

Tight Supply, Strong Dollar, and Fading

15th February 2026

Risk Premiums

- **Sawing through the noise:** Lumber futures continue to hold above \$595 per thousand board feet, rebounding from a significant dip in early January where tightening supply met a steadily increasing seasonal demand.
- **Safeguarded integration:** The EU and Mercosur are nearing the end of their 25-year negotiation on liberalizing trade between the 2 blocs. The EU introduces additional safeguards to protect its farmers who are at risk from potential price and import pressures
- **Cracks in metal heights:** Precious metals market experienced sharp correction of the prices of Gold, Silver, Platinum and Palladium as a response to strengthening a dollar.
- **Decrease in crude oil and natural gas prices:** Energy markers experienced a decrease in prices

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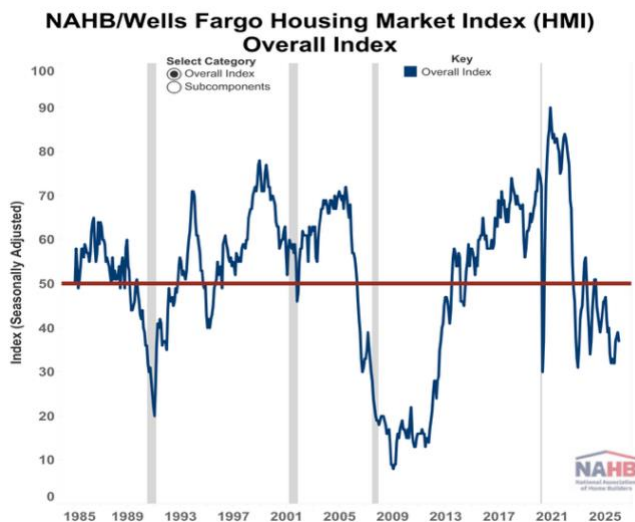
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Lumber futures continue to hold above \$595 per thousand board feet after rebounding from an early January dip, as tightening supply met seasonal demand. Looking at the fundamentals of price formation on the demand side, we largely consider North American housing construction; lumber consumption is highly elastic to new housing projects, renovation activity and mortgage conditions. Therefore, changes in interest rates impact futures prices directly through reducing forward demand expectations. The NAHB/Wells Fargo Housing Market Index (HMI) revealed that current sales conditions declined one point to 41 points, similarly, sales expectations and traffic of prospective buyers fell in January 2026.¹

This outlook is relatively bearish, however, as seasonal demand indicates thin supply cushions and near-term orders rising, increasing the short-term convenience yield and challenging long-term contango expectations tied to the housing cycle. Despite the weak structural outlook, distributors may rebuild inventories and hedge short-term price risk thereby producing upward pressure on futures.

Supply has tightened not through realized production declines, but through mill curtailments, closures, slower trade flows, and reduced shipments into key consuming regions.²

Taken together, the evidence points to a lumber market in which near-term pricing will likely remain governed by supply tightness rather than structural demand strength. Curtailments in mill output, fibre availability constraints, trade frictions, and thin inventories have reduced short-run supply elasticity and elevated the marginal value of physical stocks, implying continued sensitivity of prices to incremental demand or seasonal restocking. Over a longer horizon, however, if weak construction demand persists while supply conditions normalize, equilibrium pressure would shift toward lower price levels.



¹ NAHB/Wells Fargo Housing Market Index January 2026, <https://www.nahb.org/news-and-economics/housing-economics/indices/housing-market-index>
PC reports · Global Equity Strategy

² TradingView, <https://tradingeconomics.com/commodity/lumber/news/525050>

Figure 2. CME Lumber Futures (USD per Thousand Board Feet), Seasonal Comparison



Source: Seasonality Analysis Lumber, Factset

On Tuesday 10 February, MEPs of the European Parliament voted on adding additional safeguard clauses to the proposed European Union–Mercosur trade deal.³ The EU–Mercosur agreement has been under negotiation for the past 25 years, seeking to liberalize trade between farmers and food producers in both economic blocs. However, EU farmers and food producers have expressed concern, as the agreement allows tariff-rate quotas for products such as beef, poultry and sugar from Mercosur countries.^{4 5}

Although these quotas represent a relatively small share of total EU production, producers fear that lower production costs in countries such as Brazil and Argentina could place downward pressure on domestic prices and margins. The backing of additional safeguards is therefore significant for the agricultural commodity market of the EU. The safeguard would allow the EU to suspend preferential tariff agreement if import volumes exceed the three-year average by 5% or if import prices fall 5% below domestic levels. Furthermore, an investigation may be requested by any member state or a person/association representing the industry in the event of a threat of considerable loss to the industry concerned.

