

The Commodities Feed: Markets await Trump's Russia peace-deal deadline

The oil market is awaiting greater clarity on the potential for secondary tariffs on buyers of Russian oil, with President Trump's deadline for a Russia-Ukraine peace deal scheduled for Friday

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Energy – Secondary tariff uncertainty lingers

There's still plenty of uncertainty over the US imposing secondary tariffs on buyers of Russian oil. Much of the noise in recent weeks has centred on India facing such tariffs. However, market chatter is growing that China's purchases of Russian oil may come into focus next. If India were to stop buying Russian oil amid tariff threats, we believe the market would be able to cope with the loss of this supply. It would wipe out the surplus we're expecting in the market through the latter part of this year and much of 2026. This would leave some upside to prices, but a manageable one.

The bigger risk is if other buyers also start to shun Russian oil. This would require OPEC to tap into its spare production capacity quickly and aggressively to balance the market. This could result in significant further upside for prices. However, the key question remains whether India and China would actually stop purchasing Russian oil. If we cast our minds back to 2022, the expectation was that Russian oil flows would fall significantly following the start of the Russia-Ukraine war. Yet volumes held up well, with barrels rerouted to new destinations. Volumes continue to hold up well, despite the gradual tightening of sanctions against Russia.

We should get more clarity later this week, with President Trump's deadline for Russia to strike a deal with Ukraine on Friday. There's a US delegation visiting Russia this week. Reports are that President Putin may be willing to offer some concessions, such as an air truce, in order to avoid stricter sanctions and secondary tariffs.

US inventory data from the American Petroleum Institute overnight was supportive, showing that crude oil inventories fell by 4.2m barrels over the last week. Meanwhile, gasoline stocks fell by 900k barrels and distillate stocks increased by 1.6m barrels. If US Energy Information Administration (EIA) data today confirms a build in distillate stocks, it would be the fourth consecutive week of increases. This would ease concerns over tightness in the middle distillate market.

Metals - Central banks buy more gold in June

Central banks added a net 22 tonnes of gold to global reserves in June, according to the World Gold Council. The Central Bank of Uzbekistan was the leading buyer with net purchases of 9 tonnes, breaking a four month selling streak.

In the second quarter, central banks added 166 tonnes to global official gold reserves. The National Bank of Poland was the largest buyer of gold, adding 19 tonnes to its reserves. This was lower than its first-quarter buying of 49 tonnes. Polish official gold holdings now total 515 tonnes, or 22% of total reserves.

However, Q2 buying was 33% lower quarter on quarter. This marks the second consecutive quarter during which demand has slowed, with gold's 30% price rally this year likely contributing to the move. Despite the slowdown, central banks are likely to continue adding gold to their reserves given the still-uncertain economic environment and the drive to diversify away from the US dollar.

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