The Commodities Feed: Geopolitical tensions keep oil supported

Oil prices extended last week's gains this morning following the latest attacks by Ukraine on refineries and ports in Russia

Energy – Robust oil demand from China

The oil market rose for a second straight session in the early trading session today, following claims by Ukraine that recent drone attacks affected Russia's two key oil hubs in the Baltic Sea. Recent reports suggest that the latest strikes temporarily suspended crude operations at Primorsk port, Russia's largest oil-loading port, at the end of last week. Meanwhile, there are suggestions that three pumping stations pushing crude to Ust-Luga were also targeted.

Chinese data released this morning shows refiners processed almost 15m b/d of crude oil in August, up 7.6% year-on-year, following robust imports and higher domestic production. In addition, apparent oil demand in the country rose to 14.53m b/d last month, up 4.9% YoY.

Meanwhile, the recent Baker Hughes data shows that oil drilling activity in the US expanded for a third week straight, as crude oil prices recovered amid growing geopolitical risks. The number of active oil rigs in the US rose by two over the last week, leaving the total number of oil rigs at 416, the highest level seen since mid-July.

The latest positioning data shows that NYMEX WTI saw aggressive speculative selling, with managed money net longs declining by 14,630 lots to 12,657 lots in the week ending 9 September. This is the least bullish position on record that speculators have held in WTI since June 2006. Similarly, speculators reduced their net long in ICE Brent by 41,476 lots to 209,578 lots over the reporting week. The move largely follows OPEC+'s latest decision to boost its oil production, along with the IEA's latest projection for a record oil surplus for the next year

Metals – China's steel output falls

The National Bureau of Statistics (NBS) numbers released this morning show that China's primary aluminium production fell marginally by 0.5% YoY to 3.8mt in August. However, cumulative production rose 2.2% YoY to 30.1mt over the first eight months of the year, due to new project additions in the country and a high-capacity utilisation rate.

In other metals, monthly crude steel production fell 0.7% YoY for a fourth straight month to 77.4mt last month, as mills have been reducing output since May to improve margins. On a year-to-date basis, crude steel production totalled 671.8mt for the first eight months, down 2.8% YoY. At the end of last month, China announced plans to cut steel production and curb new capacity between 2025 and 2026. The country would achieve annual steel output cuts by forcing the closure of outdated and inefficient furnaces and supporting the development of advanced enterprises.

The latest positioning data from the CFTC shows that speculators increased their longs of COMEX copper by 3,320 lots for a fifth consecutive week to 37,971 lots as of 9 September, the highest since 1 October 2024. The move was largely driven by rising gross longs by 3,365 lots to 49,808 lots over the reporting week. In precious metals, managed money net longs in COMEX gold decreased by 2,445 lots after reporting gains for two straight weeks to 166,417 lots over the reporting week. Similarly, speculators decreased the net longs of silver by 3,254 lots after reporting gains for three consecutive weeks to 37,768 lots as of Tuesday.

Meanwhile, recent Shanghai Futures Exchange (SHFE) data shows that weekly inventories for most of the base metals rose over the reporting week. Copper stocks rose by 12,203 tonnes for a second consecutive week to 94,054 tonnes as of last Friday, the highest since the week ending on 20 June 2025. Meanwhile, zinc stocks rose for an eleventh straight week, increasing by 7,617 tonnes (+8.8% week-on-week) to 94,649 tonnes (the highest since 9 August 2024) at the end of last week. Aluminium and nickel inventories also rose by 3.6% WoW and 1.9% WoW over the week. In contrast, lead inventories fell by just 273 tonnes (-0.4% WoW) to 66,561 tonnes.

Agriculture – USDA increases domestic corn production estimates

In its latest monthly WASDE report, the USDA revised up its 2025/26 corn production estimates by 72m bushels to 16.8bn bushels on higher acreage; the market was expecting production estimates of around 16.5bn bushels. If realised, this would mark the highest output since 1933.

Meanwhile, export estimates were revised up from 2,875m bushels to a record of 2,975m bushels. 2025/26 ending stock estimates were lowered by 7m bushels to 2,110m bushels because of higher exports. The market was expecting a number closer to 2,013m bushels. For the global market, the USDA expects 2025/26 corn production to fall marginally to 1,286.6mt this season, down from the earlier estimate of 1,288.6mt. Supply losses from the EU (-2.7mt) and Russia (-0.9mt) offset supply gains from the US. The agency lowered its global corn ending stocks estimates by 1.1mt to 281.4mt at the end of 2025/26 on lower production numbers. The market was expecting a number closer to 282.1mt.

The USDA also increased US soybean production estimates by 9m bushels to 4,301m bushels for 2025/26. This was higher than market expectations of 4,262m bushels. The agency further raised the consumption estimates by 19m bushels to 2,666m bushels, while export projections decreased by 20m bushels to 1,685m bushels for the 2025/26 season. With exports falling, ending stocks estimates were revised up by 10m bushels to 300m bushels. The market was expecting a number closer to 287m bushels.

For the global markets, the USDA revised down the 2025/26 global inventory estimates from 124.9mt to 124mt. This was also lower than the average market expectation of 125.1mt. Global soybean production estimates were reduced by 0.5mt to 425.9mt. The agency also reduced global demand and beginning stock estimates to 423.9mt (-1.2mt) and 123.6mt (-0.9mt), respectively.

For the US market, the USDA decreased its estimates for US wheat inventory at the end of 2025/26 to 844m bushels compared to earlier estimates of 869m bushels, and lower than the market expectations of 863m bushels. The inventory estimates were revised lower largely on account of increasing exports, with estimates rising by 25m bushels to 900m bushels. Meanwhile, the production and consumption estimates were left unchanged at 1,927m bushels and 1,154m bushels, respectively, for the year.

Looking at the global market, the USDA revised up both production and demand estimates to 816.2mt (vs 806.9mt) and 814.6mt (vs 809.5mt) respectively. The inventory estimates for wheat increased from 260.1mt to 264.1mt at the end of 2025/26, higher than the market expectation of around 261.1mt, primarily on account of higher supplies.

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