterday (the highest since May 1997), amid lingering concerns about tight global supplies. Weather concerns in top producer Brazil, along with geopolitical tensions, pushed the arabica coffee prices higher. Arabica prices have increased by around 60% this year, due to supply shortages from the top producers – Brazil and Vietnam. Despite the excellent flowering due to recent rains in Brazil, there are concerns that the flowers may not attach to the branches, which might lead to production losses in the next season. Higher exports this year due to stronger prices have reduced the stockpile and a low production next season could tighten the supplies significantly.

Meanwhile, the spread between Arabica and Robusta coffee widened to the highest level since 20 April 2023 and traded near US\$83/lb yesterday, following the sharp rise in Arabica prices. Robusta prices also moved higher recently on supply concerns in the key producers, however, they failed to match the significant gain seen in Arabica prices.

In its monthly crop monitoring Mars report, the European Commission reported that above-average temperatures and dry weather conditions in major parts of Europe helped accelerate the sowing and harvesting activities. The weather was also favourable for the recently sown crops. However, unfavourable weather conditions in large parts of Spain, some parts of Ukraine, Russia, and Italy could hamper the sowing of winter crops.

Weekly export inspection data from the USDA for the week ending 21 November shows that US corn and wheat inspections rose, while soybean exports eased over the last week. Export inspections of corn stood at 903kt, up from 873.7kt in the previous week and 419.9kt reported a year ago. Similarly, US wheat export inspections rose to 360.5kt, higher than 196.7kt in the previous week and 288.5kt reported a year ago. Meanwhile, US soybean export inspections stood at 2,102kt, compared to 2,266.4kt a week ago and 1,574.1kt a year ago.

Authors

Ewa Manthey

Commodities Strategist

ewa.manthey@ing.com

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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