The implication of the new safeguard has caused no substantial change in the spot rate of agricultural goods in the EU namely beef, poultry and sugar.

³ Mercosur: Parliament approves safeguard clauses to protect EU agriculture

<https://www.europarl.europa.eu/news/en/press-room/20260205IPR33618/merc-sur-parliament-approves-safeguard-clauses-to-protect-eu-agriculture>

⁴ Factsheet: EU-Mercosur partnership agreement - Opening opportunities for European farmers

https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/merc-sur/eu-merc-sur-agreement/factsheet-eu-merc-sur-partnership-agreement-opening-opportunities-european-farmers_en?prefLang=hr&utm_source=chatgpt.com

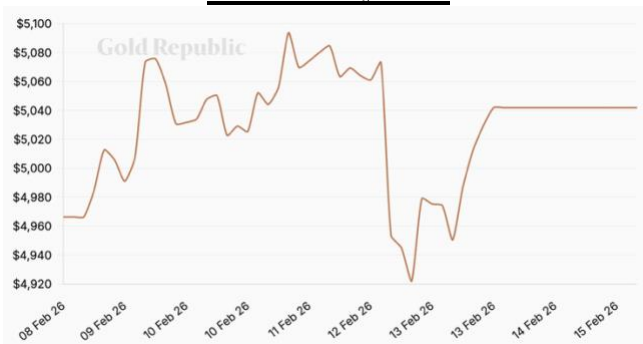
⁵ 5 things to make sense of the EU-Mercosur deal

<https://www.theparliamentmagazine.eu/news/article/5-things-to-make-sense-of-the-eu-merc-sur-deal>

The main changes are most probably to occur in the long run as the safeguard reduces the perceived risk of sudden import surges and signals furthermore that the EU is ready to intervene if a considerable loss in a market occurs. Overall, the path toward closer trade integration appears clearer, as strengthened safeguards reduce immediate concerns for EU producers.

Throughout last week the prices of all the precious metals such as gold, silver, platinum and palladium were fluctuating with the main impulse of new macroeconomic data from the United States⁶. After the weekend of February 8, quotations of all four metals were relatively stable. But during the next days there was a significant decline in value. Gold dropped 2.5%⁷ under the key level of 5000 USD per ounce and Silver plummeted almost 10% to \$75.78 per ounce as a reaction to stronger than expected US labour market data, which reduced the likelihood of a rapid interest rate cut by the Federal Reserve and strengthened the US dollar. Platinum and Palladium also decreased in value (Platinum 5.6%), even though their moves were more moderate and partly recovered their losses at the end of the week. As result, the dynamic upward trend in precious metals market was interrupted and the market entered a correction phase.

Figure 3. Gold Spot Price (USD per Ounce), 8-15 February 2026



Price of Gold 08.02.2026. -13.02.2026

Source: GoldRepublic.com

Between 8th of February 2026 and 13 of February 2026 Brent Crude oil (European benchmark) and

⁶ https://www.reuters.com/business/gold-silver-climb-us-yields-fall-softer-retail-sales-2026-02-11/?utm_source=chatgpt.com

⁷ <https://economictimes.indiatimes.com/news/international/us/what-happened-to-gold-silver-platinum-and-copper-today-why-are-precious-metal-prices-crashing-sharply-today-gold-silver-platinum-and-copper-price-plunge-is-this-the-end-of-the-bull-run-for-metals/articleshow/128271333.cms?from=mdr>

WTI (American benchmark) experienced a decrease in price, in both spot and futures markets. According to Irina Slav, the decline was driven by fading fears of U.S.-Iran escalation. This reduces the geopolitical risk premium.⁸ However, the attack by Ukrainian drones on Kazakh oil tankers had no effect on the spot price of Brent oil, despite it leading to a decrease in supply of crude oil in Europe⁹. The spot price of natural gas showed a gradual recovery, while LNG prices remained stable.

⁸ Irina Slav, 13.02.2026, OilPrice Dorit com, <https://oilprice.com/Energy/Oil-Prices/Oil-Prices-Tumble-Toward-Second-Consecutive-Weekly-Loss.html>

⁹ Reuters, 13.02.2026, <https://www.reuters.com/world/asia-pacific/two-oil-tankers-roads-cpc-terminal-hit-by-drones-tuesday-sources-say-2026-01-13/>

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