The Commodities Feed: Bullish EIA release pushes oil higher

It was a choppy trading session for oil yesterday. Yet constructive numbers from the US Energy Information Administration ensured the market ended higher. LME copper prices also hit fresh record highs

Energy – Bullish EIA inventory numbers

The oil market had a choppy session yesterday, still trying to digest the impact of Russian sanctions amid an increasingly comfortable balance as we head into 2026. However, a set of bullish numbers from the US Energy Information Administration's (EIA) weekly inventory report ensured crude oil prices closed higher, with Brent settling 0.81% higher on the day.

The EIA reported that US crude oil inventories fell by 6.86m barrels over the last week. It was driven by the Gulf Coast, where crude inventories declined by just shy of 10m barrels. Lower imports were behind the inventory draw, with total crude imports falling 867k b/d week-on-week to the lowest level since February 2021, while Gulf Coast imports hit a record low. Refined product numbers were also bullish. Gasoline and distillate stocks fell by 5.94m barrels and 3.36m barrels, respectively. The decline in gasoline inventories occurred despite exports falling 363k b/d. Stronger domestic demand provided support, with implied gasoline demand increasing 470k b/d WoW, while refiners also reduced their utilisation rates by 2 percentage points to 86.6%.

Looking ahead, plenty of attention will be on today's talks between President Trump and President Xi. The market will also be watching this weekend's OPEC+ meeting, where the group will likely announce another 137k b/d supply hike for December.

Away from oil, the latest positioning data shows that investment funds cut their net long in Title Transfer Facility (TTF) natural gas by 14.3TWh over the last reporting week to 46.2TWh – a move driven largely by fresh shorts entering the market. European natural gas prices continue to trade in a largely range-bound manner as we head further into the heating season, despite EU storage standing at just under 83% full. This is below the 5-year average of 92% and is slowly drawing. Meanwhile, investment funds marginally cut their net long in EU allowances by 821 contracts to 93,894, a marginal decline, but it's the first week of fund selling this month.

Metals – Copper hits record high

Copper hit a record on the LME yesterday, topping its previous high of $11,104.50/t set in May 2024. A supportive macro backdrop, falling US dollar, rate cuts and low inventories have lifted industrial metals prices recently.

Copper is the standout performer in the base metals complex, with prices up more than 25% year-to-date, and on track for its best year since 2017. Copper is rallying due to mounting supply disruptions, most recently Freeport's declaration of force majeure at its giant Grasberg mine in Indonesia, and the wider risk-on mood ahead of the Trump-Xi meeting. The outlook for copper is starting to look brighter with balances tightening for both 2025 and 2026 amid supply challenges and rising trade optimism.

However, the risk of demand destruction shouldn't be ignored, as Chinese buyers show signs of price sensitivity, which could put a ceiling on copper's upside. The Yangshan premium, paid by traders for imported metal and a key indicator of physical demand in China, remains in focus. For now, it hovers around $35/t after slumping more than 20% since late September, down from year-to-date highs above $100/t in May.

Agriculture– Sugar under pressure with Indian export talk

Sugar prices have continued to come under pressure, with No.11 trading down to its lowest level since December 2020 at one stage yesterday. The Indian Sugar and Bio-energy Manufacturers Association (ISMA) revised higher its estimates of gross sugar output (excluding sugar diverted for ethanol production) to around 31.5mt for the 2025/26 season compared to its previous forecast of 30mt. Favourable weather conditions in key growing regions boosted plant growth and were primarily responsible for the higher output estimates. Sugar allocation for ethanol production could fall to 3.4mt, compared with an earlier estimate of 5mt, as oil refiners scale back purchases of biofuel. The association requests that the government allow the export of 2mt of sugar for the 2025/26 season. In addition, the global market is expected to be in large surplus through the 2025/26 season. Clearly, prices need to remain under pressure to push mills in Brazil to allocate more cane to ethanol production to help resolve the large surplus expected for the 2026/27 CS Brazil crop.

Market reports indicate that China has purchased three US soybean cargoes this week, totaling approximately 180kt of soybeans to be delivered in December and January. China's return to the US soybean market ahead of the Trump-Xi meeting indicates positive market sentiment. Yet the scale of purchases remains relatively modest for now. This could keep traders cautious until the deal details are known. The market is also in the dark about official data. The usual weekly export sales data from the USDA has been delayed by the US government shutdown.

Author

Warren Patterson
Head of Commodities Strategy
Warren.Patterson@ing.com

Ewa Manthey
Commodities Strategist
ewa.manthey@ing.com