The Commodities Feed: Further US-Iran talks set for this week

Oil prices remain well supported as we head into another round of nuclear talks between the US and Iran

Energy – Some OPEC+ members keen to increase output

While oil prices edged higher on Friday, helped by a lower-than-expected US CPI print, ICE Brent still settled down week-on-week. However, there is still a large risk premium priced into the market given the uncertainty over how the situation between the US and Iran evolves. Comments from President Trump at the end of last week, saying that regime change would be best for Iran, will likely not ease concerns.

These comments come ahead of further US/Iran talks scheduled in Geneva for Tuesday. Meanwhile, the US will also be leading the Russia/Ukraine talks starting the same day in Geneva. A tone which is more de-escalatory should see the market start pricing in a smaller risk premium, which would allow more bearish oil fundamentals to take centre stage, driving oil prices lower.

There is growing noise around what OPEC+ may decide for April production levels when they meet on 1 March. The group had suspended supply increases in the first quarter of this year due to seasonality. However, with our balance sheet continuing to show a large surplus in the second quarter, there is no need for the group to bring additional supply onto the market from April.

Despite this, some OPEC+ members reportedly believe that the market can cope with additional supply increases. In our balance sheet, we are not assuming further increases from the group, so clearly, if further supply is brought onto the market, it will only lead to our surplus expectations growing.

There were only minor changes in speculative positioning over the week in ICE Brent. Speculators increased their net long by 2,813 lots to 281,062 lots as of last Tuesday. Lingering supply uncertainty when it comes to Iran, as well as Russian oil flows, has left speculators reluctant to sell the market.

Metals – US aluminium tariff rollback talk brings little relief

Reports that the US administration is considering rolling back part of its aluminium tariff regime did little to shift market sentiment. Any changes under discussion appear focused on derivative products rather than primary aluminium, meaning the core 50% levy stays in place. As a result, none of the structural pressures in the US market ease – domestic smelting capacity remains limited, dependence on Canadian supply unchanged, and the Midwest premium elevated after last year's tariff hike.

Tariffs have already reshaped US trade flows, pushing primary metals away from the US and boosting scrap inflows, while some Canadian metal has been diverted to Europe. Even if derivative levies are eased, the current market dynamics won't change much. And with exchange inventories effectively at zero, ongoing destocking and reports of large Q2 spot inquiries emerging, the physical market remains severely constrained.

Any rollback limited to derivatives wouldn't feed through to LME pricing and would have only a modest impact on the Midwest premium. The broader picture is unchanged – global aluminium supply remains tight, inventories thin, speculative positioning elevated, and regional markets increasingly fragmented by policy risk.

Agriculture – Wheat falls on bumper output estimates

CBOT wheat prices came under pressure last week, with prices settling 1.8% lower on Friday, after India announced it would allow controlled wheat exports. There are reports that India, the second-largest wheat producer, approved exports of 2.5mt of wheat along with an additional 500kt of wheat products (wheat flour and semolina) following more than three years of export curbs. Additionally, improved crop estimates from Russia, Australia and France for the season have added further pressure on prices.

Recent numbers from France's Agriculture Ministry show that 91% of the soft-wheat crop is rated in good to excellent condition as of 9 February, above 89% in the previous week and 73% in the same period last year. In contrast, 87% of durum wheat is rated in good to excellent condition, below the 93% seen the previous week but above 84% at the same stage last year.

The latest CFTC data shows that money managers decreased their net short in CBOT corn by 20,567 lots to 48,210 lots as of 10 February. In contrast, speculators increased their net short in wheat by 3,900 lots to 85,655 lots. For soybeans, the net speculative long rose by 94,316 lots to 123,148 lots. This move was driven by both fresh longs entering the market and short covering amid expectations that China will boost purchases of US soybeans this season.

Positioning data in softs was more bearish. Speculators sold 24,415 lots of No.11 raw sugar to leave them with a net short of 211,789 lots – the largest short position held since 2019 – on the back of expectations of a large sugar surplus in the 2025/26 season. Meanwhile, despite the significant downward pressure we continue to see in cocoa prices, with London cocoa down almost 16% last week, the net short in London cocoa has not moved much over the last reporting week – speculators sold just 489 lots, leaving them with a net short of 24,468 lots.

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