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COMMODITIES DAILY

The Commodities Feed: US dollar weakness provides some support

A weaker US dollar provided some support to the commodities complex yesterday. However, markets remain sensitive to external developments



Energy – EIA reduces oil surplus estimates

Despite the ongoing uncertainty in global markets, oil prices managed to settle higher yesterday, supported by the weaker USD. Even so, ICE Brent continues to trade below US\$70/bbl and prices will likely remain sensitive to external developments. The oil market seems to be largely ignoring Ukraine agreeing to a US-brokered ceasefire. There is still uncertainty over where Russia stands on the proposed agreement.

Numbers overnight from the American Petroleum Institute (API) were fairly bearish. US crude oil inventories increased by 4.2m barrels over the last week, well above the roughly 2m barrel build the market expected. Draws in Cushing crude oil inventories and gasoline stocks offset some of the bearishness, falling 1.2m barrels and 4.6m barrels, respectively. Meanwhile, distillate stocks grew by 400k barrels.

U.S. Energy Information Administration's (EIA) latest Short-Term Energy Outlook showed that surplus expectations for the market over 2025 and 2026 were reduced thanks to sanctions. The EIA now expects the global market to be in a 100k b/d surplus in 2025, compared to a

previous forecast for a surplus of 500k b/d. In 2026, the EIA cut its surplus forecast from 1m b/d to 500k b/d. US crude oil production estimates were increased marginally for both 2025 and 2026, despite the more recent weakness seen in West Texas Intermediate (WTI) crude.

European natural gas prices rose yesterday with TTF Natural Gas Futures (TTF) settling almost 3.6% higher on the day. Colder weather is forecast in Northwest Europe over the coming days, which should support demand. In addition, increased attacks between Russia and Ukraine may provide further support to the market. The market is eagerly watching how ceasefire talks evolve. EU gas storage is a little under 36% full, down from 61% at the same stage last year and below the 5-year average of 47% full.

Metals – Back and forth on tariffs

President Donald Trump threatened to increase steel and aluminium tariffs on Canada to 50% in retaliation to Ontario's move to raise taxes on electricity exports to the US, a sign of trade war escalation. However, Trump backed down fairly quickly after Ontario dropped its electricity surcharge.

Broader tariffs of 25% come into effect today for aluminium and steel imports. Aluminium is likely to be most impacted with the US importing significant volumes of its aluminium from abroad. Canada is the main source of aluminium for US industry, accounting for 58% of imports, US government figures show.

Canada supplies about 23% of steel imports into the US. Tariffs have seen the US Midwest aluminium premium surge; it's up more than 75% since the beginning of the year. More price rises are likely in the near term.

Agriculture – USDA projects larger wheat stocks

In its latest monthly World Agricultural Supply and Demand Estimates (WASDE) report, the USDA left its domestic corn balance sheet unchanged for 2024/25. It left US ending stocks at 1,540m bushels; the market was expecting a number closer to 1,520m bushels. As for the global balance, the USDA revised downward ending stock estimates from 290.3mt to 288.9mt. The market was anticipating a number closer to 290mt.

For soybeans, the USDA kept its 2024/25 domestic ending stocks estimate unchanged at 380m bushels, in line with market expectations. For the global balance, ending stocks were revised downward by 2.9mt to 121.4mt due to higher consumption. The market was expecting ending stocks of a little over 124mt.

Changes to the wheat balance were relatively more bearish. The USDA increased its 2024/25 US ending stocks estimate from 794m bushels to 819m bushels, largely driven by reduced

export estimates for the season. The global wheat balance also saw ending stocks revised higher --increasing from 257.6mt to 260.1mt. The market was expecting a largely unchanged number.

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