

The Commodities Feed: US-China trade talks push markets higher

Commodity markets are trading firmer amid news US-China trade talks will kick off later this week



Energy: US-China trade talk hopes push oil higher

News that the US and China will start trade talks this weekend has Brent crude trading higher, extending a relief rally in oil yesterday. Talks would be a sign of potential de-escalation in trade tensions. Yet while negotiations would help improve sentiment in the oil market, we'll need to see significant progress on lowering tariffs to improve the demand outlook.

In addition, the supply side looks increasingly more comfortable due to the aggressive supply hikes from OPEC+. This is particularly so toward the latter part of the year, when the oil surplus is expected to grow. Clearly, the risk to this view is OPEC+ reversing policy once again. We'd have to see members who've consistently produced at above target levels start adhering to their targets. Kazakhstan is reportedly considering its options to meet targets. Our oil balance assumes OPEC+ continues with aggressive supply hikes through the third quarter, in line with increases announced for May and June.

American Petroleum Institute numbers, released overnight, were fairly constructive. US crude inventories fell by 4.49m barrels over the last week, while stocks at the West Texas Intermediate (WTI) delivery hub, Cushing, fell by 854k barrels. For refined products, gasoline inventories fell by 1.97m barrels. Distillate stocks grew by 2.24m barrels.

European natural gas prices displayed plenty of strength yesterday. The Title Transfer Facility (TTF) rallied 5.5%, its largest daily increase since mid-March. The move was driven by the EU's plan to phase out Russian gas imports by the end of 2027. This includes phasing out long-term gas contracts by the end of 2027. More importantly, the plan includes banning all new contracts and ending existing spot contracts by the end of 2025. The EU believes these measures will cut Russian gas flows to the EU by one-third by the end of the year. Further details are expected next month.

Meanwhile, reports that power flows to the Freeport LNG export terminal in the US stopped suggest a production disruption at the 20bcm export plant. This could provide some further support to European gas prices in the immediate term, depending on the duration of the outage.

Agriculture– CONAB raises coffee production estimates

Brazil's agriculture agency, CONAB, raised its coffee production estimates for 2025/26 as favourable weather conditions improved yields. In its latest survey, CONAB estimates total coffee production in Brazil will rise 2.7% year on year to 55.7m bags in 2025/26, above a previous estimate of 51.8m. The agency increased its Arabica coffee production projections to 37m bags, compared to its previous forecast of 34.7m. This was still 6.6% below last season's output. Similarly, Robusta coffee production estimates rose from 17.1m bags previously to 18.7m bags (+28% YoY). Despite the upward revision in output, Arabica futures still edged higher yesterday.

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