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COMMODITIES DAILY UNITED STATES

The Commodities Feed: Brent remains above \$100/bbl as Iran conflict develops

US strikes on Iran's Kharg Island raise further supply risks. For now, though, energy infrastructure on the island remains untouched



Energy- Emergency oil releases start

Oil prices opened stronger this morning, with ICE Brent trading as high as \$106.50/bbl. US strikes over the weekend on Kharg Island raised supply concerns, as most of Iran's oil exports pass through it. However, strikes appear to have targeted military infrastructure rather than energy infrastructure. It still poses supply risks, particularly given that Iranian oil is about the only oil moving through the Strait of Hormuz. Targeting Iranian oil infrastructure only increases the risk that Iran will further target regional energy infrastructure. This would potentially prolong the recovery of oil flows, even if the Strait of Hormuz reopens.

In the UAE, loading operations at Fujairah port were suspended following a drone attack on Saturday. The port is outside the Strait of Hormuz, so any disruption to oil loadings would lead to further market tightening. There are reports that operations have already resumed.

The International Energy Agency released further details of the record 400m barrels coordinated release from emergency stockpiles. Firstly, the total volumes to be made available are just shy of 412m barrels. Secondly, member countries in Asia will make oil available immediately, while the Americas and Europe will only become available from the end of March. The urgency of releasing volumes in Asia makes sense; the region is more reliant on oil flows through the Strait of Hormuz. Yet Asia's share of the coordinated release is only 26%. So,

the market will have to wait a bit longer for more meaningful volumes to come through from Europe and the Americas.

Regarding the 172m barrels the US will release, the Department of Energy clarified that they will be structured as an exchange rather than an outright sale. Buyers would have to return barrels to the Strategic Petroleum Reserve (SPR) at a later date, adding interest/premium for the barrels. Structuring the release as an exchange likely reflects US concerns about refilling the SPR further down the road, had it been an outright sale. An exchange adds another layer of complexity for recipients of SPR volumes, as they must return barrels.

The latest positioning data shows that speculators increased their net long in ICE Brent by 65,438 lots over the last reporting week to 351,032 lots as of last Tuesday. The largest net long held since February 2020. The move was driven primarily by fresh longs entering the market, with gross longs increasing by 41,854 lots week-on-week. Positioning moves in NYMEX WTI were more modest, with speculators increasing their net long by 27,998 lots over the week to 136,419 lots.

Metals - Alba begins phased shutdown

Aluminium Bahrain (Alba) has initiated a phased production shutdown, citing ongoing supply and transit disruptions stemming from the closure of the Strait of Hormuz. The company said it shut three production lines, equivalent to around 19% of its 1.6milliontonneperyear capacity, to conserve rawmaterial inventories and stabilise operations.

The curtailment highlights mounting strain on Middle East aluminium supply chains, with shipping disruptions constraining both metal exports and alumina feedstock flows. Coming after Alba's force majeure declaration earlier this month, and alongside outages elsewhere in the region, the move reinforces tight physical conditions.

The shutdown reinforces our view that aluminium remains structurally tight, with limited buffers to absorb supply shocks. Beyond supporting outright prices, it should keep regional premiums elevated. This is particularly true in Europe, where low inventories and ongoing stock withdrawals indicate persistent physical tightness. As long as Hormuz-related disruptions persist, any price pullbacks are likely to be shallow, with tight spot availability continuing to underpin both prices and premia.

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