

The Commodities Feed: US dollar weakness provides a boost

US dollar weakness and rising geopolitical risks provided a boost to most commodities. However, trade tensions remain a demand concern



Energy- Oil bounces

The oil market surged higher yesterday, with ICE Brent hitting US\$65.76/bbl at one stage, as USD weakness, rising geopolitical risks and possibly a supply hike from OPEC+ that fell short of expectations all provided a boost. The strength continued into early morning trading today.

The move higher in flat price has been accompanied by a strengthening in the prompt ICE Brent time spread. It's trading at a backwardation of more than US\$0.70/bbl, up from a little over the US\$0.30/bbl level in early May. The spot oil market is still relatively tight. Demand is set to pick up as we move into the summer months, suggesting prices are likely to remain relatively well supported. However, the market is likely to shift into a large surplus from the fourth quarter onwards. This should put renewed downward pressure on oil prices later in the year.

Meanwhile, ongoing wildfires in Alberta, Canada, are offering further support to the market in the short run. Roughly 350k b/d of oil production is being shut down, which is around 7% of total Canadian oil production. West Canada Select's (WCS) discount to West Texas Intermediate (WTI)

has narrowed over the last couple of weeks. Continued shut-ins due to fires should provide further support to the WCS-WTI spread.

Metals – Gold jumps amid renewed trade concerns

Gold prices jumped Monday as renewed trade concerns and heightened geopolitical tensions supported the metal's haven appeal. Prices rose 2.8% to trade above \$3,380/oz on Monday after slumping 2% last week. China accuses the US of violating the recent trade agreement, after President Trump made similar accusations last week. Trump also announced plans to double tariffs on steel and aluminium to 50%. Canada and the EU warn they would retaliate.

Gold has also been supported by rising geopolitical tensions after Ukraine staged a series of strikes across Russia, and Russia launched one of its biggest drone and missile attacks against Kyiv. A second round of peace talks in Istanbul on Monday failed to strike a deal to end the war. All of this is reinforcing gold's haven appeal.

Agriculture – Robusta eases on supply optimism

Robusta coffee extended its declines, falling for a fifth consecutive day. It traded down to its lowest level since November 2024, as expectations of improving harvests in Brazil and Indonesia boost the overall supply outlook. Brazil's robusta crop is expected to be in line with the previous year's level, while dry weather should accelerate the harvest in the coming weeks.

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